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Report



The End of Russia's "Unipolar Moment" in the South Caucasus

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Summary

The war in Ukraine has exposed Russia's weaknesses and ended its "unipolar moment" in the South Caucasus. This has affected the calculations of the three states in a region where Moscow traditionally had the upper hand over local and competing outside actors.

Prior to the war, Russia had been able to sustain its security, political, and economic leverage over Armenia, Azerbaijan, and Georgia, yet the extent of its influence varied over time and depending on the leadership in each country. Moscow was Armenia's key ally, bringing the country into its security, political, and economic space. Russia also enjoyed close political and business ties with Azerbaijan, underpinned by shared authoritarianism. Baku joined the Commonwealth of Independent States (CIS) but stayed out of Russian-led security institutions. Moscow's role in the Nagorno-Karabakh conflict gave it particular security leverage over Baku and Yerevan. Russia's leverage with Georgia has fluctuated. The country joined the CIS but not other Russian-led organizations. Political ties started to erode in the early 2000s, especially following the 2003 Rose Revolution. The 2008 war weakened Russia's leverage as Georgia left the CIS and cut diplomatic ties. Economic relations have improved since 2012 even as Tbilisi continued to seek EU and NATO membership.

The war in Ukraine has weakened Russia's sway over the region, accelerating what had started with the 2020 Nagorno-Karabakh War as Moscow sided with Azerbaijan rather than its treaty ally Armenia. This led to growing difference with Yerevan and convergence with Baku. Armenia is now looking for alternative security partners and engaging with the EU and the United States. Azerbaijan is taking advantage of Moscow's focus on Ukraine to fully achieve its objectives, including the early departure of Russian peacekeepers from its territory. Georgia receiving EU candidate status could have reduced Russia's leverage but its ruling party's antidemocratic and anti-West turn keeps favoring Moscow's influence. Western economic sanctions have further undermined Russia's hold over the South Caucasus states: it needs them more to connect and trade with Asian markets. The new geo-economic reality favors the three countries and Moscow can now hardly use economic tools against them.

Russia's waning influence has made it one among other players in the South Caucasus. It can no longer ignore the role of China, the EU, Iran, Türkiye, and the United States there. The emerging geopolitical and geo-economic plurality in the region has made Armenia, Azerbaijan, and Georgia more daring and transactional in their engagement with all outside powers. This has implications for the three countries in terms of peace and security, democracy, and geopolitical orientation. Azerbaijan is likely to remain undemocratic and to keep engaging with all powers transactionally to maintain national and regime security. Armenia finds itself in a complicated state of insecurity that affects democratization and makes multi-alignment its default foreign policy orientation. Georgia, whose democratic decline is the result of its own politics, is likely to sustain its multi-aligned and transactional foreign policy posture if the current government stays in power, while an opposition victory in the coming elections might turn the country back to democracy and a West-oriented foreign policy.

Introduction

Russia's war against Ukraine has changed the nature of the European security architecture and is testing the strength of the rules-based international order. In Europe, Finland and Sweden abandoned their long-held neutrality and joined NATO to better deal with the new strategic environment. France and Germany redefined their approaches toward Russia and extended support to Ukraine, including militarily. The EU has opened the door to membership negotiations for Moldova and Ukraine, and granted Georgia candidate status, contesting Russia's claim to a sphere of influence. It has also significantly reduced its energy dependence on Russia and continues to support Ukraine militarily, politically, and economically. Moscow has challenged the international order underpinned by the respect for the sovereign equality and territorial integrity of states, threatening the return of conquest in interstate relations. The war has highlighted differences between the Global North and the Global South regarding the legitimacy of the international order. Russia's actions have exacerbated great-power rivalry already set in motion by the "rise of the Rest", in particular that of China. In short, Europe is redefining itself as a geopolitical and normative actor, while the nature of the international order to a certain extent hinges on the outcome of Russia's war against Ukraine.

The war has also raised questions about Russia's ability to maintain its influence and leverage over former Soviet republics, which it considers key for its great-power aspiration. Over the past decades, Russia's record in this regard has been mixed. While it maintained the closest ties with Belarus, its influence on Moldova and Ukraine depended on who was in government in those countries. In Central Asia, Moscow largely retained its influence, while simultaneously competing and cooperating with a stronger China there. In the South Caucasus, Russia cultivated close ties with Armenia and Azerbaijan, while relations with Georgia worsened due to the latter's West-oriented foreign policy.

This paper examines the extent to which Russia's war against Ukraine has affected its ability to achieve favorable outcomes for its national interests in its interaction with the three South Caucasus states. It assesses whether Russia's core and non-core interests in the region have been substantially affected, and it compares the extent to which Moscow can still use its military, political, and economic leverage there in support of its broader foreign policy interests and objectives amid the war.

The paper finds that, prior to the war in Ukraine, Russia was largely able to use its military, political, and economic leverage to defend its core interests vis-à-vis the South Caucasus states, but that Georgia's West-oriented foreign policy and the West's growing inroads into the region presented challenges to its full sway. The war has exacerbated the cracks in Russia's power in the South Caucasus that were caused by the Second Nagorno-Karabakh War in 2020. Moscow's focus on Ukraine then allowed Azerbaijan to exploit the geopolitical situation increasingly while it forced Armenia to reconsider its alliance with and reliance on Russia and to look for alternatives. Georgia's foreign policy has become more transactional and multi-aligned. Although the country gained the status of EU candidate, the ruling Georgian Dream party has utilized the new geopolitical and geo-economic reality to engage more with Russia as well as with China while cracking down on dissent at home to maintain its hold on power.

As the war unfolds in Ukraine, Russia still has strong leverage when it comes to preventing the South Caucasus states from joining NATO, and it benefits from them having an authoritarian or democratically backsliding regime. Yet, Russia is in a weaker position relative to other powers such as Iran and Türkiye as well to the West, highlighting the end of its "unipolar moment" in the South Caucasus and the emergence of a multipolar regional order underpinned by transactionalism.

The paper first outlines Russia's core and non-core interests regarding the South Caucasus. It then examines Moscow's leverage in the region before and since the war in Ukraine. The paper next assesses the extent to which Russia is still able to realize its interests in the region as the war continues. It concludes by discussing the policy implications for actors in and outside the South Caucasus.

Russia's Interests Regarding the South Caucasus

Since the collapse of the Soviet Union in 1991, Russia has sought to maintain its sway over the South Caucasus. From the very outset, seeing the region as part of its sphere of "privileged interests", it defined the following core interests in relation to it: preventing Armenia, Azerbaijan, and Georgia joining Western military and/or political and economic blocs, and incorporating them into Russian-led military, political, and economic organizations. This aimed at ensuring Russia's stability and security, as well as at establishing its regional hegemony to prevent the emergence of other dominant actors in the South Caucasus.

Russia has managed to realize some of its core interests regarding the region and, when faced with challenges, it has responded with array of means, including militarily, to maintain the status quo and avoid the "dangerous departures"¹ of these states. Moscow's goal has remained to deploy its military, political, and economic leverage to make sure that its core interests remain unaffected.

Russia has consistently resisted NATO's enlargement to the former Soviet republics, including the South Caucasus states, seeing this as detrimental to its security and great-power aspiration. It also has seen its hegemonic ambitions and regime security as threatened by the West's political and normative inroads into the former Soviet space, exemplified by the "color revolutions" in Georgia in 2003 and Ukraine in 2004–2005. Russia has also viewed the EU as posing a political and economic threat by promoting democracy and human rights and by seeking greater economic ties with the former Soviet republics. The EU's vision contrasted with Russia's one, which is underpinned by authoritarianism, for the political and economic integration of these states. Given Moscow's perception of the West and its institutions as a military, political, and economic threat, preventing the South Caucasus states from joining them became a core interest.

To maintain its influence over the South Caucasus states and to ensure their foreign policy compliance, Russia has sought to incorporate them into military, political, and economic structures it created and leads. This supports its overall objective keeping the three states subordinate, and it also demonstrates its ability to offer its own vision of

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order building that binds the former Soviet republics together. Forging common rules and practices based on an authoritarian system of governance makes Russia and these countries interdependent, and it leaves little room for democratization in any of the three. This reinforces Russia’s other core interest of preventing the South Caucasus states’ integration into Western institutions.

Russia’s interests in the region also include non-core ones such as strengthening economic, energy, transport, and cultural ties with all three countries. Substantial change in the core interests threaten Russia’s aims to assert its regional hegemony and great-power status, while the non-core ones can be redefined and pursued ad hoc, depending on the geopolitical realities and the balance of power of the day.

Russia’s Leverage Before the War in Ukraine

Russia has pursued its interests regarding the South Caucasus states through its military-security, political, and economic leverage. It has exerted influence through its military presence in these countries and by instrumentalizing secessionist conflicts. In terms of political leverage, Russia has sought to bring the three states into international organizations it leads and to ensure close ties with their political elites to ensure that they never join a rival integration project. And it has utilized its economic and energy ties with the South Caucasus states to bind them more tightly into Moscow-led economic integration projects.

Between 1991 and 2007, Russia managed to realize most of its core objectives despite the initial decline in its global status after the breakup of the Soviet Union. Yet, this period also saw the South Caucasus gain more energy independence from Russia, and Georgia’s color revolution in 2003 and its aspirations to join NATO and the EU undermined Moscow’s sway over the region. Between 2008 and 2020, Russia used military means to prevent Georgia’s westward orientation, at the same time sending shockwaves into Armenia and Azerbaijan. Meanwhile, the EU found entry points into the region through its Eastern Partnership program, which included the three states of the South Caucasus and challenged Russia as the only institutional player there. The use of secessionist conflicts as leverage and pressure points—with Azerbaijan and Armenia over Nagorno-Karabakh, and with Georgia over Abkhazia and South Ossetia—continued throughout both periods. In 2020, Russia seemed poised to increase its leverage over the South Caucasus, but the consequences of the Second Nagorno-Karabakh War and then the war in Ukraine have challenged—although not eliminate—this leverage over the three states.

1991–2007: Building Leverage

Between 1991 and 2007, Russia remained a decisive, if not the sole, military-security actor affecting the foreign and security policy calculations of the South Caucasus states. Despite the initial withdrawal of its troops and military bases from Azerbaijan and Georgia—as part of measures by the Organization for Security and Co-operation in Europe (OSCE) to build security and confidence among participating states amid the collapse of the Soviet Union—it managed to keep these countries mindful of its power and wary of the West, particularly due to its leveraging of the conflicts between Azerbaijan and Armenia over Nagorno-Karabakh and in Georgia.

Russia retained its bases in Armenia. In Georgia, it retained bases in those parts of the country over which the government has lost de facto control since the early 1990s. Armenia joined the Collective Security Treaty Organization (CSTO) at its creation in 2002, while Azerbaijan and Georgia refused to be part of this Russian-led military alliance. In this period, and especially from the early 2000s, Georgia aspired to join NATO, leading to tensions in relations with Russia, while Armenia never considered leaving the CSTO and Azerbaijan choose military nonalignment as a foundation of its foreign policy. In the early 1990s, Azerbaijan negotiated the withdrawal of Russian military bases and in 2012 Russia stopped operating the Gabala Radar Station in the country. During those years, Russia was the sole power that played a key role in deciding the fate of secessionist conflicts in the region, despite France and the United States co-chairing with it the OSCE Minsk Group—a format established to facilitate a peaceful resolution of the Nagorno-Karabakh conflict—and given the limited UN and OSCE involvement in Georgia's conflicts. Under the umbrella of the Commonwealth of Independent States (CIS), Russian peacekeepers assumed the leading role in the latter, which increasingly escalated from the early 2000s. Russia used these conflicts to keep the three states dependent on it and to assert its security primacy in the South Caucasus vis-à-vis other powers.

Between 1991 and 2007, Russia developed and sustained strong political leverage over the South Caucasus states by convincing them to join the CIS and keeping them from joining Western political institutions. Armenia and Azerbaijan were founding members of the CIS and Georgia joined later. For Moscow, this demonstrated that these states belonged to a Russian-led order. However, in parallel, Azerbaijan and Georgia—together with Ukraine and Moldova—established the GUAM Organization for Democracy and Economic Development in 1997 to balance against Russia's attempts to curtail their sovereignty, including through joint coordination of their positions at the United Nations. Although the EU included the three South Caucasus states in its European Neighborhood Policy in 2004, this did not threaten Russia's influence over them. Overall, Russia managed to keep them out of Western-led political institutions.

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The Rose Revolution in 2003 brought about a substantial change in Russian-Georgian relations as Moscow perceived it as Western encroachment into the region. This was exacerbated by Georgia's NATO and EU aspirations, which it had voiced in the early 2000s and grew following the revolution. Relations came to a standstill, with Russia using instruments ranging from economic sanctions to political warfare to influence Georgia's foreign policy. Overall, given the West's detachment from the region, Russia's relations with Armenia and Azerbaijan remained strong, but its relationship with Georgia was gradually deteriorating.

Between 1991 and 2007, Russia incrementally built strong relations with political elites in the South Caucasus, particularly in Armenia and Azerbaijan. Those in both countries valued close ties with political elites in Russia for opposite reasons regarding the Nagorno-Karabakh conflict: in Armenia to keep the upper hand and in Azerbaijan to

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change the status quo in its favor. The picture is mixed in the case of Georgia. While Russia helped him to secure his regime against his rival Zviad Gamsakhurdia, President Eduard Shevardnadze tilted increasingly toward the West, especially in his second term. This tilt became seemingly irreversible after the Rose Revolution in 2003 that toppled Shevardnadze, which Russia saw a threat to its regime security and led to Georgia becoming more adamant about its NATO and EU integration agenda. Russia gradually lost its influence over the country's political elites.²

Russia maintained strong economic and energy ties with all three South Caucasus states, but its differences with Georgia led to the severance of economic ties in the mid-2000s. It used economic coercion to influence Georgia's foreign policy in response to the country's growing turn to the West. Furthermore, by building the Baku-Tbilisi-Ceyhan oil pipeline, Azerbaijan and Georgia sought to use their location as transit countries to reduce their dependence on Russia and to connect more with the West. However, given the relative stability in Russia-West relations at this time, this did not result in a loss of economic leverage for Moscow, as shown by its economic coercion against Georgia. While economic relations with Georgia deteriorated significantly, Russia remained a strong economic partner for Armenia and Azerbaijan.

2008–2020: Consolidating Leverage

Russia's overall leverage in the South Caucasus strengthened across the military, political, and economic dimensions following its war against Georgia in 2008, including with the latter despite the deterioration of their relations. However, even if the war led Armenia and Azerbaijan to pursue even more pragmatic policies in relation to Russia to achieve their objectives, it also opened the door for the EU and the United States to make stronger institutional inroads into the region. In retrospect, the war marked the beginning of the end for Russia's "unipolar moment" in the region.

Russia's war against Georgia and its occupation and recognition of the latter's territories of Abkhazia and South Ossetia demonstrated to Armenia and Azerbaijan that attempts to leave its sphere of influence and to pursue a West-oriented foreign policy came with the price of war and territorial loss. The war also showed to both countries that the West was not interested in, and could not be trusted for, providing security for the "in-between states" flanked by itself and Russia.³ Moscow's ability to instrumentalize secessionist conflicts strengthened its leverage over Armenia and Azerbaijan as they became more wary of its power. At the same time, the war showed to Azerbaijan the need to gradually diminish its security dependence on Russia, whose interests in the South Caucasus meant "freezing" conflicts such as the Nagorno-Karabakh one in a state of permanent non-resolution and using them as a leverage. This explains Azerbaijan's growing military-security ties with Türkiye especially and Israel.⁴ By contrast, recognizing Russia's growing power and its own upper hand in the conflict, Armenia maintained close military-security relations with Russia, continuing to host its military bases and remaining part of Moscow-led military structures. When in 2016, following ceasefire violations, the Nagorno-Karabakh conflict between Armenia and Azerbaijan flared up, Russia put forward the Lavrov Plan⁵ to resolve it as it saw fit, but ultimately this did not come to fruition. Although relations with Georgia deteriorated significantly, Russia maintained strong military-security leverage on the country through the occupation of Abkhazia and South Ossetia as further aggression remained a possibility. In addition, by using military means against it, Russia significantly weakened Georgia's chances of joining NATO. However, by mediating a ceasefire between Georgia

and Russia, and then setting up a civilian observation mission in the conflict area, the EU took its first step in establishing an institutional presence into Russia's perceived sphere of influence.

During this period, Russia maintained strong political ties with Armenia and Azerbaijan, while Georgia's decision to leave the CIS and to cut diplomatic ties led to Moscow losing influence over the country's politics. Following the war, the EU's initiation of its Eastern Partnership program in 2009, which included the three South Caucasus states, strengthened its presence in the region. While Azerbaijan never expressed willingness to pursue integration with the EU, Georgia signed association and free trade agreements with it in 2014. Russia used its political leverage to prevent Armenia from doing the same and to press it to join the Eurasian Economic Union (EEU) instead. Nonetheless, in 2017, Armenia signed a Comprehensive and Enhanced Partnership Agreement with the EU, which envisages cooperation on an array of issues, from democracy and human rights to the environment and education. Relations with Armenia started to deteriorate due to the country's Velvet Revolution in 2018, which Russia interpreted as another "color revolution" and threw out of office the political elites with which Moscow had built favorable working relationships. Relations with Azerbaijan remained largely the same with the authoritarian regimes in Baku and Moscow maintaining mutually beneficial relations. From 2012, Russia's relations with Georgia somewhat improved, at the latter's initiative, despite the continuing absence of formal diplomatic ties.

During this period, Russia economic ties with the region grew stronger, and it regained influence over Georgia following the economic reset in their relations from 2012. In 2009, putting aside the importance of the EU collectively, Russia was the largest trade partner for Armenia, the second-largest for Azerbaijan, and the fourth-largest for Georgia. In 2019, it remained the top single trade partner for Armenia and had become the second one for Azerbaijan and Georgia.⁶ Russia's economic influence over Armenia increased even more after the country joined the EEU, which made it solely dependent on Moscow militarily, politically, and economically. Georgia's economic dependence on Russia also increased, although it became less dependent in energy. In 2019, following an anti-Russia rally in Tbilisi, Moscow imposed a flight ban on Georgia to signal that it was still willing to and capable of exerting economic pressure if things deteriorated politically. The Russian-Azerbaijani economic relationship remained important, but could be characterized more as one of partnership than of dependence.

2020–2022: Short-Term Triumph

The outcome of Second Nagorno-Karabakh war in 2020 indicated the growing military and political influence of Russia over the region, as it helped achieve the ceasefire and sent peacekeepers for the first time on Azerbaijan's territory. Yet, it also showed that Azerbaijan had become bolder in taking advantage of the changing international environment to fundamentally change the status quo in Nagorno-Karabakh. Meanwhile, defeated on the battlefield, Armenia started to grow distrustful of Russia. Georgia remained largely on the margins when it came to the war between Armenia and Azerbaijan, taking a neutral stance and offering mediation.

The war enabled Russia to strengthen its military presence in the region by dispatching peacekeepers to the conflict area. The new status quo still favored Moscow as it sidelined the OSCE Minsk Group format that had failed to achieve its objectives, and it was mostly Russia's bilateral efforts that secured the ceasefire. However, the ceasefire agreement also institutionalized Türkiye as a new actor in the conflict-resolution process under the Joint

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Russian-Turkish Monitoring Centre. With the Nagorno-Karabakh issue still unresolved, Russia sought to freeze the new status quo, which gave it more leverage over Armenia and Azerbaijan. However, emboldened by Turkish support, Azerbaijan kept aiming at the full resolution of the conflict, which necessitated testing the water over the extent to which it could contest Russia’s peacekeeping mandate. The fact that Russia did not come to Armenia’s help during the war or in response to various ceasefire violations by Azerbaijan undermined Yerevan’s trust in Moscow as a security guarantor. In addition, in part due to the failure of Russia’s peacekeepers to enforce their mandate, the EU and the United States reentered the region as conflict mediators, hosting series of high-level meetings between Armenia and Azerbaijan in Brussels and Washington.

The Second Nagorno-Karabakh War strengthened the political relations between Azerbaijan and Russia even more, while putting Armenian-Russian relations on the path of growing political divergence. Two days before the invasion of Ukraine in February 2022, Azerbaijan and Russia signed a Declaration on Allied Interaction,⁷ attesting Moscow’s tacit approval of the new status quo in the South Caucasus. By contrast, relations with its treaty ally Armenia came to a standstill as Moscow failed or was unwilling to exert pressure on Azerbaijan’s use of salami tactics in pursuit of its maximalist agenda. Armenia’s government started to express its discontent toward Russia publicly and realized the need to diversify its foreign and security policies.

Following the conclusion of the ceasefire agreement, Russia insisted on unblocking transport and economic ties in the region, which some saw as part of it planning to diversify its trade away from the West in the anticipation of its invasion of Ukraine and the sanctions it would cause.⁸ Azerbaijan and Türkiye also insisted on ensuring transport links through Armenia’s territory between Azerbaijan proper and its exclave in Nakhichevan. The ceasefire statement stipulates Russia’s institutionalized role in overseeing the movement of goods from the rest of Azerbaijan to Nakhichevan, handing it leverage particularly over Armenia if implemented.

Russia in the South Caucasus Amid the War

Overall, Russia’s war against Ukraine has undermined its leverage over the South Caucasus states militarily, politically, and economically. Yet, long-standing political and economic dependences remain hard to undo even if Moscow’s global position weakens—and in some cases they were strengthened. Many experts contend that the war made it possible for the South Caucasus states to do things that they could not dare to do before.⁹ With Russia focused solely on Ukraine, Azerbaijan achieved its objective in Nagorno-Karabakh while weakening Russia’s military leverage over itself. Armenia has realized even more that Russia cannot be trusted as an ally and intensified its efforts to seek additional partners for ensuring its security. Georgia has also exploited the geopolitical and geo-economic situation to formally seek EU membership while also engaging with China as well as Russia.

Russia and Azerbaijan: A Weakened Hand?

Good Azerbaijani-Russian relations could have been tested in 2020 had Moscow contested Baku’s war objectives. However, to Azerbaijan’s benefit, Russia only sought to play its hand to make sure that Baku did not establish

full control over Nagorno-Karabakh. Hence, the ceasefire agreement legitimized Azerbaijan's war gains and left outstanding issues to be decided through diplomacy while Russian peacekeepers were mandated to freeze the status quo and maintain stability.

Since then, relations have improved despite Azerbaijan's violations of the ceasefire and its aim to gradually regain control over the whole of Nagorno-Karabakh. From 2020, Azerbaijan seemed bent on fully restoring its territorial integrity, which it considered a core interest, even if this required some degree of contestation with Russia. It became easier for Azerbaijan to do so as waging war in Ukraine consumed Russia's military, diplomatic, and economic resources. Ultimately, Azerbaijan incrementally outplayed Russia. In April 2023, Azerbaijan installed checkpoints in the Lachin Corridor, openly contesting the mandate of Russian peacekeepers. In September 2023, it launched a military operation and took full control of the territory. Azerbaijan also managed to oust the Russian peacekeepers before the end of their mandate. This corrected the short-term aberration in its long-established policy of not joining any military alliance and not letting foreign powers have a military presence on its territory.

Overall, shared authoritarianism and geopolitical convergence keeps elite relations between Azerbaijan and Russia very amicable.

Despite these actions openly challenging Moscow, relations have kept improving, resulting into an upgraded partnership and bilateral meetings, including of the two presidents in October 2023 and April 2024. The 2022 Declaration on Allied Interaction has taken their relationship to a new level. In June 2024, President Vladimir Putin stated that relations between the two countries "are evolving successfully, reliably and very pragmatically".¹⁰

Although both countries' officials seem content with the current state of relations, Russia's security and conflict-related leverage over Azerbaijan has diminished while Azerbaijan's energy and transit value gives it the upper hand. Russia's long-standing policy of playing Armenia and Azerbaijan against each other came to an end when Baku regained full control over Nagorno-Karabakh. Due to Western sanctions over the war in Ukraine, access to eastern markets became key aspect of Russia's foreign economic policy. As a result, the importance of Azerbaijan as a major transit country and energy actor has increased to the extent that Russia no longer enjoys the luxury of spoiling relations with it. Moscow has had to accept the new geopolitical and geo-economic reality.

Overall, shared authoritarianism and geopolitical convergence keeps elite relations between Azerbaijan and Russia very amicable. Both countries respect each other's core interests while managing differences on an ad hoc and transactional basis. Over the past decades, Azerbaijan's success in balancing between Russia and West rested on three factors: its financial and economic independence, Türkiye being its security patron, and "the high-level personal communication"¹¹ between President Ilham Aliyev and Putin. The personal ties between Aliyev and Putin are driven by authoritarian convergence, and Azerbaijan's lack of ambition to integrate into Western structures render the relationship nonthreatening to Russia and mutually beneficial. This allows for the consideration of each other's core interests while the divergent interests and positions are negotiated depending on the circumstances of the day. The nature of the relationship is summed up by Aliyev's statement that, when countries "respect each other and cooperate, when they do not do anything against each other, they can find agreement on most sensitive issues".¹²

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Russia and Armenia: Weakened but Strong Enough

Already prior to the war in Ukraine, Russia’s leverage over Armenia was deteriorating due to its failure to support the country in the 2020 Nagorno-Karabakh War or following Azerbaijan’s repeated ceasefire violations. Differences emerged between the two governments over the role of Moscow, with Yerevan accusing it of abandoning its treaty ally while Moscow blamed Armenia by arguing that its official recognition of Azerbaijani sovereignty over Nagorno-Karabakh—which happened during the EU-hosted summits—limited Moscow’s role in the conflict.¹³

The differences were exacerbated as Russia, preoccupied with its war in Ukraine, chose not to respond to Azerbaijan’s persistent violations of the ceasefire. In September 2022, following Armenia’s claim that Azerbaijan had attacked its internationally recognized territory, the CSTO failed to react beyond sending an observation mission. The Russian peacekeeping forces did not respond to Baku’s decision to set up check points in the Lachin Corridor in April 2023 or to its military operation that gave it full control over the entirety of Nagorno-Karabakh. The image of Russia as a trusted ally diminished not only among Armenia’s political elites but also among the public. In a December 2023 poll, 31% of respondents described relations between the two countries as good, down from 93% in 2019.¹⁴

Armenia’s response to Russia’s inaction went beyond words and included measures such as freezing its participation in the CSTO and requesting Moscow to remove its border guards from Yerevan airport. Armenia also ratified the Rome Statute of the International Criminal Court, creating the legal possibility that Putin could be detained if he came to the country. Furthermore, the more Russia failed to come to its help, the more Armenia engaged politically with Ukraine, leading to a meeting between Prime Minister Nikol Pashinyan and President Volodymyr Zelensky in October 2023. The visit of Armenia’s ambassador to Ukraine to Bucha, the scene of Russian war crimes, in May 2024 caused difficulties in diplomatic relations with Moscow. Pashinyan and other Armenian officials have even expressed readiness for the country to join the EU and the government has entered into a strategic dialogue with the United States.¹⁵

Despite its growing differences with Russia, however Armenia remains part of Moscow-led security and economic institutions, which still gives Russia some leverage.

Armenia also accelerated its search for options beyond Russia to ensure its security. In December 2022, it invited an EU civilian observation mission, which is still in the country, angering Russia. Armenia also strengthened its security relations with France, leading to the signing of a defense deal in February 2024.¹⁶ In September 2023 and in July 2024, Armenia and the United States held joint military exercises, in a symbolic blow to Russia. Yerevan has also increasingly sought closer security ties with India and Iran.

Despite its growing differences with Russia, however, Armenia remains part of Moscow-led security and economic institutions, which still gives Russia some leverage. As a member of the EEU it is institutionally linked with Russian economic governance and is dependent on Russia in key sectors of the economy. The war in Ukraine has greatly

benefitted Armenia with its GDP almost doubling between 2021 and 2024.¹⁷ The depth of economic dependence and the lack of credible alternative security guarantees do not leave Armenia with the option to fully leave Russian-led military, political, and economic institutions.

Although its image in Armenia has suffered significantly, Russia still hopes to turn the tide in its favor should the ruling party in Yerevan be ousted and more Russia-friendly opposition parties come to power. Since the 2020 war, Armenia has been engulfed by protests against the government, which have been fueled by the Kremlin and its propaganda machinery.¹⁸ Although the protests have not so far been successful in ousting Pashinyan and the next elections are set for 2026, Armenia's domestic politics remain uncertain, leaving it possible that outcomes favorable to Russia's interests might emerge.

Russia and Georgia: Formal Knowns, Informal Unknowns

Amid the war in Ukraine, relations between Georgia and Russia remain formally unchanged. They were frozen following the 2008 war and the two countries do not have diplomatic relations; their formal political engagement takes place through international conflict-resolution platforms such as the Geneva International Discussions. Starting in 2012, Georgian and Russian representatives have held a regular dialogue on economic and humanitarian issues in Geneva, although Georgia's government has not reported anything about these meetings since November 2021, probably because it does not want to publicize them in the context of the war. However, the format continues to exist, as demonstrated by the recent appointment of a new special representative for relations with Russia,¹⁹ and members of the ruling Georgian Dream party acknowledge that there is communication between the representatives of the two countries.²⁰ Increasing economic and people-to-people ties reinforced Georgia's dependence on the Russian economy and gave rise to political groups that advocate more amicable relations with Moscow. Given the anticipated political and electoral costs of seeking formal ties with Russia, the Georgian Dream government and political parties in general avoid direct association with Russia. This gives rise to a context in which the informal ties between the two governments—often hard to detect—become the dominant mode of interaction and hence a channel for Russian leverage.

Georgia refuses to impose sanctions on Russia or to send military support to Ukraine. The government puts forward pragmatic economic and security justifications for standing clear of the war, but the decision is also aligned with Russian interests, while relations with Ukraine have suffered as a result. Russian officials have praised Tbilisi for withstanding pressure from the West. Moscow even decided to abolish visa restrictions for Georgians that had been in place since 2001, and it lifted its ban on direct flights that it had instituted in 2019. These decisions attest to the existence of amicable informal ties between the two countries' political elites, underpinned by shared transactionalism.

Georgia has also deepened its economic ties with Russia as the war increased its importance as a transit country. In 2022, it experienced higher export and import growth than other Black Sea states, largely due to the redirection of supply routes to Russia through Georgia.²¹ In 2022 and 2023, Russia was the country's second-largest trading partner. Georgia is also most dependent on trade with its Black Sea counterparts.²² The economy also benefits from the flow of remittances from Russia and from Russian citizens coming to the country as tourists or migrants.

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Despite its increased economic engagement with Russia, Georgia has not so far been seen by the West to be in violation of the international sanctions regime against the latter.

Georgia’s application for EU membership and attainment of candidate status threatens Russia’s core interest of limiting Western influence in the South Caucasus, but its struggle for democratization leaves it vulnerable to Russian influence.

Georgia’s application for EU membership and attainment of candidate status threatens Russia’s core interest of limiting Western influence in the South Caucasus, but its struggle for democratization leaves it vulnerable to Russian influence. Although the government did not substantially commit to the necessary reforms, the EU granted candidate status to the country largely for geopolitical reasons and with a view to the population’s consistent support for membership. As the October 2024 elections approach, Georgian Dream’s attitude toward the EU and United States is becoming increasingly hostile, threatening progress along the country’s EU membership path. Debates about the party’s motivations abound: some see this more as an opportunistic move amid the rise of illiberalism in the EU and the United States than as alignment with Russia,²³ while others contend that it “has joined the anti-liberal, anti-Western revolt spearheaded by Russia”.²⁴ Given the absence of formal relations and the fact that seeking formal alignment with Russia is electorally costly, it is hard to establish the full extent of the relationship, especially among the current elites of the two countries. However, as long as the Georgian Dream government, or any potential future government, fails to consolidate democracy and keep relations with West worsening, the country will remain highly vulnerable to Russian influence and deliberately or inadvertently serves Russian interests.

Overall, although Georgia remains formally not aligned with Russia and is now formally aligned with the EU as a candidate, its persistent domestic political crisis—the result of zero-sum politicking and a history of one-party dominance—makes the country’s political elites vulnerable to Moscow’s influence. However, relations may enter a more confrontational phase if West-oriented and anti-Russian opposition parties come to power after the October 2024 elections.

The End of the “Unipolar Moment” and the Rise of Transactionalism

Russia’s performance in its war against Ukraine has so far produced mixed results with regard to the South Caucasus. Its core interests remain as before, and it pursues its other interests on an ad hoc and transactional basis. Moreover, Russia no longer enjoys its “unipolar moment” in the South Caucasus and other actors such as China, the EU, and Türkiye play more active role in the region’s geopolitics and geo-economics. However, geography, history, and various dependencies on Russia still demonstrate that Moscow’s disruptive potential remains unaffected.

Core Interests Still Holding but Threatened

Russia's core interests with regard to the South Caucasus include preventing institutional penetration of the West in the region—none of the three states should be part of NATO and EU or enjoy strong security ties with the United States, but they should be in Russian-led institutions and platforms. This remains the case for all three countries. At the same time, although initially Russia managed to bring them all into the CIS, Azerbaijan and Georgia later refused to become part of the CSTO and the EEU. Armenia is a member of the CSTO and the EEU. Georgia, in particular, left the CIS and aspires to join the EU and NATO, but this has not happened in part due to Russia's opposition.

However, these core interests are more threatened than before. No South Caucasus state has joined Western institutions such as the EU and NATO. But Georgia's EU candidate status and Armenia's aspiration to join the EU represent a challenge to Russia. Furthermore, Armenia has deepened its ties with France and the United States. Russia has not managed to advance its integration agenda with the South Caucasus states. In fact, its treaty ally, Armenia, has suspended its participation in the CSTO. Georgia is not considering formal membership in any Russian-led structure while Azerbaijan's limits major institutional links with Russia to its CIS membership.

Non-core Interests Subject to Transactionalism

Russia's non-core interests with regard to the South Caucasus include forging economic and energy relations as well as using the transit potential of the three countries to its advantage. This also helps Moscow gain leverage over them that it can use in case its core interests are threatened. Prior to the war in Ukraine, Russia enjoyed close economic ties with all three states, except with Georgia from 2006 to 2012 when it used its economic leverage to prevent the country's NATO membership. In 2019, Moscow also banned direct flights with Georgia in response to anti-Russia protests there, aiming to inflict economic costs on the country. In case of Armenia and Georgia, economic dependence on Russia threatens their foreign policy autonomy, while Russia's economic leverage on Azerbaijan does not have the same effect because of the importance of the country's oil and gas resources. At the same time, Azerbaijan and Georgia have used to their position as transit states to increase their connections with other countries, bypassing Russia. From the 1990s onward, they worked jointly to increase their transit potential, first through the Baku-Tbilisi-Ceyhan oil pipeline and more recently through the Middle Corridor connecting China and Europe. In 2021, they signed a memorandum with Hungary and Romania to operate an electricity cable under the Black Sea to link the South Caucasus and European energy markets.

The war in Ukraine has made Russia's relations with the South Caucasus more transactional. The West's decision to impose economic sanctions on Russia and to reduce its energy dependence on it required alternative supply routes and energy imports. The EU speedily signed an energy deal with Azerbaijan in July 2022 that aims to double the country's gas flows to EU by 2027.²⁵ In addition to energy, the three states, particularly Azerbaijan and Georgia, are important transit players linking East and West. Both have used the geo-economic opportunity posed by the war to highlight the importance of the Middle Corridor in global trade. At the same time, Russia's developed a particular interest in Azerbaijan as a key transit link to Asian markets through the International North-South Transport Corridor. Finally, with the Western economic sanctions, Russia's neighbors, including in the

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South Caucasus, “became key states for trade and reexport to Russia”, although this is “fragile and contingent on international political developments”.²⁶

For the first time in Russia’s modern history, its economic leverage on the South Caucasus has suffered significantly, and it now has to think twice before trying to impose economic costs on the three states. Where it once used its economic leverage to prevent threats to its core interests, today Moscow negotiates with them from a position of weakness. This to a certain extent explains Russia’s total lack of reaction to Azerbaijan’s gradual execution of its maximalist agenda in Nagorno-Karabakh or its indecisiveness about economically threatening Armenia’s ruling party that is bent on decoupling from Russia—something it has done before vis-à-vis Georgia and Moldova. With a wartime economy and its need to connect to non-Western markets, the use of economic coercion in the South Caucasus is now a less desirable stick in Moscow’s repertoire of imposing costs.

The End of Russia’s “Unipolar Moment”

Over the past decades, despite being weakened globally after the collapse of the Soviet Union, Russia enjoyed a “unipolar moment” in the South Caucasus. It was the major actor in conflict-resolution processes in the region while instrumentalizing secessionist conflicts to gain leverage over the parties. Although the EU started to make inroads into the region, particularly from 2009, its enlargement there was hardly on the agenda. The South Caucasus states maintained their economic and energy relations with the West and Russia alike, in parallel with Russian-Western economic cooperation. No other actor—including China, Iran, and Türkiye—threatened Moscow’s position in the region.

Russia’s core interests in the South Caucasus were significantly threatened in 2008 when NATO at its Bucharest summit declared that Georgia would one day join the alliance. Moscow’s war against Georgia soon after the summit was meant to draw the red line that it would not tolerate any South Caucasus state joining NATO. This froze Georgia’s membership perspective, yet the West’s rhetorical support for the country’s aspiration continued. The 2008 war not only kept NATO at bay with regard to Georgia but sent a strong message to Armenia and Azerbaijan that Russia remained the key actor to deal with when it comes to realizing their respective interests.

The Second Nagorno-Karabakh War in 2020 showed Russia remained a key security player in the region, negotiating the ceasefire agreement between Armenia and Azerbaijan, although Türkiye’s formal and informal role in the process and its explicit support to Azerbaijan undermined Moscow’s long-standing policy of using frozen conflicts for leverage. The initiation of the 3+3 format in 2021 between three South Caucasus states and Iran, Russia, and Türkiye—aimed at fostering cooperation among them—showed the latter three’s anti-West agenda but also Moscow’s weakened regional power. Russia is becoming increasingly dependent militarily on Iran and economically on Türkiye, especially amid the war in Ukraine, with implications for its exercise of power in the South Caucasus.

As Russia fights in Ukraine and is unable to successfully concentrate on multiple fronts of geopolitical confrontation, its “unipolar moment” in the South Caucasus is starting to come to an end and other actors are becoming more influential. First, Moscow’s image as a trusted security ally has suffered from its failure to come to Armenia’s help in the conflict with Azerbaijan. Second, the power of the Azerbaijan-Türkiye duo has become more

pronounced. Moscow had to take Ankara into account when considering how to respond to Baku's military actions in 2020 and in 2023. The duo has gained the upper hand as Russia has become dependent on them when it comes to trade and transit. Third, the EU is becoming more active and institutionally present in the South Caucasus. Georgia has attained EU candidate status while Armenia hosts an EU civilian observation mission and has voiced its aspiration to join the EU. The EU and some of its member states have hosted high-level meetings between Armenia and Azerbaijan with the aim of getting them to sign a peace treaty while Russia has been sidelined. Energy relations between the EU and the South Caucasus are also strengthening. Fourth, China is becoming more interested in the South Caucasus's transit potential and, it signed strategic partnerships with Georgia and Azerbaijan in 2023 and in July 2024 respectively.

In sum, several outside actors now compete in the region. And the developments in the South Caucasus mirror the global trend in which smaller states are becoming more transactional and pragmatic in their engagement with greater powers and try to reap the benefits of the still emerging order.

Conclusion and Policy Implications

Over the last three decades, Russia has had mixed results when it comes to the realization of its core interests in the South Caucasus. It has made sure that none of the region's states is a member of West-led international organizations. Although the three states maintain some ties with the EU and NATO, only Georgia has aspired to join them. On the other hand, Russia failed to bring them tightly into its regional integration and security projects. Georgia left the CIS in 2009, while Azerbaijan and Georgia have not joined the CSTO.

Russia has deployed its military, political, and economic leverage to help realize its core and non-core interests in the South Caucasus. It even used war against Georgia to thwart its aspiration to NATO membership. In 2013, it used political and economic leverage to dissuade Armenia from signing an association agreement with the EU and to persuade the country to join the EEU instead. Moscow has continued to use secessionist conflicts to wield influence. Close political ties with ruling elites, particularly in Armenia and Azerbaijan, helped it build up its leverage, while strong economic ties with the region have created hard-to-undo dependencies. In 2020, Russia appeared to have strengthened its position in the South Caucasus, but subsequent developments revealed that its positioning in the Second Nagorno-Karabakh War had opened cracks in its power.

Russia's leverage has deteriorated further since it launched its full-scale invasion of Ukraine in 2022, even if the picture is mixed. It retains military-security leverage over Georgia in relation to the country's secessionist conflicts, but lost it over Armenia and Azerbaijan. Moscow agreed to withdraw its peacekeepers from Azerbaijan before their planned departure date, but it retains military bases and a security presence in Armenia and in Georgia's occupied territories. While Russia enjoys close political ties with Azerbaijan's government, the same no longer holds true for Armenia. It has no formal ties with Georgia's political elites but increasing economic and informal political ties still give it leverage over them. The war in Ukraine has increased Moscow's economic engagement with the three countries, but Western sanctions have weakened its economic leverage over them.

The End of Russia's "Unipolar Moment" in the South Caucasus

Russia's total focus on its war against Ukraine has ended its "unipolar moment" in the South Caucasus. It has ended up weaker in the region in relation to China, Iran, Türkiye, and the West. On the other hand, the three states, and particularly Azerbaijan and Armenia, have realized that Moscow now has a reduced capacity to use military, political, and economic tools against them, which has led to them becoming more transactional and daring in their engagement with it. Georgia stands apart as the ruling Georgian Dream party applies extreme caution vis-à-vis Russia while using the new geopolitical and geo-economic reality to maintain its hold on power.

Russia's weakened position, emerging regional multipolarity, and more transactionalism have various policy implications for the South Caucasus states regarding peace and security, trade and connectivity, democracy, geopolitical orientation, and relations with EU and the United States.

Peace and Security

The emerging security dynamics and the new distribution of power in the South Caucasus affect the peace process between Armenia and Azerbaijan. Since the end of 2021, several actors, particularly the EU and the United States, have been engaged in resolving the differences between them to pave the way for a peace treaty. At the same time, Armenia's growing political and security engagement with Western powers, especially France, is seen by Azerbaijan as a hindrance to the peace process and makes it distrustful of Western mediation. Baku and Yerevan continue engaging bilaterally, which made it possible to agree on the delimitation of several sections of their border in May 2024. A peace treaty, however, is still not within their reach. Baku further conditions the signing of a peace treaty on Armenia amending its constitution to remove references to the 1990 Declaration of Independence, which calls for unification with Nagorno-Karabakh. Armenia's government has initiated the process to draft a new constitution by January 2027, yet there are domestic political hurdles to finding a solution that satisfies both countries. Yerevan also still sees a possibility that its internationally recognized territory may be threatened by the stronger Azerbaijan.

Russia's war against Ukraine might also affect stability and security in the South Caucasus despite the fact that the three states stand clear of the war. In the initial phase of the war against Ukraine in 2022, up to 2,000 troops from Russia's military bases in Abkhazia and South Ossetia were dispatched to fight in Ukraine.²⁷ While Georgia applies extreme caution in its relations with Russia, the latter's strategic necessities in the Black Sea might bring war closer to Georgia. The Russian naval base under construction in Abkhazia could become a legitimate target for Ukraine, which as well as being a security problem might disrupt Georgia's plans to construct its deep sea port in Anaklia and boost its potential as a transit country.

Despite Russia's limited role in the peace negotiations between Armenia and Azerbaijan and its overall decline as the preponderant power in the South Caucasus, it remains an important factor in the security calculations of Baku, Tbilisi, and Yerevan. All things being equal, it seems likely that Azerbaijan and Russia will continue interacting transactionally as long as they respect each other's core interests. Baku will continue to uphold Russia's red line when it comes to military cooperation with the United States and NATO, while Moscow, especially amid the war in Ukraine, will remain mindful of Azerbaijan's core security interests. Although Russia's relations with Armenia remain frosty, the threatening environment and absence of other security guarantees do not allow Yerevan to cut

all the security ties. Any Armenian government will likely proceed from this baseline in defining security policy vis-à-vis Russia. Russia continues to pose major security threat to Georgia, given its occupation of the country's internationally recognized territories and its war-waging record. The attempts by Georgia's current government to question the utility of the long-standing West-leaning foreign policy orientation and to favor instead transactional multi-alignment have put the country at a crossroads. If the current government remains in office after the coming elections, it is likely to maintain the status quo of pragmatic dealings with Russia. A change of government might see a return to Georgia's default West-oriented foreign policy, including seeking NATO membership more actively, to Moscow's irritation. But a new government would still need to design policies that recognize Russia's role in Georgia's security and that are adjusted to the new distribution of power globally and in the South Caucasus.

Trade and Connectivity

Amid the war in Ukraine and economic sanctions on Russia, the South Caucasus has become more important for the transit of goods and for energy supply. European states are seeking to secure more energy supply, including renewables, from and through the region, while Russia sees it as a bridge to Asian markets and as a trading area that can mitigate the impact of the Western sanctions. China also takes an increasing interest in the region's transit potential. Iran has a clear interest in the transit potential of the South Caucasus, which would help it to create a parallel economic system with Russia to mitigate the impact of Western sanctions against both countries.²⁸ Türkiye has historically played a key role in developing the South Caucasus's transit potential. As Ankara pursues a balancing act between Russia and the West and aims to consolidate its role as an energy and gas hub, the region is becoming even more important for it.

Trade and connectivity in the South Caucasus have been boosted as a side effect of the Western economic sanctions on Russia. This brings opportunities for the three states but also increases the risk of sanctions evasion and illegal trade practices.²⁹ The new economic reality since the start of the war in Ukraine has empowered the "middlemen" in the South Caucasus and Central Asia "to exploit loopholes or gaps in Western sanctions policies."³⁰ This makes the region's trade and connectivity prospects dependent on extra-regional developments, including the further evolution of Western sanctions on Russia.

The growing importance of the South Caucasus states for competing outside powers in terms of trade and connectivity gives all three more room for maneuver. Azerbaijan, in particular, has become more strategically valuable for these powers. It thus drives its transit and infrastructure agenda forward by developing fresh ties with China, the EU, Iran, and Russia alike. Georgia also uses the new geo-economic opportunities to promote its transit value through the Middle Corridor. To the frustration of the EU and the United States, it has granted a Chinese-Singaporean consortium a 49% share in the state-controlled Anaklia Deep Sea Port to build this strategically important piece of infrastructure. Armenia's economy also benefits. In addition to the economic growth resulting from the war in Ukraine, its emerging economic ties with the EU and the United States, including through the former's proposed Resilience and Growth Plan for Armenia for the period of 2024–2027, will bring further economic benefits to the country.

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The emerging multipolar distribution of power in the South Caucasus allows for geo-economic pluralism. Armenia, Azerbaijan, and Georgia can take advantage of this to minimize economic dependence on Russia or any one sole outside power. The extra-regional powers will have to appreciate more the different local dynamics within the three states as each pursues divergent ends. The non-Western powers will have to tolerate all three's increasing political and economic engagement with the Western ones, and vice versa.

Democracy

The political elites in the South Caucasus states are more predisposed toward authoritarianism than democracy. Azerbaijan is a consolidated autocracy, while Armenia and Georgia are electoral democracies currently backsliding toward autocracy. Russia's weakened position in the South Caucasus could open pathways to democratization in the three countries, and it could also allow the EU and United States to pursue more of a democracy agenda there. However, the same holds true for authoritarian powers such as China, Iran, and Türkiye. In this context, as things stand, the dominant political actors in Azerbaijan and Georgia will prioritize foreign policy relationships that do not threaten their hold on power. More generally, transactionalism is the order of the day in the South Caucasus, with geopolitical and geo-economic concerns often prioritized over democracy and human rights.

Over the decades, Georgia has had its ups and downs in democratization, and it has failed to move beyond the status of electoral democracy despite close ties with the EU and the United States. Its newly obtained EU candidate status requires reforms for democracy consolidation, yet the Georgian Dream government has carried out reforms only performatively. The future of the country's democracy depends greatly on the outcome of the parliamentary elections due in October 2024. If the incumbent party wins a historic fourth term, democracy is likely to backslide further, whereas a change of government might set the stage for coalition politics in which different parties commit to democracy consolidation, including through implementing EU-required reforms. The latter outcome is likely to undermine the leverage of Russia and other authoritarian powers and to strengthen that of the EU and United States, while the former is likely to have the opposite effect.

Armenia became more democratic following the 2018 Velvet Revolution, going from an electoral autocracy to an electoral democracy. However, it has regressed since 2023 in connection with the developments in the Nagorno-Karabakh conflict, with the government restricting civil liberties, introducing a new censorship law, and outlawing criticism of the government.³¹ The government pledges to prioritize democracy and engages more actively with Western powers, yet it struggles to implement reforms, including in governance, the rule of law, and the judiciary under its Comprehensive and Enhanced Partnership Agreement with the EU.³² The recently announced visa liberalization talks with the EU might encourage more democratic reforms. However, Armenia's democratization remains affected by its security vulnerability.³³ While Russia's weakening influence encourages more ties with the EU, which helps on a path to democratization, persistent security challenges stand in the way of genuine democratic progress.

Azerbaijan has been an authoritarian regime for decades and, unlike Armenia and Georgia, has never experience a breakthrough in democracy building. The government continually cracks down on remaining dissenting opinions to maintain its strong hold on power, and the prospects for democratization are poor. The nature of the regime is not

likely to change, regardless of changes in the geopolitical make-up of the region, including Russia's relative decline. Azerbaijan's relations with democratic and authoritarian powers are likely to remain transactional and primarily motivated by regime security.

The EU and the United States will still face a dilemma between any democracy and human rights agenda and the needs of connectivity, energy security, and geo-economic competition with China. Making tradeoff on this has been their default policy vis-à-vis Azerbaijan for many years and it could be extended to Armenia and Georgia. In Armenia, the precarious security environment appears to require prioritizing this over democracy and human rights at the moment. Although Georgia's democratic backsliding has led the EU and the United States to apply some 'sticks', another victory for the current government might make autocratization look like a *fait accompli* to the EU and US, pushing them to give more importance to geopolitical and geo-economic interests than to further democracy support.

Geopolitical Orientation

Russia's war against Ukraine has increased geopolitical pluralism in the South Caucasus, yet the geopolitical fate of the region depends greatly on Moscow's success or failure in the war. The region continues to be of interest for competing powers other than Russia, including China, Iran, Türkiye, and the West. Despite their own differences, China, Iran, Russia, and Türkiye are all keen to diminish Western influence there.

The South Caucasus states are responding to the emerging distribution of power among those involved in the region by asserting their autonomy more and diversifying their foreign policy. Previously, the three states looked in different directions: Georgia to the West, Armenia to Russia, and Azerbaijan to balancing between Russia and the West. Now, they all look in all possible geopolitical directions to better realize their respective interests. But for all three the ultimate geopolitical choice is between authoritarian and democratic powers.

This choice will depend on the mix of domestic and international factors for each country in the South Caucasus. The competition between the democratic West and autocratic China, Iran, and Russia will affect their behavior and calculations while their democratization-autocratization will likely impact their foreign policy priorities. There is more certainty about continuity in Azerbaijan's posture, but that of Armenia and Georgia should be affected by the way their democracy develops.

Georgia's autocratization path will likely be maintained if the current government is reelected in October 2024. In that case, its foreign policy will remain shaped by transactionalism and multi-alignment with Tbilisi, like Baku, pursuing mutually beneficial relations with Western and non-Western powers. If there is a change in government, Georgia will swing back toward democracy consolidation and its foreign policy will revert to the West-first default, even if there will be transactional engagement with other powers. Another possibility is a hung parliament that would put pressure on a Georgian Dream minority government to commit to re-prioritizing relations with the EU and the United States.

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In Armenia, should the incumbent Civil Contract party win the elections that are due in 2026, this would mean not only more continuity in foreign policy but also a greater tilt toward the EU and the United States and away from Russia. An opposition victory, on the other hand might return the country to a Russia-oriented posture as well as to a democratic deterioration. However, given Russia's loss of credibility in Armenia following the Second Karabakh War and its growing ties with Azerbaijan and Türkiye, a new government might find it hard to make a good case for a return to a policy of more alignment with Moscow. But, regardless of the elections' outcome, in the absence of security guarantees from the West, Armenia's foreign policy is likely to remain multi-aligned for the foreseeable future.

The three South Caucasus states' relations with China, Iran, Russia, and Türkiye are varied and will evolve according to the priorities of each of them.

Azerbaijan is likely to continue having its closest relation with Türkiye and a close one with Russia. Its relations with China should deepen following their signing of a strategic partnership in July 2024 and it has expressed an interest in joining the BRICS. Relations with Iran are likely to remain rocky and guided by ad hoc management of differences to achieve mutual benefit, especially in energy and infrastructure.

Armenia's relations with Russia are likely to remain tense at the political level yet important at the economy and security levels. Ties between their ruling elites might improve should there be a new government in Yerevan. Close relations with Iran are likely to continue, even if Tehran is concerned by Armenia's growing ties with the EU and the United States. Relations with Türkiye should not be expected to improve and normalization is likely to depend on how Armenian-Azerbaijani relations evolve. Armenia is likely to continue maintaining good relations with China, but with a low political and economic profile compared to Beijing's ties with Baku and Tbilisi.

Georgia's formal relations with Russia are likely to remain limited while the current government keeps seeing transactional value in dealing with Moscow. A change of government should reorient Georgia more toward the West. Its relationship with Türkiye is likely to remain friendly and strategically important. If the current government stays in power, China ties ought to keep improving now that the two countries have formed a strategic partnership and given China's stake in the Anaklia Deep Sea Port. A change of government might lead to political differences with Beijing, however, as the current opposition parties prefer linking Georgia's strategic infrastructure with the West. The ruling elites have recently attempted to normalize bilateral relations with Iran, yet this could change depending on which political parties might be in government in the future.

Ties with the EU and the United States

The new geopolitical and geo-economic reality in the South Caucasus does not automatically favor the interests of the EU and the United States regarding the region. Much will depend on the dynamics of the competition between the West and China, the outcome of the Russia's war in Ukraine, and domestic political developments, particularly in Armenia and Georgia.

Azerbaijan engages with different poles of power in mutually beneficial relations with the aim of ensuring the security not only of the state but also the regime. Its relations with the EU and the United States are likely to remain transactional for the foreseeable future. Azerbaijan values energy and transit ties with the United States, the EU, and its member states, but it is wary of democracy and human rights linkages. The new geopolitical and geo-economic reality dictate to the EU, especially given its growing energy needs as it has reduced its dependence on Russia, and the United States to continue being pragmatic in their engagement with Baku, to the detriment of advancing a democracy and human rights agenda. In particular, some EU member states that depend on energy imports from Azerbaijan—such as Bulgaria, Greece, and Italy—are likely to advocate for pragmatic engagement. Baku's new-found interest in deepening ties with China and the BRICS group is also likely to make the United States more pragmatic in their relations.

The new geopolitical and geo-economic reality in the South Caucasus does not automatically favor the interests of the EU and the United States regarding the region.

Armenia seeks to upgrade its security, political, and economic ties with the EU and the United States given Russia's failure to honor its treaty obligations when it came to its security. This is already bearing some fruits, such as the launch of talks on visa liberalization with the EU. In addition, Armenia hosts the EU's civilian monitoring mission and its army benefits from funding from European Peace Facility. It has hosted military exercises with the United States, and the two countries signed a memorandum of understanding on civilian nuclear cooperation in May 2022. Armenia is now in talks, primarily with the United States, to build a new nuclear plant to replace its existing one. This would help reduce the country's energy dependence on Russia. The effort toward closer relations with the EU and the United States are likely not only to continue but also to deepen for as long as the current government remains in place. A change in government might lead to a return to more Russia-friendly policies.

Since coming to power in 2012, the Georgian Dream party has committed itself to a West-oriented foreign policy while initiating a thaw in relations with Russia and gradually shrinking democratic space to maintain its hold on power. This democracy backsliding and Russia's aggression against Ukraine in 2022 has affected its calculus vis-à-vis the West: it says it remains committed to a Western orientation but has tilted more toward China, Russia, and more recently Iran. The government's growing anti-West rhetoric and the adoption of the law on transparency of foreign influence, which has been widely criticized in Georgia and in the West, has brought an unprecedented deterioration in relations with the EU and the United States. The EU has de facto suspended the accession process for Georgia while Washington has imposed sanctions on Georgian officials, "indefinitely" postponed joint military training, and suspended up to \$100 million in financial support to the government. The coming parliamentary elections and their outcome will affect Georgia's relations with the EU and the United States as well as the direction of its development. A Georgian Dream victory promises continuation of the current policies, while an opposition victory would likely reinvigorate ties with the EU and the United States as well as democratization. After the elections, further autocratization in Georgia could mean the region tilts more toward authoritarian powers while a democratic turnover may energize pro-democracy actors in the other two countries, something that could hand the EU and the United States more leverage.

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