

# The EU in the South Caucasus

Navigating a geopolitical labyrinth  
in turmoil

Bob Deen  
Wouter Zweers  
Camille Linder

**Clingendael Report**



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**March 2023**

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# Executive summary

Russia's invasion of Ukraine in February 2022 and the broader geopolitical confrontation that ensued has sent shockwaves through the wider Eurasian region, including the South Caucasus. It has intensified tensions and trends that were already present. It particularly eroded Russia's influence as a regional power and thereby created a certain vacuum that others – including the European Union – are eager to fill. The EU thus finds itself entangled in a geopolitical web of old alliances and rivalries, shifting allegiances and geopolitical tensions imported from elsewhere in the world. This study looks at how the EU can manifest its geopolitical ambitions in a strategically important and changing region that is an integral part of the European neighbourhood. It particularly looks at how the EU can contribute effectively to the resolution of several of the protracted conflicts that have troubled the region for decades.

This report first disentangles the geopolitical Gordian Knot of the South Caucasus by mapping the geopolitical dynamics, grouping them in five clusters and assessing how they changed after '24/2'. The first set are the traditional regional rivalries between Russia, Turkey and Iran and the way they relate to the three South Caucasus states themselves (also known as the '3+3'). The hostile relations and armed conflict between Armenia and Azerbaijan are central to these regional dynamics, with Turkey trying to leverage its strong links with Azerbaijan to increase its presence in the region while also tentatively exploring a modest "normalization" of relations with Armenia. Russia is increasingly defaulting on its security commitments to Armenia and prioritizes good relations with Azerbaijan. Iran and Russia are also increasingly building a pragmatic security partnership based on common antagonism towards the West. The second set of dynamics is the long-standing competition between the West and Russia over influence in Georgia. While it would be amiss to see Georgia as becoming more 'pro-Russian', its government certainly appears to become less pro-Western.

In addition to these two long-standing but changing sets of rivalries, the South Caucasus is also importing geopolitical tensions from two other regions: the Middle East and South Asia. Israel is building relations with Azerbaijan to contain the regional influence of Iran, while tensions between Baku and Tehran are increasing. Iran and Armenia thereby also share an interest in countering

Azerbaijan's ambitions. Armenia, in its quest for alternatives to its dependence on Russian armaments, is increasingly reaching out to India while Azerbaijan maintains strong relations with India's regional rival Pakistan. And finally, China – which has traditionally remained politically aloof from the South Caucasus – is increasingly interested in using the 'Middle Corridor' through Azerbaijan and Georgia to Europe to circumvent both the land route through Russia and the longer sea route. All these dynamics are difficult to encapsulate in a brief text and remain subject to further change, such as improved relations between Armenia and Turkey due to 'earthquake diplomacy'. Therefore, the report also includes [an interactive geopolitical mapping tool](#) where the reader can further explore the different bilateral relationships.

If the EU is to assert itself as a 'geopolitical actor' in this complex neighbourhood, it must first clearly decide what its key interests actually are. This report identifies four parallel objectives that the EU pursues in the South Caucasus. There are 1) to export European values on good governance, democracy and human rights, 2) to promote stability and security, 3) to expand economic relations and secure energy and trade interests, and 4) to contain and even push back Russian influence. Problematically, we struggle to find an overall strategy in the EU's application of these sometimes conflicting policy goals. The EU appears to be caught up in a reactive, short-term and ad-hoc modus operandi. To ensure that its investments of financial and political capital are successful, the EU should develop and implement a more holistic and strategic vision, both for the region and for its relations with the individual countries.

In Georgia, the EU efforts to promote democratisation and European integration are facing obstacles. Georgian experts and politicians largely disagree with the EU's decision to grant Georgia a lesser status than Ukraine or Moldova. However, the report finds that there was a good case for the EU's July 2022 decision not to grant full candidate status, both for the credibility of the EU and to maintain pressure on the Georgian government to reform. Political polarisation in Georgia has become a major impediment for the country's political functioning and EU integration. The EU – and Charles Michel personally – has been heavily involved but an EU-brokered deal broke down soon after it was agreed upon in 2021. For the time being it may be better for the EU to leave Georgian political actors to demonstrate their seriousness and their will to resolve the issue, as well as to move forward while building on the Commission's requirements for acquiring EU candidate status.

When it comes to Abkhazia and South Ossetia, the prospects for conflict resolution remain low. While the Georgian government equates the two regions to Russian-occupied regions in Ukraine, the nature and origins of the conflicts are starkly different. Russia has had to withdraw some troops from both regions to fight in Ukraine, but Moscow retains enough leverage to prevent the regions from opening up to the West and Georgia. The EU can make a modest difference by offering travelling and education opportunities for especially the Abkhaz and taking measures against the Russification of the regions. The EU should also encourage Georgia to ensure a fair and realistic approach towards conflict resolution.

Perhaps the thorniest and high-profile opportunity for the EU to increase its regional influence is to facilitate a peace agreement between Armenia and Azerbaijan. After 24/2 the EU increasingly finds itself competing directly with Russia. Moscow actively tries to keep the EU out of the process, puts forward peace plans of its own and retains peacekeepers in Nagorno-Karabakh and a strong presence in Armenia, but its credibility as a security provider and its popularity in Armenia have shrivelled. Both Baku and Yerevan are seeing Brussels as a meaningful alternative but are wary of EU partiality influencing its position, either due to commercial interests towards Caspian energy or due to lobbying efforts by pro-Armenian factions in countries such as France. The EU is close to brokering a comprehensive peace agreement, but still faces several sticking points. The first and most complex one concerns the future of Nagorno-Karabakh. While nominally excluding this issue from the bilateral peace treaty, the EU should nonetheless not close its eyes to the fate of the ethnic Armenians. The EU should press Baku to set up an internationally monitored arrangement that meaningfully guarantees the Armenians' security and human rights. The second point is the establishment of a transport connection between Azerbaijan and its exclave Nakhchivan, which is greatly overdue but gives rise to security concerns in Armenia. It is therefore linked to the demarcation of the Armenian-Azerbaijani state border itself and particularly the withdrawal of Azerbaijani troops from sovereign Armenian territory. The EU should deter further Azerbaijani attempts to impose its will on Armenia by force. It is therefore crucial that the EU has eyes and ears on the ground, which makes the recent decision to deploy a civilian EU Mission in Armenia (EUMA) a highly significant move – if it has the mandate and resources it needs to accomplish its tasks.

Finally, the report finds that in the short term the EU has few possibilities to replace Russia as a security and economic actor in Armenia. Despite the Armenians' deeply felt disillusionment with Russia, the Kremlin holds Armenia in a firm grip using its preponderance in the security, energy and media sectors. Russia's always unequal partnership with Armenia is increasingly becoming a straitjacket. The EU should manage Armenian expectations about a 'quick fix' and in the meanwhile play the long game, using the CEPA framework to steadily reduce Armenian dependency on Russia. It should particularly strengthen Armenian democratic institutions to increase the country's resilience to Russian interference.

# List of Acronyms

<b>AA</b>	Association Agreement
<b>ABL</b>	Administrative Border Line
<b>BRI</b>	Belt and Road Initiative
<b>BRICS</b>	BRICS is an acronym for five leading emerging economies: Brazil, Russia, India, China, and South Africa
<b>CBMs</b>	Confidence Building Measures
<b>CEPA</b>	Comprehensive and Enhanced Partnership Agreement
<b>CSDP</b>	Common Security and Defence Policy
<b>CSTO</b>	Collective Security Treaty Organization
<b>DCFTA</b>	Deep and Comprehensive Free Trade Agreement
<b>EaP</b>	Eastern Partnership
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EC</b>	European Commission
<b>ENP</b>	European Neighbourhood Policy
<b>EPC</b>	European Political Community
<b>EU</b>	European Union
<b>EUMA</b>	EU Mission in Armenia
<b>EUMCAP</b>	EU Monitoring Capacity in Armenia
<b>EUMM</b>	EU Monitoring Mission
<b>EUSR</b>	European Special Representative
<b>FSB</b>	Russian Federal Security Service
<b>GD</b>	Georgian Dream (a political party in Georgia)
<b>GID</b>	Geneva International Discussions
<b>GSP</b>	Generalised Scheme of Preferences
<b>HR/VP</b>	High Representative and Vice President of the EU
<b>IEA</b>	International Energy Agency
<b>ICMP</b>	The International Commission on Missing Persons

<b>ICJ</b>	International Court of Justice
<b>INSTC</b>	International North-South Transport Corridor
<b>IPRM</b>	Incident Prevention and Response Mechanism
<b>MBRL</b>	Multi-barrel rocket launcher system
<b>MP</b>	Member of Parliament
<b>NATO</b>	North Atlantic Treaty Organization
<b>OSCE</b>	Organization for Security and Co-operation in Europe
<b>PCAs</b>	Partnership and Cooperation Agreements
<b>SGC</b>	Southern Gas Corridor
<b>SMEs</b>	Small and Medium-Sized Enterprises
<b>SSRs</b>	Socialist Soviet Republics
<b>TANAP</b>	Trans-Anatolian Pipeline
<b>UNM</b>	United National Movement (a political party in Georgia)
<b>US</b>	United States
<b>WTO</b>	World Trade Organisation

### A brief note on toponyms

In the South Caucasus, as in many parts of the world, geographical names are highly contentious. This report uses the most frequently used names that are recognized by most readers, without implying any political preference. It therefore uses 'Stepanakert' instead of the Azerbaijani spelling 'Khankendi', the Azerbaijani name of 'Shusha' instead of the Armenian 'Shushi', the term 'Nagorno-Karabakh' instead of the Armenian term 'Artsakh', the Georgian spelling 'Sukhumi' instead of the Russian spelling 'Sukhum', and it refers to the Tskhinvali region of Georgia as 'South Ossetia'. These choices are only to promote readability and should not be interpreted as a political statement by the researchers.

# Introduction

The tectonic plates of geopolitics are shifting in such a profound way that has not been seen since the end of the Cold War. The Russian invasion of Ukraine on 24 February 2022 has not only increased tensions between the world's major powers, but also severely impacted the regions in which they traditionally strive to project their power. This applies especially to areas in the wider Eurasian region that the Russian Federation unjustifiably considers as part of its sphere of influence, such as the South Caucasus. Russia's failure to achieve a quick and decisive victory in its full-scale invasion of Ukraine has not only forced the Kremlin to limit its objectives on the battlefield, at least for the time being, to Ukraine's east. It has also reduced the credibility of the Russian military that much of its power projection has depended upon – and has reduced its attractiveness as a security partner for countries that have traditionally regarded Russia as such. Russia has had to withdraw some of its troops and military equipment from the South Caucasus, its leadership is preoccupied with Ukraine, and it has not lived up to its security commitments to Armenia. This has contributed to a geopolitical vacuum and uncertainty in the South Caucasus that other actors are eager to exploit.

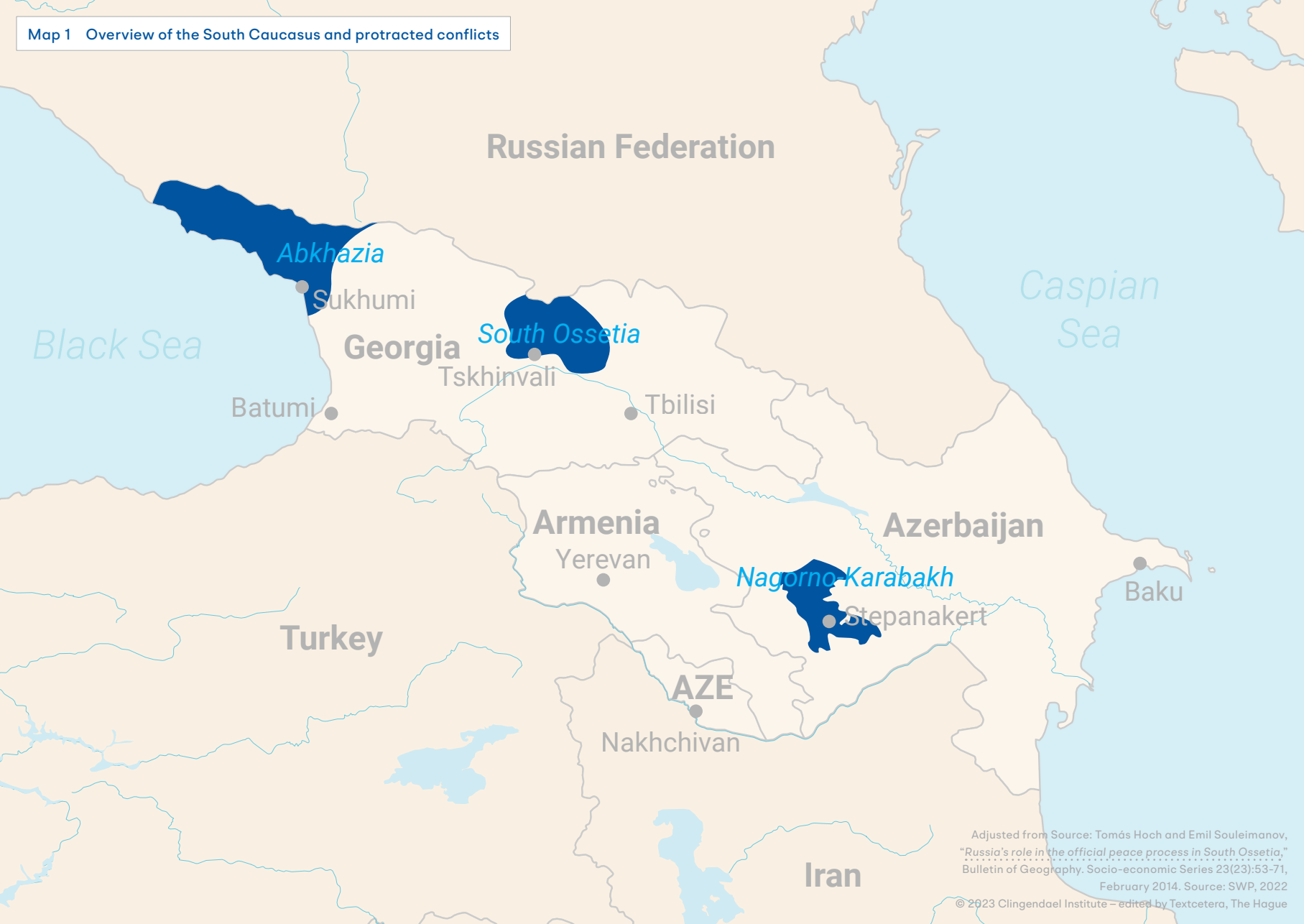
While both Russia and much of the rest of the world were focusing predominantly on Ukraine, in the meanwhile violence has once again flared up between Armenia and Azerbaijan and the situation both on the military and on the diplomatic fronts is changing rapidly. Both the US and the EU have made attempts to increase their leverage in the region at Russia's expense. Most notably the US sent its Speaker of the House Nancy Pelosi to Armenia in September 2022, in the highest-level visit by a US official since Armenia's independence, in order to project US support. The EU has tried to seize the initiative as a facilitator and mediator between Yerevan and Baku and has sent an EU Mission to Armenia, first as a temporary monitoring capacity in October 2022 and in January 2023 with a dedicated field operation despite Azerbaijani objections. In Georgia, where the EU has had such a field presence since 2008 and has mediated in the protracted conflicts over Abkhazia and South Ossetia, it has also recently taken a central role in mediating between the different factions that are dominating Georgia's polarised political landscape, using Georgia's newly obtained status as a potential EU candidate country as political leverage.



The EU's increased level of geopolitical ambition and its desire to expand its influence in the South Caucasus creates a degree of competition with regional powers that have long dominated the region such as Russia, Turkey and Iran. The EU's ability to effectuate change in this complex geopolitical environment is still relatively modest. Nevertheless, the Russian invasion of Ukraine seems to provide momentum for the EU to assert stronger agency towards the protracted conflicts that continue to hinder the development of the countries of the South Caucasus and that undermine stability in the region at large, including not only Nagorno-Karabakh but also Abkhazia and South Ossetia. The EU could thereby make optimal use of the leverage stemming from its bilateral agreements with Georgia and Armenia, the Georgian EU perspective and Armenia's and Azerbaijan's participation in the European Political Community (EPC). The big question is how to meet this challenge. In this context, this report examines further options for an enhanced geopolitical role of the EU in the South Caucasus. Therefore, the main research question of the report is:

**How can the European Union contribute effectively and in a balanced way to the resolution of 'protracted conflicts' and a decrease in geopolitical tensions in the South Caucasus?**

Map 1 Overview of the South Caucasus and protracted conflicts



In Chapter 1, the report first analyses the wide array of foreign powers that are active in the South Caucasus. It particularly examines the economic, security and political ties between these powers and the three South Caucasus states in order to determine the relative leverage of these powers over the region. Chapter 2 specifically assesses the role of the European Union in the South Caucasus, asking what political approach and policy instruments it employs towards the region and what interests are at stake for Brussels. The chapter investigates the nature of the relationship between the EU and the region in order to identify in which issue areas the EU yields most influence and how such an influence could be expanded. Chapter 3 zooms in on the EU's geopolitical influence in Georgia and its role in the Abkhazia and South Ossetia conflicts. Chapter 4 assesses in detail the influence of the EU in Armenia and Azerbaijan and its role in mediating their conflicts. The report concludes with recommendations to the EU for further action.

The report is based on a mixed methodology that combines a literature review and stakeholder mapping with field research and semi-structured interviews with officials, politicians and experts during a research visit to Baku, Tbilisi and Yerevan that was conducted in November 2022.

# 1 The Geopolitical Gordian Knot of the South Caucasus

## Introduction

The Caucasus has historically been a region of strong geopolitical competition, with several regional and world powers vying for influence over a strategically located stretch of land between the Caspian Sea and the Black Sea. After they became independent from the Soviet Union in 1991, the three states of the South Caucasus have become part of a complex web of relations between the different actors that have also shifted due to the war in Ukraine (see *figure 1*).<sup>1</sup> In addition, the South Caucasus has also ‘imported’ several other regional and global geopolitical confrontations, including between the West and Russia, between Iran and Israel and even between India and Pakistan. This chapter aims to somewhat disentangle the Gordian Knot of Caucasus geopolitics and to outline the competitive context in which the EU finds itself. It will do so by giving a brief overview of the different relations between the key actors and by clustering them in five different constellations that shape the regional dynamics.<sup>2</sup> The EU itself is not included in this chapter – its role in the region is discussed separately in chapter 2.

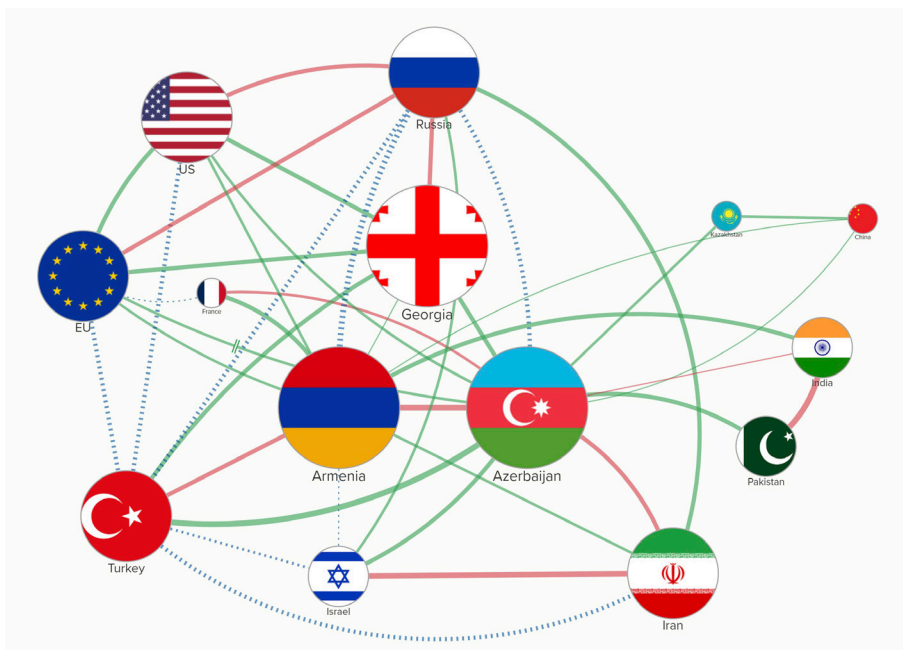
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1 For a good overview of both the geopolitical context and the changes following the war in Ukraine, see: Stefan Meister, “[Shifting Geopolitical Realities in the South Caucasus](#),” Stockholm Centre for Eastern European Studies, last modified November, 2021.

For background information, see for example: Shireen T. Hunter, “[The New Geopolitics of the South Caucasus: Prospects for Regional Cooperation and Conflict Resolution](#),” Lexington, 2017.

2 In the interest of brevity this chapter will not explore each bilateral relationship in depth, but readers are encouraged to use the interactive chart included in the publication or [here](#).

Figure 1 Overview of geopolitical actors and relations in the South Caucasus



### Dynamic 1: Traditional regional rivalries and the ‘3+3’

For centuries, the Caucasus mountain range and surrounding areas have been both the natural frontier between and a major area of competition among the Russian, Persian and Ottoman Empires. In the 18<sup>th</sup> and 19<sup>th</sup> centuries the Russian Empire expanded southwards across the Caucasus mountains, first annexing the kingdoms of Georgia and Armenia and then ousting the Ottomans and Qajar Iran from Transcaucasia in a series of wars. As the three empires began to collapse, conflicts flared up again. Georgia, Armenia and Azerbaijan briefly established their own republics until they were once more occupied when the Soviet Union managed to reassert control over the region in the 1920s.

The three South Caucasus states were incorporated in the Soviet Union as Socialist Soviet Republics (SSRs) until they regained their independence in 1991. Ever since then, relations between the three states themselves have been dominated by the Armenia-Azerbaijan conflict. Georgia manages to maintain good but asymmetrical relations with both of its neighbours; it has close energy

and trade ties with Azerbaijan, even though  $\frac{1}{3}$  of the shared border is not yet well delimited; and its relations with Armenia are not cordial but functional, with Georgia serving as an important lifeline for Armenia's external trade. Georgia presents itself as the only facilitator of the Armenian-Azerbaijani peace process that has no broader geopolitical or hidden military interests, although Baku and Yerevan do not entirely seem to take that role seriously.

Russia, Turkey and Iran, the three successor states of the old empires, now continue to compete among themselves for regional influence in the South Caucasus. **Russia** sees the region as essential to its core strategic interests, including to defend its 'southern underbelly'. It pursues a strategy of 'hard hegemony' and perceives the engagement of the EU and the US as an encroachment on its exclusive sphere of influence<sup>3</sup>. Russia's 2015 National Security Strategy already stated explicitly that it saw the West as interrupting the Moscow-led integration processes in Eurasia.<sup>4</sup> Following its 2020 deployment of peacekeepers to Nagorno-Karabakh it now has military troops on the territory of all three countries in the South Caucasus. It has had no diplomatic relations with Georgia since it invaded in 2008 and continues to occupy Abkhazia and South Ossetia. It retains intensive but also ambiguous and evolving relationships with both Armenia and Azerbaijan that will be discussed further in chapter 4.

**Turkey** has long regarded the Caucasus as part of its privileged sphere of influence and has tried to reverse the loss of the Ottoman presence in the region. It primarily does so by supporting Azerbaijan against their joint historical enemy Armenia, with the already friendly relations between the two culturally close Turkic-speaking countries strengthening even more due to Turkey's political and military support prior to and during the Second Karabakh War of 2020. The Turkey-Armenia normalisation process has proceeded very slowly and is fraught with obstacles, but has recently gained a new impetus, due to the Armenian assistance during the recent earthquake.<sup>5</sup> Turkey has a keen interest in gaining access to the Caspian and the Central Asian states through Azerbaijan. Turkey retains good relations with Georgia, which is an important partner for trade and transportation.

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3 Mika Mikalay and Marek Neuman, "[Framing the Eastern Partnership in the European Union's and Russia's Institutional Discourse](#)," *Journal of Contemporary European Studies*, 2022.

4 "[English Translation of the 2015 Russian National Security Strategy](#)", *Russia Matters*, accessed December 22, 2022.

5 Richard Giragosian, "[Heightened momentum for Armenia-Turkey normalization](#)", *CivilNet*, February 13, 2023.

Finally, **Iran** has hostile relations with Azerbaijan that are steadily worsening up to the point of repeated sabre-rattling during military exercises and mutual recriminations over, among other things, the sizable ethnic Azeri community in north-western Iran.<sup>6</sup> It also perceives the close Azerbaijani-Turkish partnership and Turkey's ambitions for more geopolitical influence with mistrust. These old fears were aggravated after President Erdogan cited a poem about the Aras River in 2020 that was interpreted in Iran as instigating a sentiment among the ethnic Azeri population about a possible unification with Azerbaijan. Iran has good relations with Armenia, which it perceives as important for a north-south corridor towards its increasingly important partner Russia, as well as pragmatic relations with Georgia (see *figure 2*). The Iranian-Azerbaijani rivalry should also be seen in the context of broader geopolitical tensions in the Middle East and Azerbaijan's close relationship with Israel, which will be discussed further below.

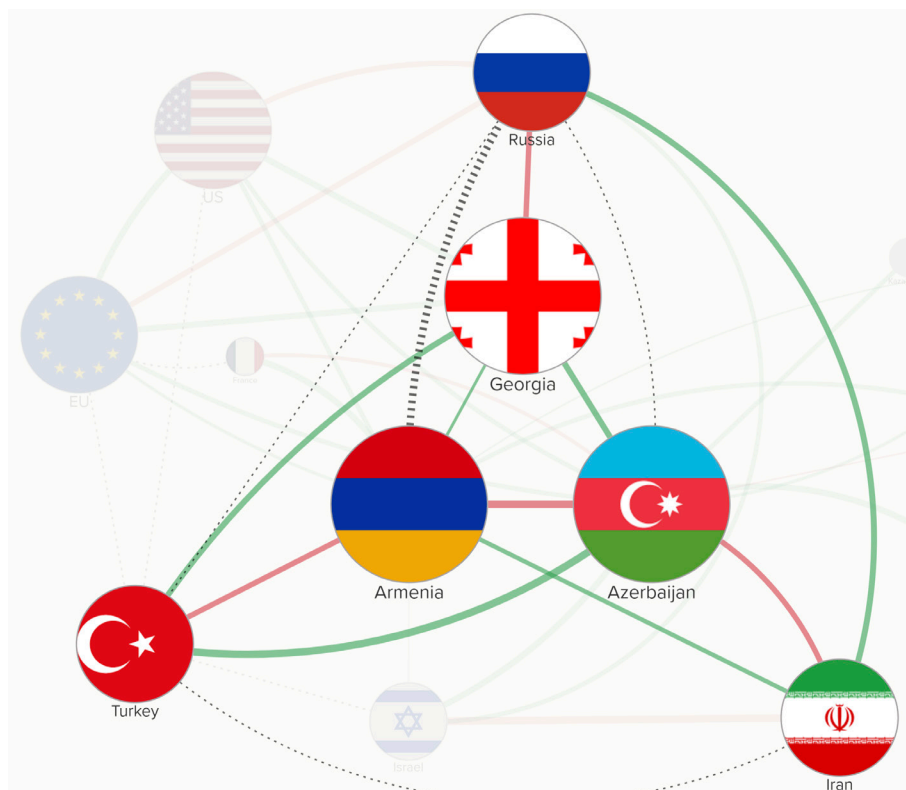
While the three traditional regional powers compete amongst themselves in the Caucasus, they also share a preference to keep 'outside actors' such as the EU and the US out of what they consider their own backyard. They have occasionally attempted to create regional formats for this purpose to eclipse 'Western' formats that include the United States and the EU, such as the OSCE Minsk Group and the Geneva International Discussions. After the second Karabakh War, they formulated this proposition as the '3+3' process, although this seems largely moribund for now, both due to Armenia's preference to keep Turkey out and to Georgia's reluctance to engage with Russia without involving its Western partners.<sup>7</sup>

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6 Taras Kuzio, "[War a Possibility as Iran-Azerbaijan Tensions Flare](#)", Geopolitical Monitor, last modified November 21, 2022. There is no objective census data on the size of the ethnic Azeri minority in north-western Iran. The figures are hotly disputed and complicated by the fact that there are also other Turkic-speaking groups in Iran. While Azerbaijan itself sometimes claims that up to 40% of Iran could be Azeri, most experts estimate that between 16-25% of Iran's overall population has an Azeri identity. Few dispute that there are considerably more ethnic Azeris residing in Iran than in Azerbaijan itself. They have occasionally mobilized politically, including advocating for secession and for joining Azerbaijan. See for example: Ali M. Koknar, "[Iranian Azeris: A Giant Minority](#)", The Washington Institute for Near East Policy, last modified June 6, 2006. For an account that gives a considerably lower estimate see: Viktoria Arakelova, "[On the Number of Iranian Turkophones](#)", Iran & the Caucasus 19, no. 3 (2015).

7 See for example: Aysel Azizova, Aida Hovshannisyan, and Ketevan Khutishvili, "[3+3 ≠ 6 in South Caucasus](#)", Goethe Institut, last modified January 2022.

**Figure 2** The struggle for influence among the three regional powers around the South Caucasus



The war in Ukraine and the Second Karabakh War have not fundamentally changed the underlying rivalries, but have markedly intensified the dynamic. Russia and Iran have become ‘united by negatives’ and are developing their relationship into a full-fledged security partnership. Due to Western sanctions and the depletion of its missile arsenal, Russia has become increasingly dependent on Iranian drones and missiles while Iran has recently purchased Russian Su-35 fighter aircraft. In turn, Armenian-Russian relations have deteriorated markedly following Russia’s failure to protect both Nagorno-Karabakh and Armenia itself from Azerbaijani attacks, while Turkey has capitalized on its support for Azerbaijan to strengthen its presence in the South Caucasus. Iran is acutely concerned about Azerbaijani efforts to obtain a corridor to its exclave Nakhichevan, which will shift the regional balance of

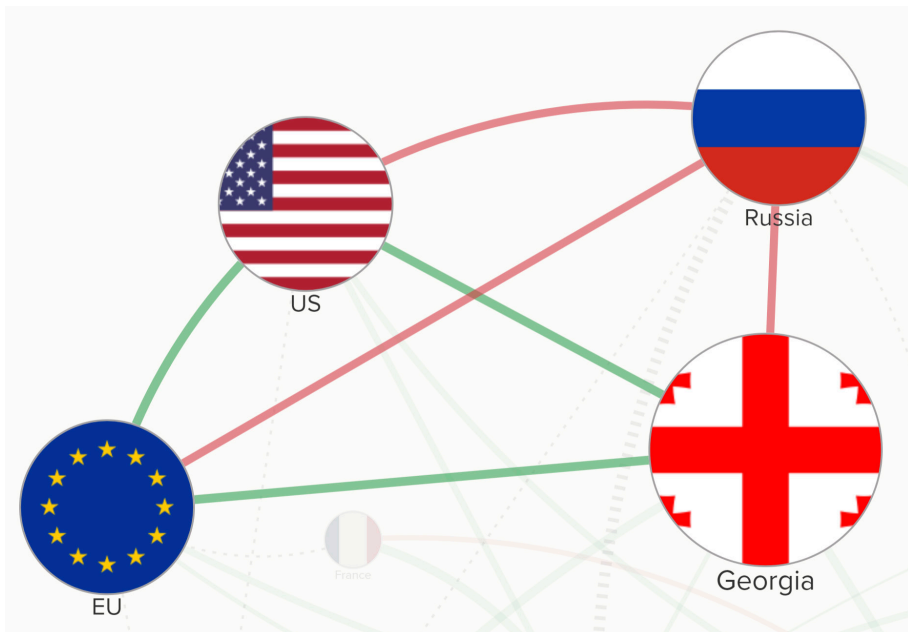


power in favour of Baku and Ankara. It is therefore also investing in its strategic partnership with Armenia.

## Dynamic 2: East-West Competition over Georgia

Russia's strong desire to retain control over the strategically important South Caucasus has increasingly brought it into conflict with Georgia due to the latter's westward orientation. Immediately after its independence successive Georgian governments already pursued a policy of Euro-Atlantic approximation, seeking to obtain eventual allies against its large northern neighbour. This process accelerated after the 2003 Rose Revolution that brought Mikhail Saakashvili to power, who formally sought NATO membership and built closer ties with the United States in particular. It culminated in 2008, when NATO allies decided in Bucharest that Georgia would eventually become a NATO member.

Figure 3 East-West competition over Georgia



Shortly afterwards, the brief Russo-Georgian War of 2008 as well as Russia's subsequent recognition of breakaway Abkhazia and South Ossetia led to a first standoff between Russia and the West. The US and the EU strongly denounced Russia's violation of Georgia's territorial integrity. NATO even vowed there would be 'no business as usual' with Russia, even though many Western Governments continued to do just that. After the French EU chairmanship brokered the Sarkozy-Medvedev ceasefire agreement, the EU deployed an EU Monitoring Mission (EUMM) that played an important role as a tripwire to deter further aggression but never gained access to the occupied territories. The EU is now formally one of the three mediators in the Geneva International Discussions (GID), together with the United Nations (UN) and the Organization for Security and Co-operation in Europe (OSCE).

This dynamic has changed somewhat due to the war in Ukraine, with the current Georgian government expressing a reluctance to be "dragged into the war" and refusing to impose bilateral sanctions on Russia. This has particularly led to a deterioration in Ukrainian-Georgian relations. Together with flagging reforms this has made the West somewhat more sceptical towards the current Georgian authorities, but has not markedly changed Georgia's aspiration to join the EU and NATO, nor Russia's overall intention to prevent this from happening. This continues to make the 'struggle for Georgia' (*figure 3*) an important part of the EU's geopolitical aspirations in the South Caucasus, as will be further discussed in chapter 3.

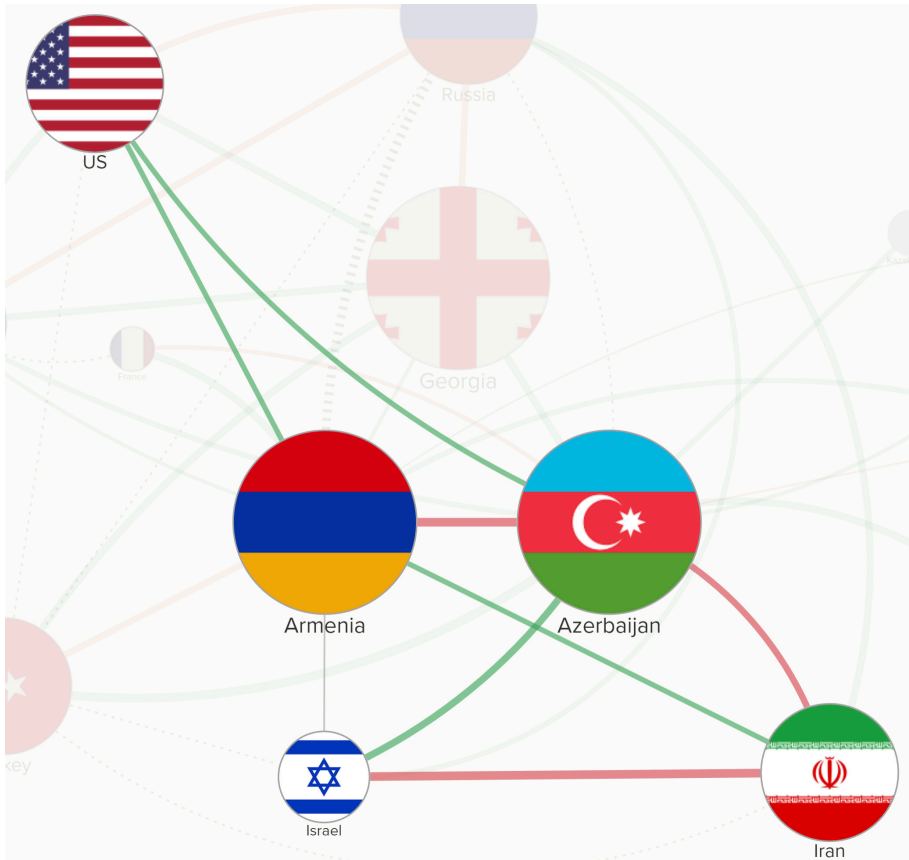
### Dynamic 3: Imported geopolitical tensions from the Middle East

Geopolitical events in the South Caucasus can and should not only be regarded through the prism of East-West relations or attempts by regional powers to secure or retain influence. The region literally lies at the crossroads of different theatres of geopolitical competition and the countries of the South Caucasus have to some extent 'imported' these tensions into their bilateral relations with various actors.

The most notable development is the struggle between **Israel** and **Iran** in the wider Middle East region (see *figure 4*). For those viewing the region exclusively (and incorrectly) through a religious prism it may appear counter-intuitive that predominantly Shi'ite Muslim Azerbaijan has very close links to Israel, while Christian Armenia is increasingly co-operating with Shi'ite Muslim Iran. In the

Caucasus, geopolitics, economics and security concerns trump religion as the key factors shaping state policies.<sup>8</sup>

Figure 4 Impact of Middle East Rivalry on the South Caucasus



In fact, Azerbaijani–Israeli relations were already close even prior to and directly after the break-up of the Soviet Union and have further expanded in recent years to a strategic partnership involving military and intelligence co-operation. This is largely due to a shared threat perception of Iran and a joint wish to contain

8 See: Namig Abbasov and Emil A. Souleimanov, "[Azerbaijan, Israel, and Iran: An Unlikely Tringle Shaping the Northern Middle East](#)," *Middle East Policy* 29, no. 1, 2022. Marat Grebennikov, "[Skating on Thin Ice: Israel's Strategic Partnership with Azerbaijan in the South Caucasus](#)," *Israel Journal of Foreign Affairs* 9, no. 3 2015.

Iranian influence.<sup>9</sup> Israel is not bound by Western restrictions on arms sales and together with Turkey is a key supplier of military equipment and training to the Azerbaijani armed forces, selling an estimated 69% of Azerbaijan's weapons from 2016-2020. These include advanced capabilities that played a key role in Azerbaijan's victory in the Second Karabakh War, such as HAROP loitering munitions, LORA ballistic missiles, Hermes-900 reconnaissance UAVs and a Barak-8 air and missile defence system.<sup>10</sup> The two countries also cooperate closely in the energy sector and an estimated 40% of Israel's energy needs are supplied by Azerbaijan. In turn, Azerbaijan also sees Israel as a 'way into Washington', using pro-Israel factions in the US to counter the Armenian lobby. Azerbaijan occasionally struggles to explain its close relations with Israel to the wider Muslim world. It sometimes votes against Israel in international forums. This explains why Baku did not open its embassy in Israel until November 2022.<sup>11</sup> The joint desire to contain Iran constitutes a factor in Azerbaijani-US relations as well.

Iran, in turn, sees the close Azerbaijani-Israeli cooperation as a threat to its own security and regards Armenia as a valuable partner, even if it nominally remained neutral during the Second Karabakh War. Armenia and Iran swap energy, with Iran supplying Armenia with natural gas and Armenia converting it into electricity in its thermal power plants and selling it back to Iran. In light of Armenia's attempts to become less dependent on Russian energy, the two countries recently agreed to double the volume of gas exported by Iran to Armenia.<sup>12</sup> In October 2022, shortly after the military clashes in southern Armenia, Iran opened a consulate in the nearby town of Kapan. Iran is particularly concerned that the opening of a direct connection between Azerbaijan and its exclave Nakhchivan would reduce its leverage over Azerbaijan, which currently has to rely on Iranian territory for exports. Iran also fears that such a 'Zangezur corridor' through southern Armenia could further jeopardize the Iranian interest

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9 Alexander Goldenstein, "[Why Israel Does not Need to Rethink its Relationship With Azerbaijan](#)," The Jerusalem Post, August 2, 2020.

10 Since 1992 there has been an OSCE request to all OSCE participating states to impose a voluntary embargo on arms transfers to 'Armenian and Azerbaijani forces engaged in combat in the Nagorno-Karabakh area', although this is interpreted differently by different governments. See Alexandra Kuimova, Jordan Smith, and Pieter D. Wezeman, "[Arms Transfers to Conflict Zones: The Case of Nagorno-Karabakh](#)," SIPRI, last modified April 30, 2021.

11 Toi Staff, "[Azerbaijan to Open Embassy in Israel, the First Muslim Shi'ite Country to Do So](#)," The Times of Israel, November 18, 2022.

12 Ani Mejlumyan, "[Iran and Armenia Agree to Double Gas Trade](#)," Eurasianet, November 2, 2022.

of maintaining a north-south corridor to Armenia and the Russian Federation. Especially the latter factor is gaining in importance due to the rapidly developing Russian-Iranian security relationship.

#### Dynamic 4: Imported geopolitical tensions from South Asia

In their quest for partners in their mutual struggle for suppliers of weaponry, Armenia and Azerbaijan have also managed to 'import' the geopolitical tensions between Pakistan and India. This may seem odd at first, given that the conflict over Nagorno-Karabakh takes place over 2,000 kilometres away from Pakistan's borders, but both Pakistan and India perceive this conflict through the prism of their own territorial dispute over Kashmir.

Figure 5 Imported tensions from South Asia



Pakistan and Azerbaijan share a historical legacy as being part of the broader Persian and Turkic Timurid Empires, but also share a broader geopolitical outlook. Pakistan has been a staunch supporter of Azerbaijan and its territorial integrity since 1991 and in 2020 it quickly congratulated Aliyev and “the brotherly people of Azerbaijan on the liberation of their territories”.<sup>13</sup> Aliyev, in turn, often denounces human rights violations by India in Kashmir and actively engages in educational, scientific, and military cooperation with Pakistan. Azerbaijan has had a defence agreement with Pakistan since 2003, it has participated in Islamabad-led multinational exercises such as AMAN-13 and has been

13 Shahid Hussain, “[The Nagorno-Karabakh Conflict: Diplomatic Repercussions for Pakistan](#),” *The Diplomat*, November 18, 2020.

in discussions about purchasing Pakistan's JF-17 Thunder combat aircraft. This cooperation also takes place against the backdrop of strengthening Turkish-Azerbaijani-Pakistani relations known as the 'three brothers'; in July 2022, the parliamentary speakers of the three countries signed the 'Baku Declaration', in which they reaffirmed their support for each other's positions on Northern Cyprus, Nagorno-Karabakh and Jammu/Kashmir.<sup>14</sup>

This geopolitical alignment has come at a cost to Baku's hitherto carefully managed but uneasy relations with New Delhi, which is still a much larger importer of Azerbaijani oil than Pakistan. In 2020, Azerbaijan exported only \$2.5 million to Pakistan, while it exported \$458 million to India and trade with India has grown at an annual rate of 43% since 1995.<sup>15</sup> India is also working together with Azerbaijan on an 'International North-South Transport Corridor' (INSTC) that would connect Mumbai to St. Petersburg via Iran and Azerbaijan, markedly shortening India's export routes and which could be connected to the East-West middle corridor. Despite these trade and transport relations and their joint economic interests, the two countries are often at odds over broader (geo)political issues; most notably, India often blocks Azerbaijan's participation in regional and international forums, like also at the BRICS' summit in 2022.<sup>16</sup> During the clashes of September 2022 India also pointedly called on Azerbaijan as the 'aggressor' to cease hostilities against Armenia.

In a classic case of zero-sum geopolitical logic, and in line with its policy to diversify beyond reliance on Russian weaponry, Armenia has increasingly reached out to India. This partnership goes beyond political alignment and increasingly includes security and defence co-operation. In 2021 Armenia already procured the Swathi weapon locating radar systems from India in a deal worth \$40 million. In the course of 2022 Yerevan inked new contracts for purchasing missiles and ammunition to counter Azerbaijan's military advantage on the ground, including anti-tank missiles and the Pinaka multi-barrel rocket launcher system (MBRL) to upgrade its Russian-made GRAD launchers. While these systems cannot counter Azerbaijan's advantage in the air, in particular regarding

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14 "Turkey, Azerbaijan, Pakistan Sign Istanbul Declaration," Daily Sabah, July 22, 2022.

15 Data retrieved from the Observatory for Economic Complexity (OEC) bilateral country profiles, available on <https://oec.world/en/profile/bilateral-country/ind/partner/aze> and <https://oec.world/en/profile/bilateral-country/aze/partner/pak>.

16 Mahammad Mammadov and Bez Kategorii, "Despite Geopolitical Differences, Azerbaijan and India Are Invested in Co-operation," New Eastern Europe, September 28, 2022.

drones, they nonetheless give Armenia an important alternative to Russian-made weaponry.<sup>17</sup> This Armenian-Indian co-operation is expected to intensify considering both countries' desire to counter the Pakistani-Turkish-Azerbaijani partnership.

### **Dynamic 5: Competition over transit corridors from Central Asia and China**

Finally, given its strategic location, the Caucasus has for centuries played a crucial role as a literal crossroads that sits astride several major trade routes. In particular, linking the energy-rich Caspian Sea region and the energy-dependent EU countries makes the Caucasus a region of major importance in the context of the EU's broader strategic interests. The Baku-Tbilisi-Ceyhan pipeline has long served this purpose for oil and several pipelines such as the Trans-Anatolian Pipeline (TANAP) have started to become operational for gas transports. The EU is also investing heavily in new gas transport infrastructure, subsea electricity cables under the Black Sea, road and rail transportation and other connectivity projects.<sup>18</sup>

Since Russia has become a much less attractive partner for transportation since the war in Ukraine, the South Caucasus and in particular Georgia and Azerbaijan have become increasingly important as a 'middle corridor'. This Turkish-promoted connectivity initiative runs south of the 'northern corridor' through Russia and is much shorter than the long 'ocean route' through the Suez canal (see map 2). It was already becoming more important prior to 2022 but gained prominence following Russia's invasion of Ukraine and the imposition of far-reaching Western sanctions. Trade through the 'northern corridor' dropped by 40% while the volume of cargo through the Middle Corridor grew sixfold in 2022 compared to 2021.<sup>19</sup>

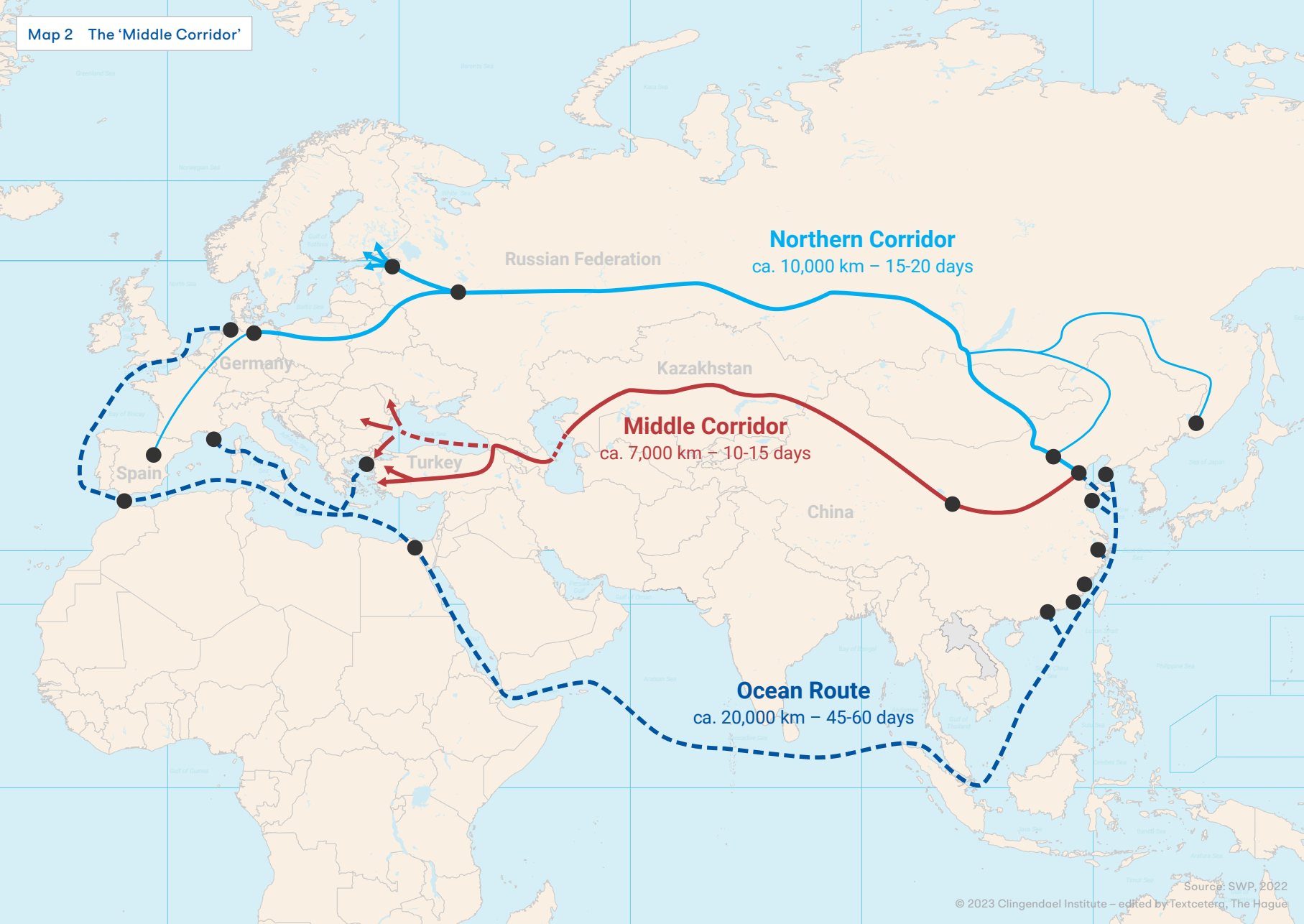
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17 Yeghia Tashjian, "[Armenia-India Relations: From Politics to Arms Trade](#)," The Armenian Weekly, October 5, 2022.

18 Murad Muradov, "[Europe Turns to Azerbaijan for Gas: How Big Could This Be?](#)," RUSI, last modified October 5, 2022.

19 Tuba Eldem, "[Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity](#)," SWP, last modified in October, 2022.

Map 2 The 'Middle Corridor'





This demand for further connectivity and circumventing Russia also form the reason why **China**, which to date has kept its distance from the political situation in the Caucasus and remained neutral in the Nagorno-Karabakh conflict, is currently showing more interest in the region. China has increased its investments in Azerbaijan and Georgia, including in the Port of Baku, the Baku-Tbilisi-Kars railroad but also an Asia-European telecommunications corridor.<sup>20</sup> The Chinese military industry has also helped Azerbaijan with the joint development and manufacture of certain weapon systems such as the Belarusian ‘Polonez’ multiple rocket launch system (MLRS) and the Qasirga/Hurricane T-300, which is based on the Chinese WS-1B missile launcher. China was also the first country outside the post-Soviet space to sell major weapon systems to Armenia, including the NORINCO WM-80 MRLS in 1999 and additional rockets following an agreement on ‘military-technical cooperation’ in 2012.

The **Middle Corridor** is clearly not in the interest of Russia, but the strategic location of Russian troops on Georgia’s territory opens up a hypothetical possibility to easily and quickly interdict it. Several respondents in Georgia noted that at certain places the Administrative Border Line (ABL) with South Ossetia is only a few hundred meters from key infrastructure that is part of the ‘Middle Corridor’. This makes Armenia, which currently does not form part of the ‘Middle Corridor’ due to its closed border with Turkey, still a relevant part of the connectivity puzzle. Therefore, Yerevan has adopted an ambiguous stance towards the Turkish-led initiative. It sometimes appears to be more interested in promoting itself as part of another competing transport corridor: the north-south corridor from Iran to Georgia. It did sign a memorandum with China in 2015 to integrate itself in the Belt and Road Initiative (BRI), and China has made some modest investments in Armenian infrastructure. On the other hand, the majority of trade in energy and goods flows from east to west rather than north to south, and the fact that Armenia’s borders with its western and eastern neighbours remain closed pose major obstacles to further Chinese or other investments.<sup>21</sup> Armenia could therefore also benefit economically from the increased connectivity to Nakhchivan and Turkey through the highway and railway that are part of the Armenia-Azerbaijan peace process. This connection, if indeed finalized, would considerably shorten the rail and road length of the Middle

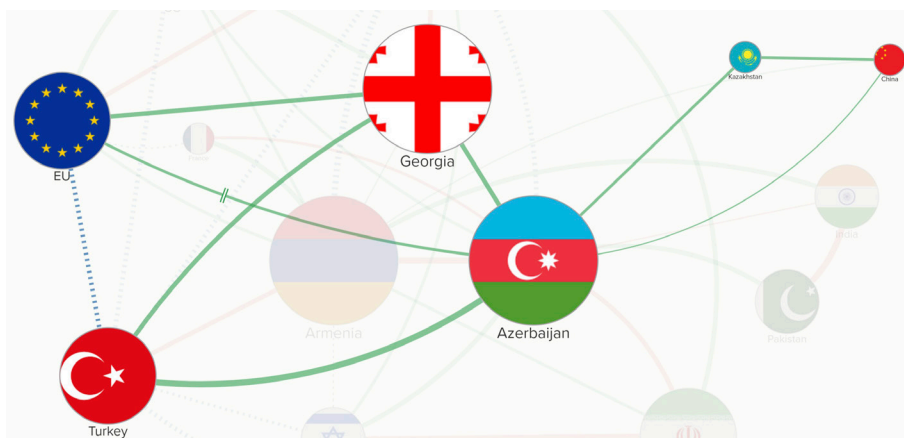
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20 Daniel Shapiro, “[US Should Keep an Eye on Rising Chinese Investment in the South Caucasus](#),” Russia Matters, last modified October 1, 2020.

21 Dante Schulz, “[China-Armenia Bilateral Relations](#),” Caspian Policy Center, last modified January 26, 2022.

Corridor, would reduce the exclusive reliance on Georgian infrastructure and would also provide Turkey with a direct connection to the Caspian. It would also facilitate Azerbaijan's trade with Turkey through the Kars-Nakhchivan railway line and according to Armenian estimates could increase its GDP by up to 30% in the course of two years.<sup>22</sup>

Figure 6 Shared economic and trade interests in the 'Middle Corridor'



To conclude, at present political and security concerns in Yerevan and to a lesser extent Tehran and Moscow still appear to trump the economic opportunities that this connection could provide. The geopolitical situation in the region remains a crucial factor that will determine the extent to which the different Transcaucasian routes can displace other major energy and trade routes between Central Asia and China, on the one hand, and Europe on the other.

22 Tuba Eldem, "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity," SWP, last modified in October, 2022.

## 2 The EU's role in the South Caucasus

The EU has in past years been criticised over its lack of a strategy for the South Caucasus. Indeed, the EU has never developed an explicit, tailor-made and overarching strategy for the region. It instead integrated the region in the early 2000s in its more general European Neighbourhood Policy and later the multilateral Eastern Partnership framework. These policy frameworks do not however show the full picture of the EU's engagement with the countries in the region. Judging from its actual engagement with the South Caucasus region, we identify four sets of objectives and/or interests of the EU in the region.

Figure 7 EU objectives for the South Caucasus



These are the following:

1. **to export European values on good governance, democracy, human rights, and rights for minorities as enshrined in Article 2 of the Treaty on the European Union.**
2. **to promote stability and security in the region, amongst others by contributing to the resolution of the protracted conflicts and enhancing the resilience of the South Caucasus states against security threats.**
3. **to gain economic benefit and secure energy and trade interests by contributing to economic governance and development, the development of transport infrastructure (relevant especially in terms of the Middle Corridor) and energy connections.**
4. **to contain and push back the influence of the Russian Federation by promoting the resilience of Georgia and reducing the Russian grip on Armenia.**

It is important to note that these are not necessarily, or not all, explicit objectives to be found in EU policy documents and/or public communications. Instead, some, such as pushing back Russian influence, should be seen as more implicit interests of the EU rather than explicit objectives. They are discussed in detail below.

## **Norms and Values**

The first objective of the EU in the South Caucasus is **to export European values on good governance, democracy, human rights and rights for minorities as enshrined in Article 2 of the Treaty on the European Union.**

The reliance on the export of the EU acquis has been much discussed when it comes to the EU approach towards the South Caucasus. Both the European Neighbourhood Policy (ENP) and the Eastern Partnership (EaP), which form the basis of EU engagement with the South Caucasus, emphasize the importance

of good governance and democracy as a key driver for security and stability.<sup>23</sup> Moreover, the EU normative approach is enshrined in the Partnership and Cooperation Agreements, which require the South Caucasus states to cooperate with the EU “to strengthen the rule of law, and the protection of human rights and fundamental freedoms according to international law and OSCE principles”.<sup>24</sup> Obligations related to human rights, democracy and the Rule of Law are further outlined in the AA/DCFTA between the EU and Georgia and the CEPA Agreement between the EU and Armenia.

The EU has long maintained a modernization narrative, in which more democracy brings more economic development, which in turn leads to more political stability. However, despite the EU’s focus on democratization, the South Caucasus at large has not yet gone through a decisive democratic transformation. The absence of an EU membership perspective before the Russian invasion of Ukraine, the lack of coherence in EU foreign policy, and inconsistency in applying democratic conditionality have all undermined the EU’s performance in promoting democracy in the region.<sup>25</sup> In addition, as the EU itself realised in its 2015 revision of the European Neighbourhood Policy, “not all partners aspire to EU rules and standards”<sup>26</sup>. As such, the EU introduced differentiation as the “hallmark of

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23 Agnieszka K. Cianciara, “[Stability, Security, Democracy: Explaining Shifts in the Narrative of the European Neighbourhood Policy](#),” *Journal of European Integration* 39, no. 1, (2017); Laure Delcour and Katarzyna Wolczuk, “[Well-meaning but Ineffective? Perceptions of the EU’s Role as a Security Actor in the South Caucasus](#),” *European Foreign Affairs Review* 23, (2018).

Laure Delcour and Katharina Hoffmann, “[The EU’s Policy in the South Caucasus](#),” Centre International de Formation Européenne, 2018.

24 See for example EUR-Lex, “[Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Republic of Armenia, of the other part](#),” article 68, September 9, 2022.

25 Amanda Paul, “[The EU in the South Caucasus and the Impact of the Russia-Ukraine War](#),” *The International Spectator* 50, no. 3, (2015).

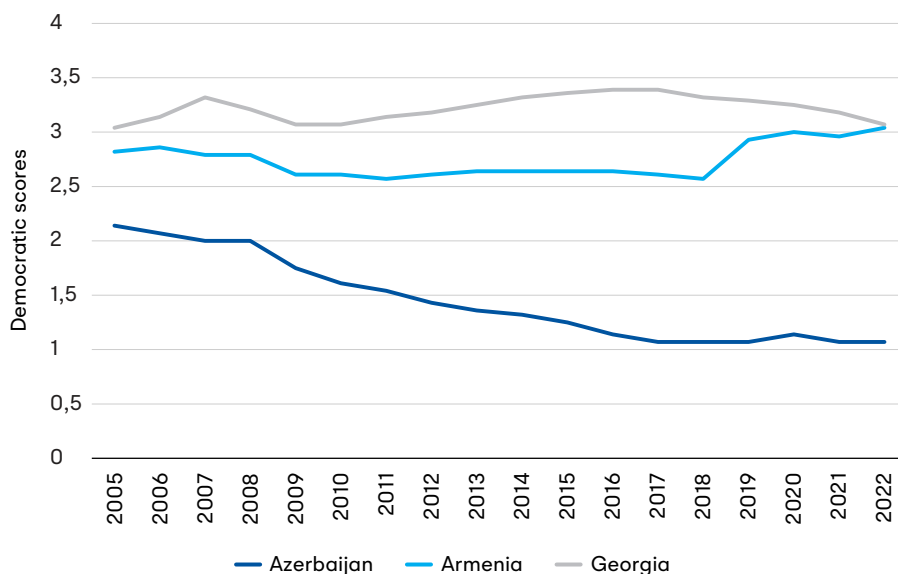
Laure Delcour and Katharina Hoffmann, “[The EU’s Policy in the South Caucasus](#),” Centre International de Formation Européenne, 2018.

Tanja A. Börzel & Bidzina Lebanidze, “[The Transformative Power of Europe” Beyond Enlargement: the EU’s Performance in Promoting Democracy in its Neighbourhood](#),” *East European Politics* 33, no. 1, (2017).

26 European Union: European Commission, [Joint communication to the European Parliament, the Council, the European economic and social committee and the committee of the regions. Review of the European Neighbourhood policy](#), November 18, 2015, JOIN(2015) 50 final.

the new ENP<sup>27</sup>, thereby effectively shifting its normative approach towards a more interest-driven one. As a result, in the South Caucasus, and especially towards Azerbaijan, EU engagement on democracy and human rights, including minority rights, has been fairly limited in the past years. In the region at large, actual democratic performance has only increased in the past years in Armenia, as can be seen in the graph below. Interestingly, in spite of a more pragmatic and transactional turn in the EaP, the EU's general foreign policy discourse has remained largely normative, leading to a significant gap between the EU's discourse and actual engagement.<sup>28</sup>

Figure 8 Democratic scores of Azerbaijan, Armenia, Georgia



Consolidated Democracy 5.01-7.00, Semi-Consolidated Democracy 4.01-5.00, Transitional/Hybrid Regime 3.01-4.00, Semi-Consolidated Authoritarian Regime 2.01-3.00, Consolidated Authoritarian Regime 1.00-2.00

Source: Freedom House, "All Data- Nations in Transit 2005 - 2022", accessed 27-02-2023

27 European Union: European Commission, [Joint communication to the European Parliament, the Council, the European economic and social committee and the committee of the regions, Review of the European Neighbourhood policy](#), November 18, 2015, JOIN(2015) 50 final.

28 Bob Deen, Wouter Zweers and Iris van Loon, ["The Eastern Partnership: Three Dilemmas in a Time of Troubles"](#), Clingendael Instituut, last modified January 15, 2021: 6.

## Stability and Security

A second objective of the EU for the South Caucasus is **to promote stability and security in the region, amongst others by contributing to the resolution of the protracted conflicts and enhancing the resilience of the South Caucasus states against security threats.**

The EU has often been criticised for disregarding the security needs of Armenia, Azerbaijan, and Georgia, especially in the context of the EaP.<sup>29</sup> Its normative discourse indeed does not always connect well to the priorities of the countries in the region that experience protracted conflicts and territorial disputes. The EU Global Strategy in 2016 only discussed security challenges in the ENP in terms of resilience, although in recent years the EU discourse has become more security-focussed.<sup>30</sup> For example, in 2020 the EEAS declared the ambition of ‘stepping up support for security dialogues and cooperation’.<sup>31</sup>

In practice, especially concerning Nagorno-Karabakh, EU engagement has been modest. Nevertheless, the EU plays various roles with regard to the conflicts in the region. First, it acts as a facilitator of conflict resolution, for example through its position as a co-moderator of the Geneva International Discussions on Abkhazia and South Ossetia and through its Special Representative, Toivo Klaar. Second, the EU seeks to contribute to conflict resolution and to prevent new conflicts through its CSDP EUMM mission in Georgia and more recently the Monitoring Capacity on the Armenia-Azerbaijan border, which has recently been replaced by a more permanent mission.<sup>32</sup> Third, the EU supports reconstruction and reconciliation efforts in the region at large, e.g. through its EU4dialogue programme.

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29 See for example Laure Delcour and Kataryna Wolczuk, [“Well-meaning but Ineffective? Perceptions of the EU’s Role as a Security Actor in the South Caucasus,”](#) *European Foreign Affairs Review* 23, (2018).

30 EEAS, [“A Global Strategy for the European Union’s Foreign and Security Policy,”](#) June 2016.

31 EEAS, [“Eastern Partnership policy beyond 2020 – Reinforcing Resilience – an Eastern Partnership that delivers for all,”](#) March 18, 2020, 9.

32 Council of Europe, [“Armenia: EU establishes a civilian mission to contribute to stability in border areas,”](#) January 23, 2023.

The EU has furthermore been active in terms of enhancing resilience against security threats, particularly those emanating from Russia. The EU has done so mainly through strengthening democratic institutions in Georgia and Armenia, security-sector reform and training in especially Georgia, and support for media freedom and political plurality in both countries. Taken altogether, through these efforts the EU has sought to enhance both the security and the stability of the region.

## Economic relations and development

The third EU objective in the region is **to gain economic benefit and secure energy and trade interests by contributing to economic governance and development, the development of transport infrastructure (relevant especially in terms of the Middle Corridor) and energy connections.**

Already since the fall of the Soviet Union, EU engagement with the South Caucasus has focused on expanding economic development and cooperation. Over the past thirty years, the EU expanded trade with all three countries in the region starting with applying WTO special provisions for developing countries, the so-called Generalised Scheme of Preferences (GSP), to Georgia in 1995 and Armenia in 2006. With both countries, the EU also concluded so-called Partnership and Cooperation Agreements (PCA) in 1996 that outlined economic cooperation.<sup>33</sup> With Azerbaijan, the EU also concluded a PCA in 1996 which currently does not include trade preferences but eliminates trade quotas.<sup>34</sup> These measures have contributed to the EU becoming the biggest trade partner for Georgia and Azerbaijan in terms of exports and imports, while for Armenia Russia is still the main trade partner, as can be seen in the graph below. Trade relations with Georgia have become the most developed since the entry into force of the Deep and Comprehensive Free Trade Agreement (DCFTA) in 2016 that eliminates many trade barriers.

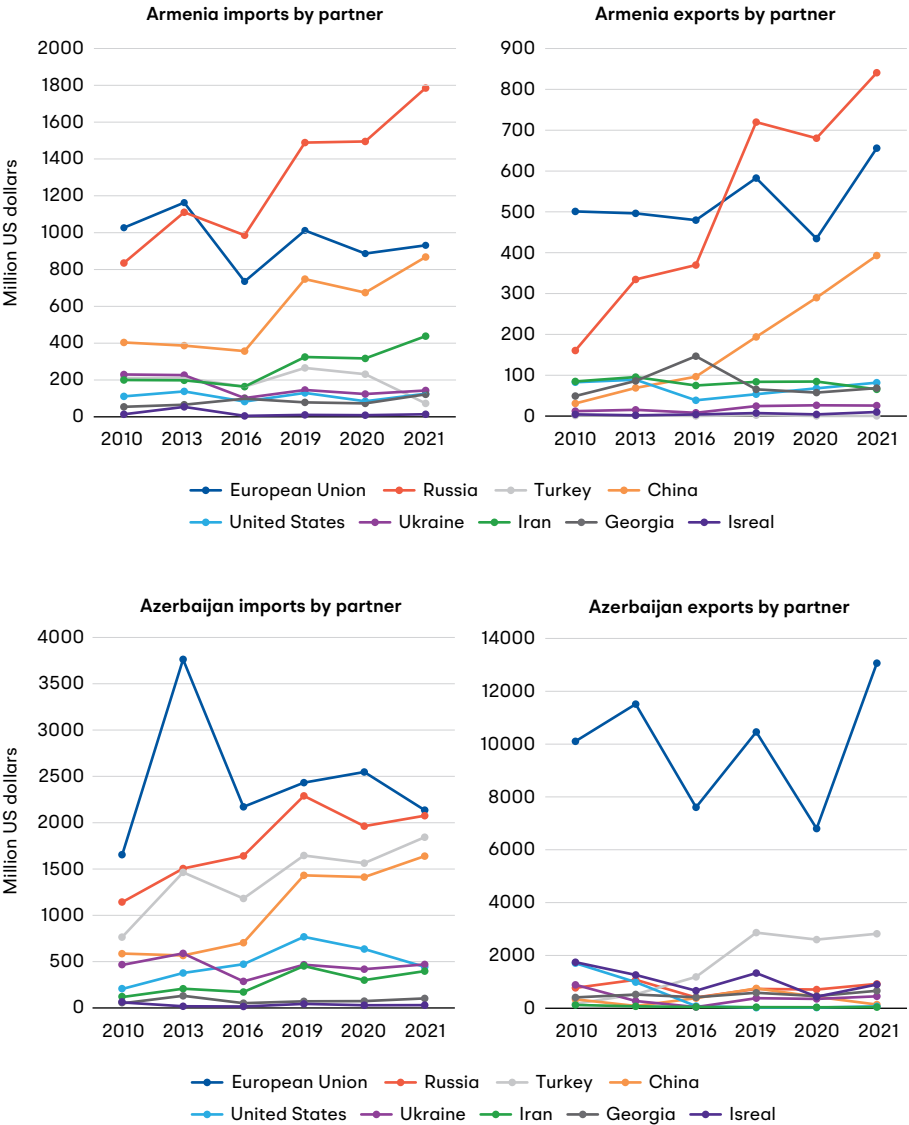
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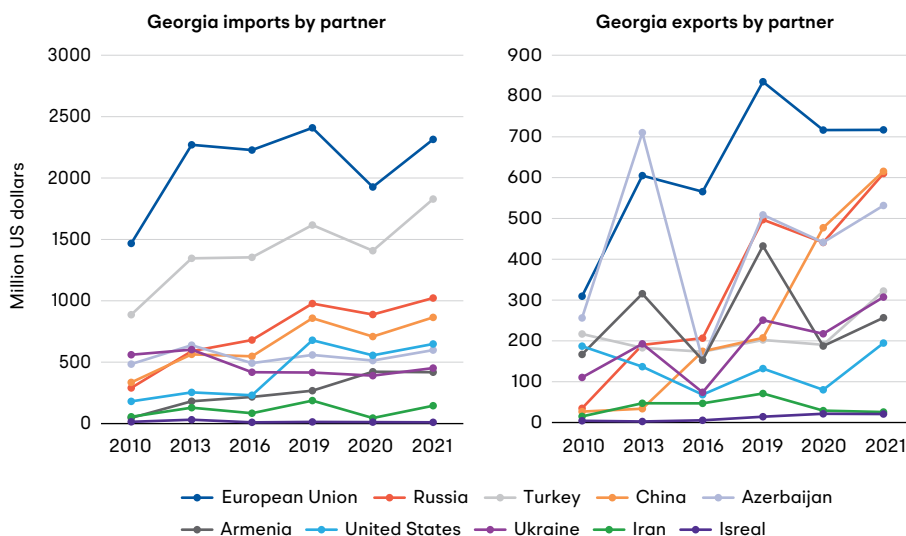
33 See for Georgia: EUR-Lex, "[Document 21999A0804\(01\)](#)," April 22, 1996. For Armenia: EUR-Lex, "[Document 21999A0909\(01\)](#)," April 22, 1996.

34 See EUR-Lex, "[Document 21999A0917\(01\)](#)," April 22, 1996.



Figures 9-14 Main trade (import/export) partners of Georgia, Armenia and Azerbaijan over time





Source: International Monetary Fund, accessed 27-02-2023.

Note: The Armenia data for 2019 are from the World Bank, as the IMF lacks data on Armenia's imports/exports in 2019.

Also, when it comes to investments, the EU plays an important role in the region. The European Bank for Reconstruction and Development (EBRD) is active in all three countries, mainly supporting infrastructure, the financial sector and business development (especially small and medium-sized enterprises, or SMEs in short).<sup>35</sup> In terms of transport infrastructure, the EU is contributing, including through the EBRD, to developing local and regional ports as well as road and railroad connections to boost the so-called *Middle Corridor*, a trade corridor from China to Europe through the South Caucasus.

When it comes to energy, in 2014 the EU adopted a European Energy Security Strategy with diversification as its main priority, following earlier interruptions to its gas imports and unrest in Ukraine. In its 2016 Global Strategy, the EU considered energy diplomacy as the main instrument to 'strengthen relations worldwide with reliable energy-producing and transit countries, and support the establishment of infrastructure to allow diversified sources to reach

35 See for an overview of EBRD activities the EBRD websites on [Georgia](#), [Armenia](#) and [Azerbaijan](#).

European markets'.<sup>36</sup> In the South Caucasus, the main focus has thereby been on Azerbaijan. Most recently, after the Russian invasion of Ukraine, the EU stepped up its investments in the Southern Gas Corridor (SGC) through Azerbaijan and Georgia in order to increase import capacity.<sup>37</sup> Commission President Von Der Leyen visited Baku in July 2022 to sign a Memorandum of Understanding to double the capacity of the SGC, as well as to improve cooperation on renewable energy and combating Climate Change.<sup>38</sup>

## Geopolitical consolidation

Fourth, the EU in the South Caucasus seeks **to contain and push back the influence of the Russian Federation by promoting the resilience of Georgia and reducing the Russian grip on Armenia.**

In the past years, the EU has been forced to face geopolitical competition with other powers, even if it considered its own Eastern Partnership policy as 'not aimed against anyone'.<sup>39</sup> In spite of this point of view, especially the Von Der Leyen Commission has aspired to play a geopolitical role in especially the EU's neighbourhood. Initially struggling to secure such a role, the Russian invasion of Ukraine marked a clear shift for Von der Leyen personally as well as for her Commission and other EU institutions towards a more geopolitically motivated discourse. Apart from military support for Ukraine, the EU granted an EU accession perspective to Ukraine, Moldova and Georgia for largely geopolitical reasons.

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36 Alexandra-Maria Bosce, "[EU energy diplomacy: searching for new suppliers in Azerbaijan and Iran](#)," *Geopolitics*, p. 149 (2019), 24:1.

37 See Hasanov, "[The role of Azeri natural gas in meeting European Union energy security needs](#)," Elsevier, 2020.

Hasanov, Fakhri J., Ceyhun Mahmudlu, Kaushik Deb, Shamkhal Abilov, and Orkhan Hasanov, "[The Role of Azeri Natural Gas in Meeting European Union Energy Security Needs](#)," *Energy Strategy Reviews* 28 (March 2020).

38 European Commission - European Commission, "[Press Corner](#)," s. d.

39 President of the European Council Donald Tusk, "[Speech by President Donald Tusk at the Batumi International Conference](#)," s. d.

EEAS Website, "[Disinformation Narratives about the Eastern Partnership](#)," 2021, s. d.

In the South Caucasus, the EU in 2022 also asserted a somewhat more geo-politically assertive stance towards Armenia, but continued Russian leverage over both the economy and security of the country have impeded EU efforts. As long as Russia retains its military bases in Armenia and the country remains part of the Russia-led Collective Security Treaty Organization (CSTO), even if it is an uneasy relationship, the EU and other Western partners will not be able to play a significant hard security role in the country. That is unlike in Georgia, where through NATO, but also the EU itself, security cooperation and military training can take place on a continuous basis. All in all, especially since the Russian invasion of Ukraine, the EU has displayed a willingness to capitalise on opportunities to push back against Russia's influence in the region, and we can expect the EU to continue this approach as long as Russia upholds hegemonic ambitions towards its "near abroad".

### **The EU's end game for the South Caucasus remains unclear**

While in theory the EU's soft power approach remains its main policy track, in practice we see that stability concerns, strategic interests as well as geopolitical considerations often take precedence over the formal policy paradigm enshrined in the ENP and EaP. Problematically, it would be hard to find an overall strategy in the EU's application of its sometimes conflicting policy goals. The EU's stability vs. democratisation dilemma – the fact that the promotion of democracy may in the short run affect perceived stability offered by semi- or undemocratic governments – has already been visible for a longer period of time.<sup>40</sup> However, 2022 also laid bare the geopolitics vs. democratisation, most concretely in the dilemma whether or not to grant EU candidate status to Georgia for geopolitical reasons in spite of a lack of democratisation efforts. A third dilemma became visible between the EU's own interests vs. its normative agenda, whereby for example for the sake of EU economic needs, its normative objectives are temporarily downplayed.

As a result of realities on the ground and as reflected in its differentiation agenda, the EU in its approach towards Azerbaijan appears to have long given up on the objective of exporting EU values. The EU's more interest-driven approach

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40 Bob Deen, Wouter Zweers and Iris van Loon, "[The Eastern Partnership: Three Dilemmas in a Time of Troubles](#)", Clingendael Instituut, January 15, 2021: 5-8.

became very clear when in 2022 Von der Leyen visited Baku to secure a gas deal without mentioning human rights violations or the conflict with Armenia at all. At the same time, the EU resisted granting Georgia candidate status for geopolitical reasons, knowing that it would harm its democratisation objective in the longer term (as will be reflected upon in chapter 3).

These examples show that the EU is rather inconsistent and has deviated from its initial normative approach through which it also hoped to export stability. This has led some authors to conclude that the failure to promote democratisation has resulted in remaining and even intensified security challenges.<sup>41</sup> It is surely too much to attribute a causal relation between the two, but it is clear that the EU has not succeeded in its aspirations and is caught up in a relatively reactive, short-term and ad-hoc modus operandi. Key to turning its investments in political and financial terms into a success will be to develop and implement a more holistic vision for the future of the region at large and the countries individually. That means that the EU should more narrowly define its priorities and make clear which objective takes precedence over the others, both in its general approach as well as in specific situations. At the same time, as will be discussed in the section on Georgia, it is possible for the EU to pursue a strategy in which its objectives are not mutually exclusive, but in which the normative approach forms a basis for guarding geopolitical interests and securing longer-term stability.

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41 Martin Nilsson and Daniel Silander, "[Democracy and Security in the EU's Eastern Neighborhood? Assessing the ENP in Georgia, Moldova, and Ukraine](#)," *Democracy and Security*, 2016

### 3 Georgia and the EU

This chapter explores the development and current nature of Georgia's relations with the European Union. It first assesses the development of Georgia-EU relations from the 1990s up until today. It then turns to the current role that the EU plays in terms of democratisation and European integration. Third, the chapter delves more deeply into Georgia's protracted conflicts with Abkhazia and South Ossetia.

#### EU relations with Georgia revisited

EU relations with Georgia go back to just after the fall of the Soviet Union. Already in the 1990s and early 2000s the EU assisted the country in its state-building process through financial and technical support, creating an institutionalised relationship through a so-called Partnership and Cooperation Agreement (PCA). The EU and US sought to promote the democratic development of the country, including when rejecting the outcomes of Georgia's rigged elections in 2003. This contributed to the fall of President Shevardnadze and the rise to power of Michael Saakashvili's United National Movement.<sup>42</sup>

Georgia became a part of the EU's Eastern Neighbourhood policy in 2004 and of the multilateral Eastern Partnership framework in 2009. The EU's increasing engagement with the South Caucasus countries was inspired by the EU's eastwards enlargement that brought the region closer to the EU and formed a reflection of EC President Prodi's vision to create a 'ring of friends' around the EU. It also mirrored the EU's approach towards the Southern Neighbourhood, for which another multilateral format (the Union for the Mediterranean) was created earlier.<sup>43</sup> The EU as such initially mostly adopted a soft-power approach towards

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42 Tanja A. Börzel and Bidzina Lebanidze, [“‘The Transformative Power of Europe’ Beyond Enlargement: the EU’s Performance in Promoting Democracy in its Neighbourhood.”](#) *East European Politics* 33, no. 1 (2017): 19.

43 See for a full review of the EU's Eastern Partnership policy framework: Bob Deen, Wouter Zweers and Iris van Loon, [“The Eastern Partnership: Three Dilemmas in a Time of Troubles”](#), Clingendael, last modified January 15, 2021.

Georgia, focussing its engagement on the promotion of good governance and democratisation, as well as the development of economic relations.

In 2008, however, the EU negotiated a ceasefire between Russia and Georgia to end the five-day war over South Ossetia and Abkhazia. Demonstrating its actorness in the security realm, the EU shortly thereafter also installed an EU Monitoring Mission (EUMM) on the ABL of the two breakaway territories, and also created the function of a Special Representative (EUSR) “for the South-Caucasus and the crisis in Georgia”.<sup>44</sup> The EU further altered its soft-power approach when the ENP and EaP throughout the 2010s became more interest-driven and the European Commission, especially under the Presidency of Von der Leyen, became more ambitious to play a more geopolitical role.<sup>45</sup>

A pivotal moment in the Georgia-EU relationship arose in 2014 with the signing of the Association Agreement (AA), which entered into force in 2016. The AA provided for far-reaching cooperation and an institutionalised relationship that also required Georgia to make far-reaching reforms in line with the *acquis*, a step reflecting Georgia’s ambitions to become a full member of the European Union. Another step in EU integration was achieved in 2017 with the acquirement of visa-free travel for Georgian citizens to the EU.<sup>46</sup>

Also economically, relations between Georgia and the EU have steadily increased in the past couple of decades. As discussed in chapter 2, the EU has been Georgia’s largest export destination and source of imports in the past decade, providing the EU with economic leverage over the country in addition to its normative leverage. The AA, which entered into force in 2016, played a major role in consolidating trade between the EU and Georgia as it included a DCFTA allowing for lowering trade barriers to the EU markets, building on earlier agreements going back to the 1990s. Georgia has in the past few years searched to capitalise from its position between Asia and Europe on the Black Sea coast, aiming to become a transit hub as part of the Middle Corridor of the Chinese Belt

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44 For a full overview of pivotal moments in EU-Georgia relations, see Ministry of Foreign Affairs of Georgia: “[Chronology of Major Events of EU-Georgia Cooperation](#),” Ministry of Foreign Affairs of Georgia, accessed December 22, 2022.

45 Bob Deen, Wouter Zweers and Iris van Loon, “[The Eastern Partnership: Three Dilemmas in a Time of Troubles](#)”, Clingendael, last modified January 15, 2021: 6.

46 “[Visa Free Travel comes into effect for Georgia](#),” European External Action Service, last modified March 29, 2017.

and Road Initiative (BRI) that has gained in attractiveness as a result of Russia's invasion of Ukraine.<sup>47</sup> In addition to improving road and rail connections between the country's borders with Azerbaijan and Turkey, Georgia also began dredging for an ambitious deep sea port project in Anaklia in 2017. The project was discontinued due to domestic political rivalry in 2020, although 2022 saw some first attempts at its revival.<sup>48</sup>

In the mid-2010s, Georgia became the EU's 'poster child' of the Eastern Partnership region with decisive reforms made first under Saakashvili's UNM government, and from 2012 under the Georgian Dream. However, alignment with European values and standards was met with problems in both periods. The Saakashvili government made good headway with economic modernisation and tackling petty corruption, amongst other things by modernising the Georgian police force with the help of Western partners. At the same time, high-level corruption remained and power centralised around the UNM with serious human rights abuses, amongst others in the prison system. From 2012 onwards Georgian Dream initially undertook a reform-minded path, but serious democratic reform efforts in the past few years have now ground to a halt. The oligarchic and personal interests of GD's founder Bidzina Ivanishvili, who in 2012-2013 also served as the country's prime minister, are having a major influence on the country's politics, even if Ivanishvili has no formal political function.<sup>49</sup> In the past few years, especially concerning political criteria, the country has been moving away from EU standards, with the European Commission reporting 'setbacks in

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47 James Jay Carafano, "[Central Asia's Middle Corridor Gains Traction at Russia's Expense](#)," GIS, last modified August 29, 2022.

48 Nini Gabritchidze, "[Georgia Pledges to Revive Anaklia Port Project, Take Controlling Share](#)," Eurasianet, December 12, 2022.

49 See: Ghia Nodia, "[Taking the road away from Europe – how far could Georgia go \(and can it be reversed\)?](#)," CEPS, last modified September 15, 2022.



the key areas of rule of law, governance and human rights' in its 2022 Association Agreement implementation report.<sup>50</sup>

In spite of stalling reforms and incentivised by Ukrainian and Moldovan applications for EU membership after the Russian invasion of Ukraine, Georgia formally applied for EU candidate membership in 2022. However, the country received a negative opinion from the European Commission due to the level of political polarisation and the lack of reform progress in recent years. Nevertheless, the country has received a formal perspective as a 'potential EU candidate country', which, even if it is conditional upon the fulfilment of 12 conditions described in the *Avis* and building on the agenda of the Association agreement, as agreed earlier, constitutes a new chapter in EU-Georgia relations.<sup>51</sup>

## The EU as a promoter of democracy through European integration

Since Georgia has entered the EU enlargement context, the EU wields considerable influence over Georgia through the conditionality mechanism of the European integration process. The EU's ability to determine what 'sticks' and/or 'carrots' to apply makes it clear that, at least in theory, it can alter decision-making in the Georgian government as well as influencing societal preferences. In practice, the EU currently has to consider two interconnected issues: how to move forward on the candidate status, as well as how to address the internal political polarisation in Georgia.

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50 See: ["Georgia: EU annual report notes some progress in Association Agreement implementation, while highlighting the need for further inclusive reforms,"](#) European External Action Service, last modified August 13, 2022. The full report is linked there and notes amongst other things: "in 2021, challenges threatened to undermine the country's democratic foundations, including the limitations in the functioning of Parliament following the 2020 parliamentary elections; the shortcomings in the conduct of local elections; the July 2021 violence against journalists and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons without meaningful subsequent investigation; and reports of wiretapping of parts of Georgian society and the diplomatic community. Reform of the judiciary has stalled over the past year, and even regressed in key areas. Several crucial laws were rushed through Parliament without the necessary consultations or analysis of compliance with EU or Council of Europe standards."

51 See: ["Opinion on Georgia's application for membership of the European Union,"](#) European Commission, last modified June 16, 2022.

Regarding candidate status, one of the major intermediate ‘carrots’, Georgians are strongly divided about the extent to which Georgia missing out earlier this year was justified. A majority believe that Georgia deserved the status on both geopolitical and technocratic grounds. In their view it faces the same Russian imperialism as Ukraine and, despite stagnation, is objectively still a frontrunner in terms of alignment with the EU. Indeed, according to a 2021 CEPS report comparing the alignment of the Western Balkans and the South Caucasus countries, Georgia scored better than three out of six long-standing candidates in the Balkans, as well as better than Moldova and Ukraine on both economic and political criteria, but that does not depict the full picture.<sup>52</sup>

Given the polarised political climate and increasing signs of state capture in the country, the expectation of most Georgian experts that granting candidate status could provide a motivation for further reform, can be met with serious doubts. Experiences in the Western Balkans show that encouragement from the EU by creating incentives can only be effective if there is already a reform-minded government in place.<sup>53</sup> There is therefore a case to be made for the EU’s July 2022 decision not to grant candidate status, both for the credibility of the EU and to maintain pressure on the government to reform. In the ensuing protests on the streets of Tbilisi just after the EU’s decision, Georgian citizens voiced their discontent towards their government for failing to secure candidate status, showing their understanding for the EU’s step as a result of the failure of the GD government to deliver on reforms.

The EU’s decision not to grant Georgia candidate status in 2022 has proven to be all the more justified in the context of the developments of early March 2023, when Georgian Dream attempted to push a law through the Georgian parliament, proposed by a parliamentary faction close to the government, that would label civil society organisations as foreign agents when receiving more than 20 percent of their funding from abroad. Such organisations, e.g.

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52 Michael Emmerson et al., [“Balkan and Eastern European Comparisons – Building a New Momentum for the European Integration of the Balkan and Eastern European Associated States,”](#) CEPS, last modified March 2, 2021. New comparisons will only be possible in October 2023 when both blocs will be included for the first time in the European Commission annual enlargement package.

53 Earlier reform shows how despite the lack of reform progress or even a backlash, the EU continued to support the governments in the Balkans, leading to stabilocracy formation. See: Wouter Zweers et al., [“The EU as a Promoter of Democracy or ‘Stabilocracy’ in the Western Balkans?”](#), Clingendael, last modified in February 2022.

those focussed on human rights or democracy, would subsequently be subject to rigid reporting requirements to the Georgian government. In the case of a failure to comply, they would face considerable fines, with individuals also risking prison sentences. GD lawmakers argued that the law would serve to limit foreign influence in Georgia and function in a similar fashion to a US law on foreign interference. In practice, however, it more closely resembled the Russian Foreign Agent Law that the Kremlin introduced in 2012 and meant the end of the beginning for the freedom of expression and association in Georgia's northern neighbour.

The law would have made the work of civil society organisations practically infeasible, if it were not for the counter-reaction that followed. On 8 and 9 March Georgian citizens flooded the streets of Tbilisi to protest against what they described as 'the Russian law' and demanded its withdrawal. EU leaders for their part made it abundantly clear that the law would be diametrically opposed to Georgia's EU integration path.<sup>54</sup> The US State Department and the Council of Europe Commissioner for Human Rights voiced similar concerns.<sup>55</sup> The combined pressure from citizens and Georgia's foreign partners eventually forced the Georgian government to revoke the law on 10 March, thereby undoing the earlier adoption of its first reading a few days earlier.

The developments have clarified that the Georgian Dream government's nominal EU integration agenda is in practice influenced by more narrow interests. The anti-Western rhetoric from the Georgian government in the past two years and the lack of reform progress make Georgia's current commitment to EU integration at least questionable. It remains unclear whether political consolidation, a geopolitical shift towards Russia, or both are the implicit and overarching objectives of the Georgian government.<sup>56</sup> What is clear is that Georgia has in the past couple of years become more prone to Russian leverage as a result of its political course set by the oligarch Ivanishvili.<sup>57</sup>

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54 EEAS, "[Georgia: Statement by the High Representative on the adoption of the "foreign influence" law](#)," March 7, 2023.

55 RFE/RL, "U.S. Voices 'Deep Concern' Over Proposed Georgian 'Foreign Agent' Media Law," February 16, 2022; Council of Europe, "[CommHR/DM/sf 006-2023](#)," February 22, 2023.

56 Kornely Kakachia and Bidzina Lebanidze, "[Georgia's Slide to Authoritarianism](#)," Carnegie Europe, March 14, 2023.

57 Régis Genté, "[Broken Dream: The oligarch, Russia, and Georgia's drift from Europe](#)," European Council on Foreign Relations, December 21, 2022.

Second, the developments have demonstrated both the fragility of Georgia's EU path, but also the pro-European orientation of the Georgian population. The Tbilisi protests of early March found support throughout the country. Overall support for the EU has remained high in Georgia in recent years, with 85% of Georgians supporting the EU in 2022.<sup>58</sup> Georgian society may have developed more democratic resilience than the country's political system, which suffers from strong political polarisation.

That means that in the time ahead the EU should closely monitor the implementation of the 12 conditions in the *Avis* and subsequently grant candidate status only if these conditions are fully fulfilled. This would fit well within a "normative and consistent approach that offers a longer-term perspective of good governance, transparency and the rule of law" which does not necessarily undermine the EU's geopolitical clout, but can, on the contrary, reinforce it, as the EU's values are its "most potent geopolitical instruments".<sup>59</sup> At the same time, the EU will need to remain attentive and support civil society and its resilience. It can do so amongst other things by countering disinformation campaigns, including those that exploit fears of war or social conservative values and religious sentiments in Georgia.

A specific challenge for the EU is how to deal with political polarisation in Georgia. The European Commission recognised the problem in its *Avis* by conditioning candidate status on Georgia's willingness to 'address the issue of political polarisation, through ensuring cooperation across political parties in the spirit of the April 19 agreement'.<sup>60</sup> This agreement was mediated by the EU with the personal involvement of Council President Charles Michel after the 2018 elections. These led to a boycott of parliament and other institutions by the majority of the opposition, who questioned both the outcome and the election process as such. While securing a partial return of the opposition to parliament, the agreement did not resolve polarisation at large. As scholars already warned in April 2021, "signing the deal was the easy part" and the agreement broke down

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58 IRI, '[IRI Georgia Poll Finds Strong Support for EU Membership, Disapproval of Russian Presence, Distrust in Political Parties](#)', November 7, 2022.

59 Bob Deen, Wouter Zweers and Iris van Loon, "[The Eastern Partnership: Three Dilemmas in a Time of Troubles](#)", Clingendael, last modified January 15, 2021:1 & 8.

60 "[Opinion on Georgia's Application for Membership of the European Union](#)," European Commission, last modified June 16, 2022.

soon afterwards when Georgian Dream withdrew its signature, arguing that UNM had used the document as a campaigning tool.<sup>61</sup>

Problematically, Georgia's European integration as well as its democratisation have become a zero-sum game and a plaything of partisan politics for the two major parties.<sup>62</sup> Moreover, in spite of efforts from EU member states like the Netherlands to enhance political pluralism, new political parties such as European Georgia are unable to consolidate themselves between the UNM and the Georgian Dream, or – like 'People's Power', for example – are merely a spinoff at arm's-length of the GD.<sup>63</sup>

The partial failure of the EU's mediation efforts raises major questions about the desirability of EU involvement at such a high level in the internal politics of partner countries, as well as about the next steps to be taken by the EU. Various people have asserted in interviews with the researchers of this report that Georgian politicians did not sufficiently appreciate the value of EU intervention at such a high level.<sup>64</sup> Given that Michel's exceptional involvement did not work, the ball may now be in the court of Georgian political parties. The EU and its member states could best retain influence and credibility by applying strict conditionality requirements to reassure citizens that the EU does not reward political polarisation or undemocratic processes by continuing its support for political plurality and civil society, in equal measure, through more technical assistance. At the same time, the European Parliament should refrain as much as possible from offering largely unconditional party-political support to its associated member parties in Georgia. It is therefore a welcome development that in response to the foreign agent law episode, the S&D criticised the steps

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61 Amanda Paul and Iana Maisuradze, "[Georgia's Road Ahead: Time for the EU to Show Some Tough Love](#)", EPC, last modified April 30, 2021.

62 See for a full analysis on polarisation in Georgia: Nino Samkharadze, "[What Does the Polarization in Georgia Look Like and How to Measure it?](#)", Georgian Institute of Politics, last modified October 13, 2022. See also: Archil Gegeshidze and Thomas de Waal, "[Divided Georgia: A Hostage to Polarization](#)", Carnegie Europe, last modified December 8, 2022.

63 Kornely Kakachia and Nino Samkharadze, "[People's Power or Populist Pawns? Examining Georgia's New Anti-Western Political Movement](#)", Georgian Institute of Politics, last modified December 1, 2022. See also: Marie Dumoulin and Tefta Kelmendi, "[Lost in the Dream: How the EU Can End the Political Deadlock in Georgia](#)", ECFR, last modified January 26, 2022.

64 Interviews in Tbilisi between 11 and 14 November 2022.

made by the Georgian Dream, which is associated with the political family.<sup>65</sup> In short, as other authors have described it, the EU should show some “tough love”.<sup>66</sup>

## **The protracted conflicts: How should the EU deal with Abkhazia and South Ossetia?**

Apart from its role as a promotor of good governance and democracy, the EU has a stake in the solution of the Abkhazia and South Ossetia conflicts. Various of its bodies are directly or indirectly involved, among which are the High Representative and Vice President of the EU (HR/VP), the EUSR and the EUMM. The EU is also amongst the co-chairs of the Geneva International Discussions (GID), the formal negotiation format for the resolution of the conflict, together with the OSCE and the UN.

Georgia itself implements a two-track approach with regard to Abkhazia and South Ossetia. On the one hand, it focusses on de-occupation through diplomatic means in the international arena, and on the other on human-focused reconciliation through people-to-people contacts and confidence building measures (CBMs).<sup>67</sup>

In its rhetoric, the Georgian government links the Russian occupation of Abkhazia and South Ossetia as much as possible to Russian actions in Ukraine, which is not entirely justified given the different nature and origins of the conflicts. Such a perspective especially ignores the domestic dynamics in Abkhazia, where the ethnic Abkhaz population is far from happy with cultural Russification and Russian attempts to buy Abkhazian land and real estate (such as the beach resort of Pitsunda).<sup>68</sup> The appointment of the de facto ‘Minister of Foreign Affairs’ Inal Ardzinba, who was actually installed by Russia, shows that the region has difficulty in resisting Russian pressure, even if Russia since 2008 formally regards both regions as independent states.

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65 S&D, “[S&Ds deplore Georgian Prime Minister’s statement against the European Parliament](#),” March 14, 2023.

66 Amanda Paul and Iana Maisuradze, “[Georgia’s Road Ahead: Time for the EU to Show Some Tough Love](#),” EPC, last modified April 30, 2021.

67 Interview with a Georgian Official, Tbilisi, 14-11-2022.

68 See for the Pitsunda case: Eurasianet, “[Handover of Abkhazian dacha spurs worries about Russian control](#)”, July 29, 2022.

The situation in South Ossetia is markedly different from Abkhazia, as there is less domestic political pluralism and less desire to retain a degree of national autonomy; instead, the region appears more open to join the Russian Federation in order to unify with North Ossetia. Moscow has held off on this and uses the scarcely populated area as a staging ground in order to maintain military pressure on Georgia. Russia could potentially use its control over the region to quickly close off the increasingly important energy, railroad and road connections as part of the 'Middle Corridor' from Azerbaijan to Turkey which run just south of the ABL. Russia continues to 'borderise' the line of contact and move it further south, even if such attempts have decreased in intensity since the Russian invasion of Ukraine.<sup>69, 70</sup> In spite of this decrease, the EUMM remains pivotal in keeping the situation under control and more direct supervision of the ABL through innovative means may be considered to alleviate the risks.

One factor that may explain the decrease – at least for the time being – in borderisation efforts is that Russian troops have withdrawn from both Abkhazia and South Ossetia in the past year to be deployed in Ukraine. Already in March last year, about 800 troops from the Russian Gudauta Base Abkhazia and 1200 from Tskhinvali in South Ossetia were seen crossing into Russia in the direction of Eastern Ukraine.<sup>71</sup> According to different interviewees, the total number of Russian troops in South Ossetia and Abkhazia ranged between 10,000 and 12,000 before the invasion, but after withdrawals throughout 2022, now mostly the Russian Federal Security Service (FSB) border guards remain.<sup>72</sup>

Even if its security presence has decreased, Russia is increasingly putting pressure on Abkhazia as it senses more political openness in the region towards Georgia and the West. The EU will need to stand ready to make use of any opportunities to alleviate negative effects of such Russian pressures on Abkhazia. One key element is to ensure that Abkhaz continue to be able to travel to Georgia

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69 International Crisis Group, ['Fenced In: Stabilising the Georgia-South Ossetia Separation Line'](#), December 6, 2022.

70 See for a full analysis of the effects of the Russian invasion of Ukraine on South Ossetia and Abkhazia: Sufian Zhemukov, ['Abkhazia and South Ossetia: Second-Order Effects of the Russia-Ukraine War'](#), Ponars Eurasia, December 19, 2022.

71 Sopo Gelava, ['Russian War Report: Additional units from Georgian breakaway regions join Russian offensive'](#), Atlantic Council, March 28, 2022; Civil.ge, ["Ukraine: Russia Brought 2,000 Troops from Abkhazia, Tskhinvali,"](#) March 31, 2022; Zaal Anjaparidze, ["Russia Redeploys Troops From Its Bases in Georgia to Ukraine,"](#) Jamestown, March 28, 2022.

72 Various interviews, Tbilisi, 11 and 14 November 2022.

and/or the European Union. By keeping the door open for cooperation, the EU would signal that it supports those Abkhaz who do not want to be dominated by Russia. The EU's political approach to both Abkhazia and South Ossetia, which can be described as 'non-recognition and engagement', provides a solid basis to continue a pragmatic approach for the benefit of citizens in the region.

One of our Georgian interlocutors furthermore noted that 'If in Abkhazia you take 100 kids per year to European universities, in 10 years it is a gamechanger'.<sup>73</sup> Such educational exchanges could indeed be one way of ensuring that the Abkhaz remain in contact with the rest of Europe in spite of Russian efforts to Russify the region and make it fully dependent on the Russian Federation. For example, since 2016 Russia has ordered the phasing out of Georgian-language education in Abkhazia which leads to barriers for any potential reintegration or constructive cooperation.<sup>74</sup> This provides Georgia as well as the EU with the challenge of ensuring that the younger generation in the region are not further alienated from Georgia proper. EU measures against Russification, where possible, will be needed.

Lastly, when it comes to the Georgia-Abkhazia relationship, the EU will also need to maintain its focus on Georgia itself. The Georgian government has taken a rather maximalist approach towards Abkhazia, focussing on full reintegration instead of more gradual measures.<sup>75</sup> Specifically, the Georgian discourse has lacked propositions for a common future in which Abkhazia can retain some form of autonomy. Confidence building measures will need to remain in place and will need to lead to a gradual process, eventually addressing difficult highly political topics.

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73 Interview with a Georgian NGO, Tbilisi, 14-11-2022.

74 Tamuna Shonia, "[Abkhazia: Georgian Now Only Taught as a Foreign Language](#)," IWPR, November 3, 2021.

75 Giorgi Menabde, "[Will Abkhazia Become the 'Georgian Monaco'?](#)," Eurasia Daily Monitor Volume: 20 Issue: 9.



## 4 The EU and the elusive peace agreement between Armenia and Azerbaijan

After the EU ramped up its engagement with conflict settlement in Georgia in 2008, it took well over 12 years before it became similarly engaged between Armenia and Azerbaijan. For decades, the EU formally deferred the settlement of the protracted Nagorno-Karabakh conflict to the three main mediators of the OSCE Minsk Group, co-chaired by the United States, the Russian Federation and France.<sup>76</sup> This is not to say that the EU was completely absent; successive EU Special Representatives (EUSRs) to the South Caucasus covered the conflict resolution process as part of their mandate and the EU supported conflict resolution efforts for many years through peace-building projects and various dialogue initiatives.<sup>77</sup> But it was not until the Second Karabakh War in 2020 and the subsequent hostilities between Armenia and Azerbaijan that the EU stepped in at a high political level to facilitate direct talks between Baku and Yerevan, with a view to negotiating a comprehensive peace agreement between both countries. The EU has therefore inserted itself in an extremely complex and rapidly changing conflict with a long and contentious history. It also does so in direct competition with the Russian Federation, which has put forward its own plan for the resolution of the conflict and is trying to retain and strengthen

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76 The then Conference for Security and Co-operation in Europe (CSCE) requested the Chairman-in-Office to convene a conference in Minsk to resolve the Nagorno-Karabakh conflict. The conference never took place, but at the Budapest Summit in 1994 the United States, the Russian Federation and France jointly gained a formal mandate as the “Co-Chairmen of the Conference on Nagorno-Karabakh under the Auspices of the OSCE (“Minsk Conference”)”, as set out in [OSCE Document 525/95](#), issued in Vienna on 23 March 1995.

77 This chapter will focus predominantly on official track-1 negotiations and the EU field mission, while it should be noted that the EU has also invested substantially in track-2 support to civil society over the last decade. EU support for peace building has been extensively documented in recent research. See for example Conciliation Resources, ‘[European Union support to the Armenian-Azerbaijani peace process](#)’, CR Discussion Paper, January 2023, as well as LINKS Europe, ‘[The South Caucasus from war to peace: 30 measures between now and 2030](#)’, Report of the Joint Armenian-Azerbaijani Liaison Group on confidence-building measures in support of lasting peace in the South Caucasus, April 2022.

its grip both on a deeply disillusioned Armenia and on an increasingly assertive Azerbaijan. This chapter will briefly describe the changing dynamics of the conflict and Armenia's deteriorating relationship with Russia. It will then assess the main opportunities and challenges facing the EU both in its role as a mediator and as a geopolitical alternative that would allow Armenia to reduce its dependence on Moscow and to determine its own democratic future.

## The changed dynamics of the conflict between Armenia and Azerbaijan

For decades, the conflict between Armenia and Azerbaijan appeared to be a textbook 'protracted conflict', with a diplomatic solution to the conflict continuously out of reach.<sup>78</sup> Armenia, which had not only successfully defended the ethnic Armenians of the former Nagorno-Karabakh Autonomous Oblast in their attempts to secede from Azerbaijan in the First Karabakh War from 1988-1994 but also occupied seven districts around it as a 'buffer zone', kept dragging its feet. Successive Armenian political leaders, most of whom hailed from Nagorno-Karabakh themselves, became entrenched in an uncompromising policy of staunch support for 'Artsakh' that was founded on two premises. The first, the 'myth of invincibility', was based on the assumption that the self-defence forces of Nagorno-Karabakh and the Armenian military would be able to defend successfully against any Azerbaijani attempt to settle the conflict by force. The second, the 'myth of Russian support', assumed that Russia as Armenia's security provider and ally within the CSTO would come to its defence if the conflict would indeed escalate.<sup>79</sup> Both assumptions proved to be wrong.

Azerbaijan, in turn, had for years invested heavily in building the capacity of its military, using the windfall from its burgeoning oil exports to purchase advanced armaments, particularly from Israel and Turkey (see figure 10). While Armenia also

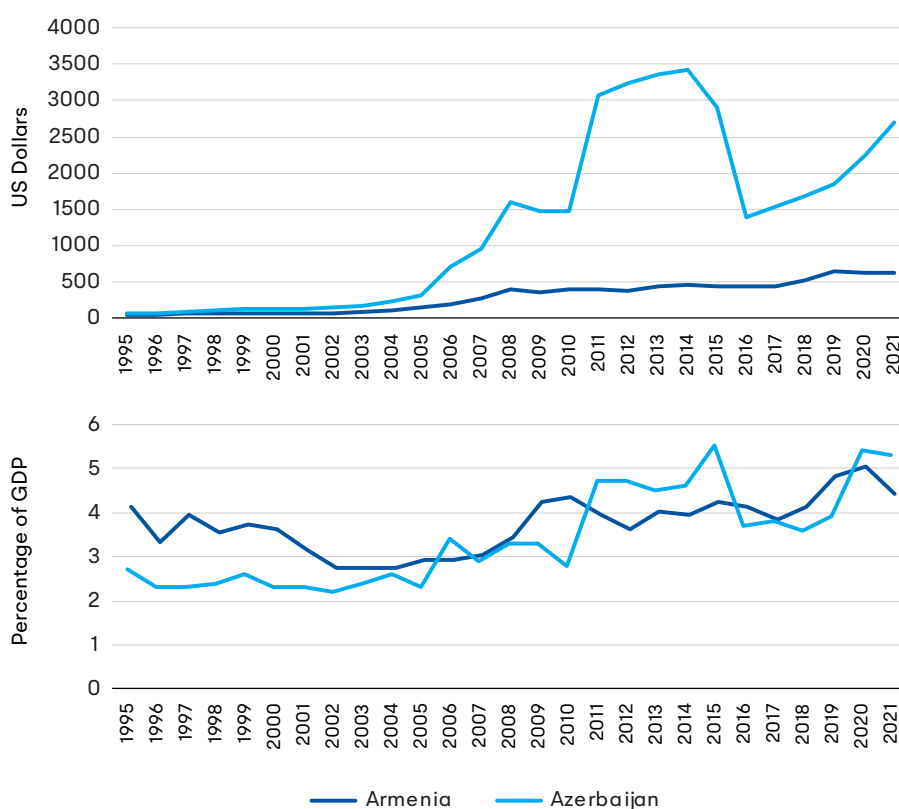
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78 This report does not aim to offer a comprehensive account of the long and complex history of the conflict between Armenia and Azerbaijan. For a good overview, see Laurence Broers, *Armenia and Azerbaijan: Anatomy of a Rivalry* (Edinburgh University Press, 2019) and Thomas de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*, 10<sup>th</sup> anniversary edition (New York University Press, 2013).

79 Clingendael interviews, Yerevan, November 2022.

invested a significant percentage of its GDP in military expenditure<sup>80</sup>, the growing GDP of Azerbaijan nonetheless has given it a considerable edge that is only set to increase. The hike in oil and gas prices in 2022 more than doubled Azerbaijan's revenue from energy exports in comparison to 2021, which only further disbalanced an already lopsided difference in military expenditure between Armenia and Azerbaijan (see figures 15-16).

**Figure 15-16** Azerbaijani and Armenian military expenditure in Current US Dollars and as part of GDP



Source: SIPRI Military Expenditure Database

<sup>80</sup> Both countries consistently score highly in the Global Militarization Index, with Armenia ranking second in the world in 2020 and fifth in 2021 while Azerbaijan rose to the third-highest position in 2021. In 2020 Armenia invested 4.9% of its GDP in defence against 5.4% for Azerbaijan. For more details see Markus Bayer, [Global Militarization Index 2021](#), Bonn International Center for Conflict Studies (BICC), December 2021, pp 7-8.

The Azerbaijani President, Ilham Aliyev, eager to reverse the defeat inflicted upon his father Heydar, grew increasingly impatient with slow and fruitless negotiations. Parallel to the official diplomatic track he pursued a more hard-line course of 'coercive diplomacy' aimed at strengthening Azerbaijan's negotiation position and, if necessary, resolving the conflict by military means. As an ominous warning of what was to come, in April 2016 an Azerbaijani military build-up was followed by a short but intense round of fighting around Nagorno-Karabakh. Despite sizable losses and limited territorial gains, Azerbaijan managed to capture a few strategically significant locations and was able to test the response of Armenia, the Russian Federation and the broader international community. Analysts such as Tom de Waal later noted that this round of fighting was not likely to be the last, as it only reinforced both sides' maximalist positions and strengthened the polarizing dynamic of the security dilemma.<sup>81</sup>

The rise to power of Nikol Pashinyan, the first Prime Minister of Armenia without roots in Nagorno-Karabakh itself, at first appeared to offer a window of opportunity for a diplomatic settlement.<sup>82</sup> Direct talks between Pashinyan and Aliyev and a joint statement by both countries in January 2019 within the context of the OSCE Minsk Group about the need to 'prepare populations for peace' gave rise to hope that this long-standing dispute could finally be resolved.<sup>83</sup> These hopes were dashed when Pashinyan went to a rally in Stepanakert in 2019 and called for 'miacum' (unification), saying that "Artsakh is Armenia, and that's it".<sup>84</sup> In July 2020, President Aliyev sharply criticised both the Armenian Government and the international mediators, denounced the official OSCE-led process as 'meaningless' and openly hinted at a new conflict.<sup>85</sup> This open conflict followed soon afterwards; in July there were already brief clashes around Nagorno-

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81 Thomas de Waal, '[Prisoners of the Caucasus: resolving the Karabakh Security Dilemma](#)', *Carnegie Europe*, June 2016.

82 For a good overview of Pashinyan's evolving position on Nagorno-Karabakh as opposition MP and Prime Minister, see Eduard Abrahamyan, '[Pashinyan Stiffens Armenia's Posture towards Karabakh](#)', *Eurasia Daily Monitor* (vol. 15 issue 72, May 2018).

83 [Press Statement by the Co-Chairs of the OSCE Minsk Group](#), 16 January 2019. Among others, the statement includes the sentence that "The Ministers discussed a wide range of issues related to the settlement of the Nagorno-Karabakh conflict and agreed upon the necessity of taking concrete measures to prepare the populations for peace."

84 Joshua Kucera, '[Pashinyan calls for unification between Armenia and Karabakh](#)', *EurasiaNet*, August 6, 2019.

85 Joshua Kucera, '[Azerbaijani president calls into question negotiations with Armenia](#)', *EurasiaNet*, July 7, 2020.

Karabakh, and in September Azerbaijan launched a large-scale offensive that later became known as the '44-day war' or the Second Karabakh War. Within the space of barely 1½ months, Azerbaijan managed to inflict a staggering defeat on the Armenian military and the Nagorno-Karabakh self-defence forces that dispelled both of the aforementioned Armenian myths in one go.

Russia inserted itself very late in the conflict, after Azerbaijan had already captured the strategically and symbolically significant city of Shusha, but then wholly seized the initiative – at the expense of the other Minsk Group co-chairs, the EU and Turkey, which did not play as much of a role as they would have liked. Putin personally negotiated a trilateral ceasefire on 9 November 2020 that consolidated Azerbaijani gains in Nagorno-Karabakh itself and additionally obliged Armenia to withdraw from the seven districts it had occupied since 1994. Armenia also undertook to construct and provide security for transport connections between Azerbaijan and its exclave of Nakhchivan that Azerbaijan later began to refer to as the 'Zangezur Corridor'.<sup>86</sup> Russia, in turn, undertook to guarantee the security of the Armenians in Nagorno-Karabakh and the Lachin Corridor connecting it to Armenia by deploying 1,960 peacekeepers for a period of five years. Russian FSB border guards would be responsible for the oversight of the transport connection to Nakhchivan.

As is often the case with ceasefire agreements brokered by Russia, the implementation of the trilateral agreement was sketchy at best. Armenia complied with its obligations to withdraw troops from the remaining occupied regions around Nagorno-Karabakh, but skirmishes continued, resulting in dozens of deaths that the Russian peacekeepers were unable or unwilling to prevent. Azerbaijan quickly began making preparations for opening the transport corridor to Nakhchivan, but the sides could not agree on the exact location or the modalities of the road and rail connection through Armenian territory. Baku's impatience with what it considered Armenia's slow implementation of the concessions that the Azerbaijani military had imposed on the battlefield only increased. In 2022, while the world was distracted by Russia's unprecedented aggression against Ukraine, Azerbaijan once again began leveraging its military advantage. In several rounds of fighting throughout 2022 the Azerbaijani military captured more strategic heights around Nagorno-Karabakh. In September the fighting escalated to an all-out interstate conflict when Azerbaijan shelled

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<sup>86</sup> 'Zangezur' is a historical name used by Azerbaijan for the region that is now southern Armenia.

and invaded sovereign Armenian territory, occupying an estimated 140 square kilometres in central and southern Armenia – including near Jermuk.<sup>87</sup> President Aliyev also further escalated his bellicose rhetoric, leaving little doubt that Azerbaijan would resort to the use of force once again if Armenia would not ‘bend its neck’.<sup>88</sup>

The September attacks led to a marked change in the dynamics of the conflict. While Azerbaijan previously focused primarily on regaining territory in and around Nagorno-Karabakh that was internationally acknowledged as its own; it had now proceeded to attack and occupy territory in Armenia proper. This prompted Yerevan to formally request assistance from the CSTO to restore its territorial integrity. The fairly tepid response that followed – a fact-finding mission without consequences – further disillusioned Armenia. It was sharply criticised by Pashinyan and discussions began in Yerevan about Armenia’s possible withdrawal from the CSTO. Armenia is now imminently concerned about its own territorial integrity, fearing that Azerbaijani troops could cut off its vulnerable southern region altogether.<sup>89</sup> These fears were aggravated when a nationalist Azerbaijani MP openly began speculating about creating a ‘Goycha-Zangezur Republic’, which would effectively occupy nearly half of Armenia. Although attempts to create this republic were quickly suppressed by Baku<sup>90</sup>, Aliyev’s statements sometimes hint at more territorial ambitions towards Armenia.<sup>91</sup>

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87 International Crisis Group, [“Averting a New War between Armenia and Azerbaijan,”](#) *Crisis Group Europe Report no. 266*, 30 January 2023, 9.

88 Website of the President of the Republic of Azerbaijan, [‘Speech by Ilham Aliyev at the event organized on the occasion of Victory Day in Shusha’](#), November 8, 2022.

89 Clingendael interviews, Yerevan, November 2022.

90 Eurasianet, [“The rise and fall of Azerbaijan’s “Goycha-Zangazur Republic”](#)”, September 22, 2022.

91 See for example [the speech by Aliyev](#) at the building of the ‘West Azerbaijan Community’, 24 December 2022, in which he reiterated that ‘present-day Armenia is our land’ and demanded a return of Azerbaijani refugees to Armenia.

Map 3 The Lachin Corridor and southern Armenia



Baku's coercion did not end with the September attacks. On 12 December 2022 Azerbaijani activists began blocking the Lachin Corridor connecting Stepanakert to Armenia, allegedly for environmental reasons but clearly with support from the authorities. Aliyev denied imposing a blockade but called the activists 'our pride', described their demands as 'legitimate' and hinted that the protests could continue for a 'long time'.<sup>92</sup> The corridor indeed remains blocked as of the time of writing this report, creating a humanitarian catastrophe in Nagorno-Karabakh as food, medicines and energy supplies are disrupted. Western Governments and international human rights organizations such as Human Rights Watch and Amnesty International have sharply denounced the blockade.<sup>93</sup> Also, the International Court of Justice (ICJ) in The Hague ruled on 22 February 2023 that Azerbaijan is to "take all measures at its disposal to ensure unimpeded movement of persons, vehicles and cargo along the Lachin Corridor in both directions".<sup>94</sup> For Armenia, Russia's inability or unwillingness to guarantee the functioning and security of the Lachin Corridor stands as a stark reminder of how little it can rely on Russia for both political support and the provision of security for the Armenians of Nagorno-Karabakh.

## The EU's and Russia's competition over mediator status

Since 2020, Armenia's growing disappointment with the Russian Federation as a mediator and security guarantor combined with Azerbaijan's desire to abandon the static Minsk Group has opened opportunities for the EU to become more actively and directly involved. In line with its new geopolitical ambitions the EU was eager to do so – even if it struggled to cope with managing the parallel realities of a diplomatic and a military track while competing more and more with Moscow (see figure 17).<sup>95</sup>

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92 Ismi Aghayev, "[Aliyev denies that Nagorno-Karabakh is under blockade](#)", OC-media, January 11, 2023.

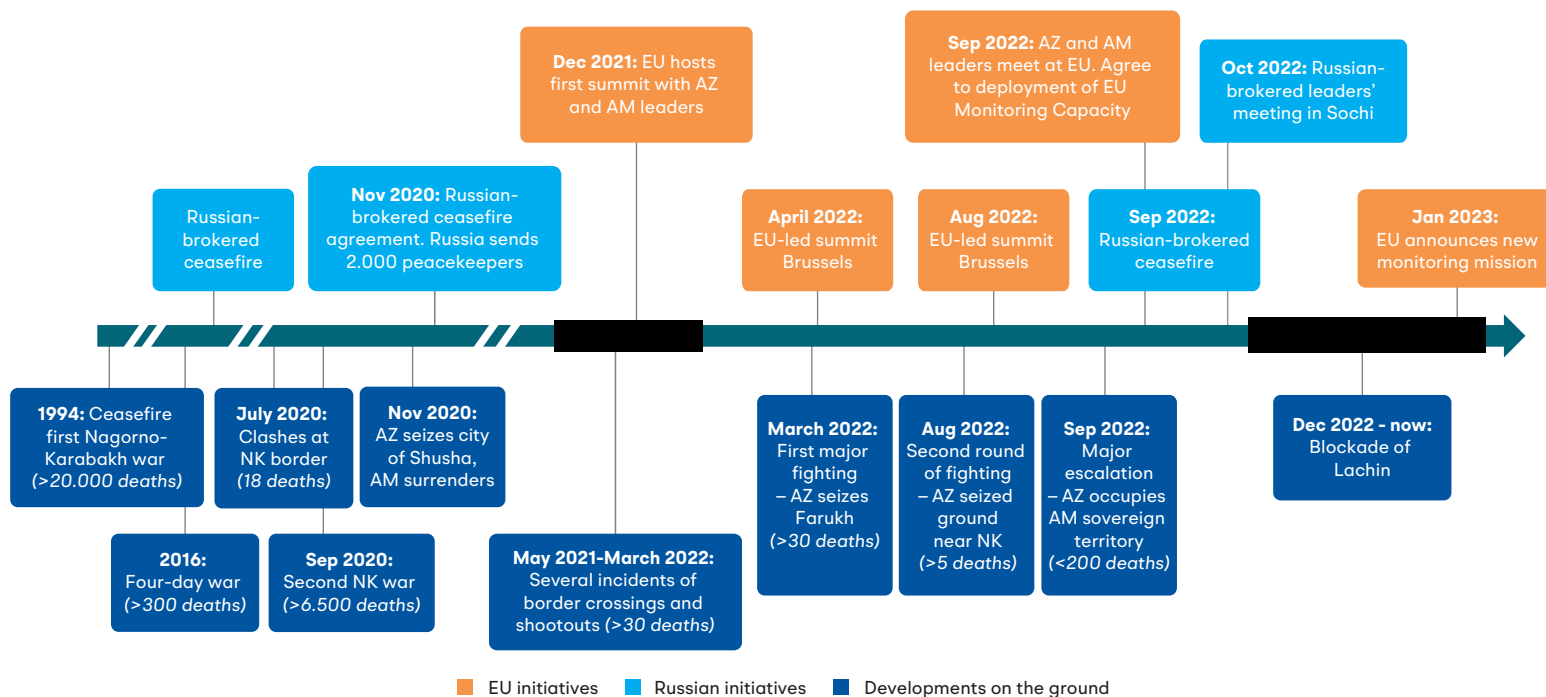
93 Amnesty International, "[Azerbaijan: Blockade of Lachin corridor putting thousands of lives in peril must be immediately lifted](#)", February 9, 2023.

94 International Court of Justice, Press release No. 2023/10, [Application of the International Convention on the Elimination of All Forms of Racial Discrimination \(Armenia v. Azerbaijan\)](#), February 22, 2023.

95 For a good overview of both tracks, see International Crisis Group, '[Averting a New War between Armenia and Azerbaijan](#)', Crisis Group Europe Report no. 266, 30 January 2023.



Figure 17 Timeline of major developments in the Armenia-Azerbaijan conflict, both on the ground and in diplomatic negotiations



Throughout 2021 high-level EU officials began visiting Yerevan and Baku, culminating in an agreement to restore a Cold War-style “hotline” direct military communication link between both countries brokered by EU Council President Charles Michel in November, followed by a summit between Aliyev and Pashinyan hosted in Brussels in December 2021. Following Russia’s invasion of Ukraine both the pace of the mediation efforts and the competition between Moscow and Brussels intensified, as the Kremlin became increasingly jealous of the EU’s involvement. While Russia was originally relatively content to allow the EU some leeway of its own as long as it retained its overall grip on Armenia, throughout 2022 the competition between both mediators has become a zero-sum game. The EU initially appeared to have the upper hand, hosting several high-level meetings and preparing a peace deal that would normalise relations between Armenia and Azerbaijan and that was meant to be signed before the end of 2022.<sup>96</sup> Russia in effect put forward its own competing peace plan, in particular trying to leverage Nagorno-Karabakh as a means to keep Yerevan on board. This was not particularly successful, and in January 2023, the Russian Foreign Ministry even went as far as to blame Yerevan for abandoning the Russian-led peace talks.<sup>97</sup>

Pashinyan, frustrated with Moscow’s lack of support, continued to ostensibly defer to Russia as the guarantor of Nagorno-Karabakh but preferred to work with Brussels to secure a broader bilateral peace deal with Azerbaijan. To strengthen his negotiation position he tried to bring in France, Armenia’s staunchest supporter within the EU and one of the three co-Chairs of the Minsk Group. Upon Pashinyan’s insistence French President Macron joined both presidents and Charles Michel at the meeting in the margins of the meeting of the newly established European Political Community (EPC) in Prague in October 2022. This meeting succeeded in securing an agreement on an EU Monitoring Capacity in Armenia (EUMCAP), which was a major breakthrough for the EU that will be discussed further below. President Aliyev nonetheless remained deeply critical about the French involvement, which he considered a major obstacle to the EU’s impartiality.<sup>98</sup> This perception was aggravated when the French Senate, which is traditionally very pro-Armenian, passed another resolution in November 2022 with an overwhelming majority that called for the recognition

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96 See for example Mikael Zolyan, ‘[How the West Managed to Sideline Russia in Mediating the Nagorno-Karabakh Conflict](#)’, *Carnegie Politika*, 9 November 2022.

97 Reuters, ‘[Russia blames Armenia for breakdown in Azerbaijani talks](#)’, 12 January 2023.

98 Clingendael interviews, Baku, November 2022.

of Nagorno-Karabakh, sanctions against Azerbaijan and the strengthening of Armenia's defence capacities.<sup>99</sup> Together with the Azerbaijani blockade of Lachin this brought to an end the EU's hopes to secure a peace deal before the end of 2022. EUMCAP, which had borrowed monitors from the EU's Monitoring Mission in Georgia, closed in December without a direct agreement on a follow-up mission, although work continued behind the scenes and on 23 January the EU decided to deploy the civilian 'EU Mission in Armenia' (EUMA) with a broader mandate.<sup>100</sup> In 2023 the EU now faces four key sticking points in its mediation efforts and relations vis-à-vis Russia, each of which will be briefly discussed below.

### Four points of contention

The first and most complex sticking point is the **future of the ethnic Armenians in Nagorno-Karabakh**. The estimated 80,000-120,000 Armenians that remain are trapped in a nearly indefensible enclave that can be cut off by Azerbaijan from Armenia at any point – as the Lachin blockade of December painfully shows. Unlike Russia, the EU has formally shied away from including the status of Nagorno-Karabakh in its peace plan, deferring to Baku's insistence that this issue has been resolved on the battlefield and is now solely an internal matter for Azerbaijan. The EU expects Azerbaijan to resolve this matter in a direct dialogue with representatives of the ethnic Armenians of Nagorno-Karabakh, while remaining vague on who these representatives should be, what kind of rights the ethnic Armenians should be provided with and how these rights are to be guaranteed. Russia, instead, is playing for time and has put forward suggestions to delay a decision on the status of Nagorno-Karabakh 'for future generations' and to extend the mandate of its peacekeepers. While Russia's offer would not actually resolve the problem, it is clearly more attractive for Pashinyan, who threw his support behind it 'for 100%' at the meeting mediated by Putin in

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99 [Motion No. 3 in the French Senate](#) "visant à appliquer des sanctions à l'encontre de l'Azerbaïdjan et exiger son retrait immédiat du territoire arménien, à faire respecter l'accord de cessez-le-feu du 9 novembre 2020, et favoriser toute initiative visant à établir une paix durable entre les deux pays", registered 3 October 2022 and voted on 15 November 2022, adopted by 295 votes to 1.

100 Council Decision (CFSP) 2023/162 of 23 January 2023 on a European Union mission in Armenia (EUMA), ST/16342/2022/INIT, available on <https://eur-lex.europa.eu/eli/dec/2023/162/oj>. The Mission's 'strategic objective shall be to contribute to decreasing the number of incidents in conflict-affected and border areas in Armenia, to reduce the level of risks for the population living in such areas and thereby to contribute to the normalisation of relations between Armenia and Azerbaijan on the ground.'

Sochi on 31 October.<sup>101</sup> It was promptly rejected by Aliyev but continues to be advocated by Moscow as the only solution that would allow ethnic Armenians to remain in Nagorno-Karabakh.

For now, it appears that Pashinyan is keen to 'hand over' the issue of Nagorno-Karabakh to Russia or to engage in direct dialogue between the Karabakh Armenians and Baku, giving him a face-saving way out of a tragic conundrum where Armenia has no good options left.<sup>102</sup> Leaving the thorny issue of Nagorno-Karabakh for Russia to resolve might at first glance appear to be in the EU's short-term interest, as it would remove one sticking point from the agenda of the EU-brokered peace deal. It nonetheless calls into question how the human rights of the vulnerable population of ethnic Armenians in Nagorno-Karabakh are to be protected, especially if Baku indeed blocks any extension to the peacekeeping mission in 2025. Without any form of international human rights and security guarantees it is highly likely that the region would become depopulated. The legacies of decades of conflict and mutual hate speech and dehumanization, as well as Baku's negative track record in protecting the rights of other national minorities in Azerbaijan<sup>103</sup>, have given most ethnic Armenians valid reasons not to want to live under Azerbaijani rule.

The EU therefore faces a stark choice of whether or not to accept such a scenario, which directly contradicts its normative aims of promoting human rights and stability in the region. The alternative would be to reintroduce the status issue into the peace negotiations and to further internationalise the minority rights of the Karabakh Armenians. The EU could do so by ramping up pressure on Baku to offer a meaningful and credible set of provisions that would safeguard their identity and a degree of self-governance. This would undoubtedly be resented by Azerbaijan, which gives Brussels a fairly narrow tightrope to walk – especially in light of its broader strategic interests in securing oil and gas

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101 Ruzanna Stepanian, "[Pashinian Reaffirms Support For Russian Plan On Karabakh](#)," *azatutyun*, November 2, 2022.

102 Clingendael interviews, Yerevan, November 2022.

103 See for example the [Fourth Opinion of the Advisory Committee of the Framework Convention on the Protection of National Minorities](#) (4 February 2019), which states that "the general restrictions on democracy, human rights and the rule of law in the country create an adverse effect on civil society, including for persons belonging to national minorities wishing to set up non-governmental organisations to represent their interests in the public sphere. Persons belonging to national minorities expressing critical views with regard to the authorities experience intimidation, arrest and some even imprisonment."

supplies from the Caspian and connectivity through the Middle Corridor. So far Brussels appears to have ‘chosen not to choose’, but the longer it waits, the more urgent the situation becomes.

The second point is the **establishment of a transport connection** between Azerbaijan and its exclave Nakhchivan. While Russia would *de facto* control the flows of transport along this route, the EU also has an interest therein, as it would open up more transit links from the Caspian to Europe. Although the EU has so far denied being approached to fund projects linked to the ‘Zangezur Corridor’<sup>104</sup>, it would have a role to play in this regard within the broader context of its support to connectivity in the broader South Caucasus. It would, however, create a complicated situation if the EU were to invest in transport links that are supervised by Russian FSB border guards. The situation is further complicated by Azerbaijani attempts to equate what it calls the ‘Zangezur Corridor’ with the Lachin Corridor, compounding Armenian fears that Azerbaijan wants to add an extraterritorial dimension to the connection that would compromise Armenia’s territorial integrity. Even though the transport connection is part of the Russian-brokered agreement, the EU should therefore still have a strategy on how to implement it within the context of its own peace deal.

The third point is the **demarcation of the Armenian-Azerbaijani state border** itself. Since 1991 both countries have disagreed on which maps to use and Armenia’s occupation of the seven districts around Nagorno-Karabakh made a resolution impossible. Now that Azerbaijan has regained control over these territories, the dispute over where the border lies exactly continues to pose risks for renewed escalation. Russia, which holds all historical maps in its Soviet-era archive, presents itself as the facilitator that is best suited to resolve this. It hosted a meeting in November 2021 that largely remained without results. The EU lacks these maps but instead has extensive technical expertise with border demarcation and has also facilitated several meetings between officials from both sides. The EU’s role here is modest at best, as Azerbaijan prefers to resolve it in a strictly bilateral format and sometimes even asks EU officials to leave the room. It nonetheless creates further opportunities for EU engagement, especially when paired with the deployment of an international mission.

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104 [Answer](#) given by High Representative/Vice-President Borrell on behalf of the European Commission to a question by Lars Patrick Berg, E-002245/2021, 26 July 2021.

A key concern remains the fact that Azerbaijani troops are currently occupying land *inside* Armenian territory, a violation that is defended by Azerbaijan – and tacitly condoned by some EU officials – with the argument that the border has not yet been demarcated. If it is to achieve a sustainable peace deal, the EU should pair its engagement in border demarcation with a clear vision of how it intends to convince Baku to withdraw its troops from Armenia's sovereign territory without further military clashes.

This makes the final point of crucial importance: for any peace deal to be effective, it should include an **international observer mission** that would oversee its implementation. There are theoretically four options that could be considered: the CSTO, the OSCE, the United Nations or the EU. Armenia clearly no longer trusts the CSTO and would be reluctant to invite more Russian troops to its territory. France and the US initially mooted the idea of an OSCE mission, but Azerbaijan – with Turkish support – has made it abundantly clear that it would no longer accept any OSCE presence and even went as far as to block the 2023 Unified Budget as retaliation for an assessment mission sent in October.<sup>105</sup> Some speculation about a potential UN peacekeeping mission, including for the Lachin Corridor, was quickly dismissed by Russia as 'hardly realistic'.<sup>106</sup> It is unlikely that the UN Security Council, deadlocked as it is over Ukraine, could agree to mandate an international peacekeeping mission that could count on the support of all UNSC members as well as Armenia and Azerbaijan.

This international diplomatic deadlock left the EU as the fourth and most suitable partner to step in, exactly as it did with its EU Monitoring Mission in Georgia in 2008. Such missions are of crucial importance both to deter further military escalation and to provide the EU with primary and credible information from the ground that it can use for its mediation efforts. If mandated to do so they can also play a role as local mediators, defusing tensions on the ground through platforms such as the Incident Prevention and Response Mechanism (IPRM) in Georgia. Following the quadrilateral meeting in Prague in October 2022, the EU swiftly moved to relocate 40 monitors of the EUMM from Georgia to Armenia to patrol a roughly 250-km section of the Armenian border for a period of two months. And exactly as with Georgia, where the EUMM never gained access

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105 International Crisis Group, "[Averting a New War between Armenia and Azerbaijan](#)," *Crisis Group Europe Report no. 266*, 30 January 2023, 12-17.

106 "[Baku, Yerevan's consent needed for UN Lachin corridor mission: Moscow](#)," *Daily Sabah*, February 9, 2023.

to Russian-controlled Abkhazia and South Ossetia, the mission ended up being confined to only patrolling the territory of the 'losing side', due to Azerbaijan's refusal to allow the mission on its side of its own territory.

While Azerbaijan officially has no way to veto an EU CSDP mission on Armenian territory, its tacit consent is in practice still required for several reasons. If Baku objects too actively it could jeopardize the impartiality the EU needs for its mediation efforts and could even compromise the safety of the monitors themselves. Azerbaijan could even work directly with EU member states that are sympathetic to its cause in order to block consensus within the European Council. The fact that the EU nonetheless managed to decide on a new mission to Armenia on 23 January 2023 is a major feat, although it remains to be seen to what extent Azerbaijan will cooperate with it and how this will impact the peace negotiations throughout 2023. Russia, in turn, responded negatively to the EU's deployment and Pashinyan's subsequent supportive remarks, noting that Baku had a critical attitude towards it and that "it is obvious that the goal of Brussels is to change the security system formed in the region."<sup>107</sup> This raises a new question that the EU should consider in light of its fourth objective: how to respond to and possibly capitalise on the deteriorating Russian-Armenian relationship to increase its own influence in the region.

## **What the EU can – and can't – do to reduce Russian influence in Armenia**

As a result of Russia's lack of support in its struggle against Azerbaijan, Armenia has become deeply disillusioned with Russia as a security partner. This has sharply intensified a pre-existing trend of a gradual 'drifting apart' of Russia and Armenia that was already ongoing since the last decade and further increased following Pashinyan's rise to power through a popular revolution in 2018. Unlike in Belarus, the Kremlin did not actively obstruct this democratic change. It felt comfortable that it had enough leverage over any Armenian Government to keep it firmly under control – as it did in 2013, when it forced Armenia to abandon its plans for an Association Agreement with the EU in favour of membership of the Russian-led Eurasian Economic Union. Russia has nonetheless been wary of Pashinyan's efforts to democratise Armenia and to reach out to Brussels, Paris and Washington. Both the EU and Armenia are making active use of the provisions

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<sup>107</sup> "Zakharova considers Pashinyan's comment not successful," Media Max, February 10, 2023.

of the Comprehensive and Enhanced Partnership Agreement (CEPA), the ‘light’ version of the Association Agreement that was signed in 2017 and upon full ratification by all parties it entered into force on 1 March 2021.<sup>108</sup>

The Kremlin, which in its great-power logic has always been much more paranoid about encroachment by the US than by the EU, became acutely worried about Armenia’s allegiances when Nancy Pelosi visited Yerevan on 19 September 2022, just days after Azerbaijan’s incursions. Although Pelosi’s visit was pre-planned, the coincidental timing and high level of the visit together with Pelosi’s strong condemnation of the Azerbaijani attacks and her rhetoric about the ‘battle between democracy and autocracy’ in the context of the war in Ukraine made it highly symbolic. Pelosi’s visit energized the increasingly anti-Russian sentiment in Armenia and sparked anti-Putin and anti-CSTO rallies.<sup>109</sup>

Armenian hopes that the US or even the EU could replace Russia as a security provider were short-lived and perhaps never realistic to begin with. Tentative Armenian attempts to source weapons from Western governments largely failed, as Western countries were preoccupied with their support for Ukraine, reluctant to alienate Azerbaijan and wary of providing military support to a country that formally remained an ally of the Russian Federation. Armenia is therefore caught in a conundrum: in the current zero-sum geopolitical climate it cannot obtain new security guarantees from Western actors without abandoning its current security guarantees from Russia. Despite their antipathy towards the CSTO, many Armenians are concerned that leaving it would turn Moscow from a reluctant and unreliable security provider into an imminent security threat, as it could spur on Baku to launch new offensives. This has changed the Armenian-Russian relationship from an uneven but nonetheless mutually beneficial partnership to a coercive straitjacket.<sup>110</sup> Others have argued that Russia has moved from

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108 ‘Comprehensive and enhanced Partnership Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Armenia, of the other part’, Document 22018A0126(01), accessible on [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22018A0126\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22018A0126(01)).

109 Gabriel Gavin, “[Pelosi’s visit fires debate in Armenia over alliance with Russia](#),” Politico, February 19, 2022.

110 Armenia’s [2020 National Security Strategy](#), adopted in July 2020, had considerably less references to Russia than the [previous strategy from 2007](#), but still noted that “Armenia’s foreign policy priorities include deepening and expanding its strategic alliance with the Russian Federation in the spheres of politics, trade and economy, defense, security, culture, and humanitarian assistance based on the historical friendship between the two nations.”



‘complacency to resolute confrontation’.<sup>111</sup> Pashinyan summed this up when he noted on 10 January 2023 that “Russia’s military presence in Armenia not only does not guarantee Armenia’s security but, on the contrary, creates threats to Armenia’s security.”<sup>112</sup>

Weakened and discredited as it might be, Russia could indeed still play a destructive role in Armenia, either directly or indirectly. Russia has a sizable military presence of approximately 4,000 troops in Armenia at the 102<sup>nd</sup> Military Base in Gyumri, which expanded its geographical reach to southern Armenia in 2021. Russia’s border guards directorate controls two of the four external borders of Armenia (those with Iran and Turkey) and will supervise the connection to Nakhchivan once it becomes operational. Armenia’s air defence is entirely integrated with Russia. Without its military partnership with Russia, Armenia would in effect not be able to safeguard neither its external borders nor its airspace. There is precious little the EU can do in the short term to change this.

In addition to its preponderant security presence, Russia has increased its grip over the Armenian economy and key infrastructure such as railways through strategic investments over several decades to create what has been dubbed a ‘multi-sectoral dependency’.<sup>113</sup> Russia has also occasionally leveraged its sizable Armenian diaspora and Armenia’s dependency on labour migration and remittances from Russia.<sup>114</sup> But most importantly, Russia controls a large part of Armenia’s energy infrastructure and supply. Russia is the provider of approximately 85% of Armenia’s natural gas and Gazprom owns the gas distribution network. Since 2019 Russia has provided gas at a preferential price of \$165 per m<sup>3</sup> and agreed in November 2022 to continue doing so until 2033 – in exchange for \$350m compensation that further binds Armenia to Gazprom for the next decade.<sup>115</sup> Although Armenia trades gas and electricity with Iran as part of an energy swap deal and recently pledged to double the volume, the Russian-owned transport infrastructure with Iran has insufficient capacity to fully replace

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111 Richard Giragosian, [‘Assessing Russian power and influence in Armenia’](#), *Free Russia*, 6 April 2022.

112 Prime Minister Nikol Pashinyan, [“press conference at the Government,”](#) January 10, 2023.

113 Marie Lorgeaux, [‘Armenia: What Degree of Dependency on Russia?’](#), *Regard Sur l’Est*, 17 January 2022.

114 Hranoush Dermoyan, [‘American and Russian Soft Power in Armenia’](#), *EVN Report*, 30 November 2022.

115 Robert Zargarian, [‘Russia to keep gas price low for Armenia’](#), *Azatunyun.am* (RFE/RL), 25 November 2022.

Armenia's reliance on Russian gas. Armenia's sole and ageing nuclear power plant, the ANPP that produces approximately 30-40% of Armenia's electricity needs, was built and is maintained and supplied by Russia. The International Energy Agency (IEA) noted in 2022 that Armenia 'effectively relies on fuel imports from one country to produce nearly 70% of its electricity, raising concerns about the diversity of supply.'<sup>116</sup> Just like with security, this profound dependency on Russian energy is not something the EU can remedy quickly in the near term, although it can assist Armenia both with promoting energy efficiency and with its transition away from fossil fuels to renewable energy.

This leaves the third and last issue area traditionally dominated by Russia: Armenian politics and media. This should not be overstated: for the last decade Russian 'soft power' in Armenia has been 'neither powerful, nor soft', as many Armenians have felt that Russia has taken them for granted.<sup>117</sup> Whatever soft power Russia has left has been eroded further by its failure to support Armenia. This is not to say that Russia has no levers left: although Russian-language media consumption is relatively low, the country nonetheless remains vulnerable to Russian narratives that are propagated through Armenian-language media. Russian commentators of Armenian descent actively interfere in the country's domestic politics, so far with relatively little success; some have even been banned from entering the country. But Armenia's transition to democracy has been described by Canadian experts as "fragile, reversible and still far too insufficient to align the country with established democracies' standards", as the country is under intense pressure.<sup>118</sup> Armenia's politics continue to be highly polarised, there is a legacy of widespread corruption and opposition forces are keen to undermine Pashinyan's democratic reforms. Perhaps the most significant contribution the EU could make to reduce Armenia's dependency on Russia would be to increase the resilience of Armenia's democracy and governance.

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116 International Energy Agency, [Armenia Energy Policy Review 2022](#), p. 12.

117 Richard Giragosian, "[Soft Power in Armenia: Neither Soft nor Powerful](#)," *ECFR Wider Europe*, 12 August 2015.

118 Report provided to the Canadian Minister of Foreign Affairs by special envoy Stéphane Dion, [Supporting Armenian Democracy](#), April 6, 2022.

# Conclusions and Recommendations

By stepping up its geopolitical ambitions in the South Caucasus, the EU is asserting itself more strongly in a highly complex and competitive environment while pursuing multiple objectives that are sometimes at odds with one another. The EU simultaneously tries to export its European values, to secure its trade and energy interests, to act as an impartial mediator in the protracted conflicts and to contain and push back Russian influence from especially Georgia and Armenia. This report has found that there are indeed opportunities for the EU to realize these objectives, but only if they are prioritized and pursued in a consistent manner. In this context, this report puts forward the following recommendations:

*On the geopolitical role of the EU in the South Caucasus region at large:*

- In addition to its policy documents on the Eastern Partnership or on specific themes, the EU should **develop a dedicated strategy for the South Caucasus as a whole**. This strategy should clearly outline the EU's various objectives and the way it aims to pursue them. It should have a clear focus on the security dimension as well as the (geo)political, economic and normative dimensions.
- The EU should **significantly strengthen its field presence** in the three countries of the South Caucasus. It should particularly strive to achieve more coherence between the efforts of the European Commission, the EU Special Representative and the President of the European Council, the two field operations in Georgia and Armenia, and the bilateral efforts of its member states.

*On Georgia*

- The EU should **monitor and communicate** the implementation of the 12 recommendations from the European Commission's Avis **in a meticulous and impartial manner**. Given the disappointment in Georgian society concerning the Georgian failure to obtain EU candidate status, the EU should communicate openly and honestly about the reasons for its decision. There is a clear need for the EU to show Georgian society that it has a vision

for the future of the country and its relationship with the EU. The EU can also help to counter disinformation campaigns, including those that exploit fears of war or social conservative values and religious sentiments in Georgia.

- The EU would do well to **step back from Georgia's internal political arena** and be a referee, not a player or a plaything. The partial failure of the Charles Michel agreement means that it is now up to domestic politicians in Georgia to take the steps which lie ahead. In the European approach, particularly from the European Parliament, the interests of party-political relationships with local parties should be avoided as much as possible in favour of an objective view of polarisation and domestic reforms. The Netherlands should continue to contribute to the development of political pluralism and multi-party democracy through bilateral projects, amongst others through its Embassy in Tbilisi.
- The EU should continue to **invest in both the construction and security of transport and energy connections**. The Middle Corridor from the Caspian Sea via Azerbaijan and Georgia will become an increasingly important trade and transport route from China and energy-rich Central Asia to Europe. However, Russia can easily shut it down or sabotage it from South Ossetia, which is an acute problem, especially for oil and gas pipelines. Key logistic projects such as the deep sea Port of Anaklia, previously held back by internal political barriers in Georgia, have also gained importance due to the war in Ukraine and construction works may be resumed.
- The EU will need to stand ready to make use of any opportunities **to alleviate the negative effects of Russian pressure on Abkhazia and South Ossetia** and attempts by Russia to further 'Russify' these regions. A key element in that regard is to ensure that Abkhaz continue to be able to travel to Georgia and/or the European Union, including for educational purposes. The EU could also engage with the Georgian authorities to try and foster a more constructive and gradual Georgian approach to conflict resolution which takes the local contexts into account.
- The EU would do well to **strengthen monitoring and knowledge of the protracted conflicts**, including the situation in the areas themselves. The EUMM mission could use technological means (camera surveillance, drones) to better monitor further illegal shifts of the administrative border line (ABL) by the Russian side. In addition, the EU would do well to distribute reports from the EUSR more widely in the institutions and member states, as the EUSR, in contrast to the EUMM and other EU diplomats, has good access to and knowledge of the internal dynamics in Abkhazia and, to a lesser extent, South Ossetia.

### *On the Armenia-Azerbaijan conflict*

- While striving to be an impartial mediator between Armenia and Azerbaijan and acknowledging the complexity of the conflict, the **EU should not succumb to the reflexes of ‘equidistance’ and ‘bothsideism’**. It should particularly **deter Azerbaijani efforts to impose its will on Armenia by force**. The EU should therefore avoid giving Baku the impression in its strategic communications that it will turn a blind eye to further attacks on Armenia because of commercial and trade interests. It should continue to proactively contribute to the demarcation of the border and be more forceful in demanding the withdrawal of Azerbaijani troops from Armenian territory.
- The EU should **ensure that Armenia duly implements the commitments it has undertaken regarding the transport connection from Azerbaijan proper to Nakhchivan**. It can play a role in the negotiations, provide expertise regarding the modalities of the transport connection, as well as investing financially in the construction of the road and railroad connection. The EU has an interest in its realisation, not only because it would lock in cooperation between Baku and Yerevan, but also because it would strengthen the Middle Corridor trade route at large. In this context it is also clearly in the EU’s interest to support the Armenian-Turkish normalisation process and the reopening of the border.
- The recently deployed EU Mission in Armenia could play a crucial role and **should be endowed with sufficient resources and flexibility to fulfil its mandate** – even if Azerbaijan and Russia object to it. The EU should make clear to Azerbaijan that the EUMA is an essential part of its role as a mediator and should encourage Baku not only to grudgingly accept the Mission but to actively co-operate with it, ideally by allowing it to have access to the Azerbaijani side of the border.
- While upholding the legal and political distinction between sovereign Armenian territory, on the one hand, and Nagorno-Karabakh as an integral part of Azerbaijan, on the other, the **EU should not close its eyes to the dire situation of the ethnic Armenian population in Nagorno-Karabakh**. As part of its mediation efforts, it should **press Baku to offer a credible and internationally monitored arrangement to the ethnic Armenians that guarantees their security and fully respects their human rights, including minority rights**. Continued access to Armenia through the Lachin Corridor and measures to combat hate speech should be an integral part of this arrangement, in particular after the Russian peacekeepers leave. The EU should strive to monitor the implementation of this arrangement by itself, as an integral part of its ongoing political and human rights dialogue with

Azerbaijan, as well as through other bodies monitoring commitments that Azerbaijan has subscribed to, including obligations under the Council of Europe Framework Convention for the Protection of National Minorities (FCNM) and the OSCE.

- In Armenia, the EU should **make long-term investments in structurally strengthening the Armenian rule of law, democratic institutions and resilience**. In the short term, Armenia's dependence on Russia is unlikely to change quickly and the EU should manage Armenian expectations in this regard, but the EU can and should play a long game here. The EU can use the space in the Comprehensive and Enhanced Partnership Agreement (CEPA) and the window of opportunity emanating from Armenia's disillusionment with Russia to implement some structural reforms now and to make the country less vulnerable to Russian interference in the longer term, including in the areas of countering hybrid threats and disinformation, energy security and efficiency and security sector reform.

# Annex 1      Methodology of the geopolitical landscape map

## **Methodology**

This geopolitical landscape map assesses the relative importance of each of the actors, as well as the relations between them. It does so by providing quantitative scores to both the relevance of the actors and the strength of their relationships, as well as by giving a qualitative assessment of the relationships themselves.

**Actors** are ranked according to their regional influence in the South Caucasus, i.e., not their power as a whole, using the following scores:

*4: The three states of the South Caucasus themselves*

*3: Regional powers with major influence over events*

*2: Individual countries with particular interests or ties with specific countries*

*1: Distant powers with limited interests.*

For the purpose of this exercise, the European Union is taken as a single actor, although individual member states (such as France) also have a degree of 'actorness' themselves.

**Relations between the actors** are characterized as 'good', 'bad' or 'ambiguous'. They are scored according to the intensity of the relationship, as follows:

*5: Direct or indirect military confrontation or alliance*

*4: Strong political, economic, or military support, but no direct involvement*

*3: Significant level of interaction (confrontation or support) but no security assistance*

2: Low level of engagement, no military or economic support.

1: Lack of relations

The relations are scored to the extent that they influence geopolitics in the South Caucasus, not on world politics as a whole; i.e., the US and Russia or the US and China have a much broader range of relationships that are not included in this exercise.

The following table underpins the interactive geopolitical landscape map visualised in Kumu:

From	To	Type	Strength
Azerbaijan	EU	Good	3
France	Azerbaijan	Bad	3
Azerbaijan	Russia	Ambiguous	4
Georgia	Azerbaijan	Good	4
Georgia	US	Good	4
Georgia	Turkey	Good	4
Turkey	Iran	Ambiguous	4
Iran	Israel	Bad	5
China	Azerbaijan	Good	2
US	Russia	Bad	4
China	Kazakhstan	Good	3
France	Armenia	Good	4
Armenia	Azerbaijan	Bad	5
Armenia	EU	Good	3
Azerbaijan	US	Good	3
Russia	Turkey	Ambiguous	4
Kazakhstan	Azerbaijan	Good	3
Armenia	India	Good	4
Russia	Israel	Good	3
Georgia	Russia	Bad	4
Azerbaijan	Israel	Good	4
Armenia	China	Good	2
Azerbaijan	Pakistan	Good	4
Turkey	US	Ambiguous	4



From	To	Type	Strength
<b>Russia</b>	Iran	Good	4
<b>Azerbaijan</b>	Turkey	Good	5
<b>Israel</b>	Armenia	Ambiguous	2
<b>Turkey</b>	Israel	Ambiguous	3
<b>Georgia</b>	EU	Good	4
<b>Azerbaijan</b>	India	Bad	2
<b>Armenia</b>	Georgia	Good	2
<b>EU</b>	Turkey	Ambiguous	4
<b>India</b>	Pakistan	Bad	5
<b>EU</b>	Russia	Bad	4
<b>Azerbaijan</b>	Iran	Bad	4
<b>Armenia</b>	US	Good	3
<b>Armenia</b>	Russia	Ambiguous	5
<b>Armenia</b>	Iran	Good	3
<b>Armenia</b>	Turkey	Bad	4
<b>EU</b>	US	Good	4