



The Changing Face of the South Caucasus

TEONA GIUASHVILI

The Author

Teona Giuashvili is David Davies of Llandinam Research Fellow (DINAM) in the Department of International Relations at the London School of Economics and Political Science. She is a former Georgian diplomat with over eleven years of experience in multilateral diplomacy and conflict resolution, Georgia's European integration and bilateral relations with France. She served as chargée d'affaires and deputy ambassador of Georgia to France and as deputy head of the mission of Georgia to the EU.

DOI: 10.21953/researchonline.lse.ac.uk.00138556.

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As it has for the rest of Europe, Russia's full-scale invasion of Ukraine has been a watershed moment for the South Caucasus. The war has prompted a phase of interregnum for the region between the previous order and a new one, whose features are yet to emerge.¹ What is evident, however, is that the new politico-security order will be shaped by the intersection of power dynamics at three levels: regional, continental and global. First, at the regional level, the outcome of Russia's war against Ukraine will directly influence the balance of power in the entire Black Sea region, including the South Caucasus. Second, at the continental level, the South Caucasus will be affected by the consequences of the Euro-Atlantic tensions prompted by President Trump's ambivalence about the contribution of the US to European security—with the consequent uncertainty about the future of the continental security architecture. Third, disruptions at the global level will not spare the South Caucasus. Whether current changes in the international system will result in bipolar US-China competition or the potential division of the world into 'spheres of influence'—between the US, China, Russia and others—the threat of new geopolitical fault lines in Europe is real.² The South Caucasus risks finding itself once again at the crossroads of empires.

Questions linger about the future of the South Caucasus. Beyond the current interregnum, what kind of order and balance of power will emerge in the region? And what will be the degree of autonomy of local actors vis-à-vis extra-regional powers? To illustrate the key factors that will define the answers to these questions, this Strategic Update first considers how the three states of the South Caucasus—Armenia, Azerbaijan and Georgia—

1 Teona Giuashvili, *The South Caucasus in an 'Interregnum'?: the shifting power dynamics in the wake of Russia's war in Ukraine*, STG Policy Briefs 2022/32 (Florence: European University Institute, 2022), <https://cadmus.eui.eu/entities/publication/c601c741-7728-5276-ae93-a2e6be5961f4>.

2 Monica Duffy Toft, 'The Return of Spheres of Influence. Will Negotiations Over Ukraine Be a New Yalta Conference That Carves Up the World?', *Foreign Affairs*, 13 March 2025, <https://www.foreignaffairs.com/united-states/return-spheres-influence>.

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have reacted to the geopolitical changes triggered by Russia's war against Ukraine and how their shifting trajectories have affected the region. Secondly, it assesses how Russia's relative disengagement from the South Caucasus over the last three years has altered the existing constellation of power among regional and extra-regional actors. Finally, looking ahead, the paper outlines possible developments in the posture of key regional powers, which might carry far-reaching implications for the uncertain future of the region. The paper concludes with broad policy recommendations for the future engagement of Europe in the South Caucasus.

The asymmetric impact of the war on the local actors: assertive Baku, emancipating Yerevan, and reclusive Tbilisi

The impact of Russia's war against Ukraine on the South Caucasus has been neither linear nor uniform. The war has shifted political dynamics within the three states of the South Caucasus, as well as their mutual relations and the regional balance of power. In all three countries, however, the period of interregnum has amplified trends that predated the war, namely Azerbaijan's assertive foreign policy course, Armenia's striving for emancipation from Russia's influence, and Georgia's drift away from both liberal democracy and the West.

Azerbaijan has been the main agent of change within the region, and its main beneficiary, during the interregnum. Baku seized the moment created by Russia's full-scale invasion of Ukraine and turned the tide to its advantage by bringing the entire Nagorno Karabakh—the territory that it lost to Armenia in the early 1990s—under its control through a decisive

military operation in 2023, following an earlier success in 2020. The restoration of the country's territorial integrity led its leadership to assert Azerbaijani 'self-sufficiency', celebrated as the country's reliance on its own means to achieve this priority goal.³

Baku's gains are not confined to the security dimension only. Azerbaijan has further solidified its strategic position as the linchpin of major energy and infrastructure projects, heightening its importance for both the EU and Russia. Following the disruption of the EU's energy partnership with Moscow, Azerbaijan benefited from the EU's renewed interest in the Trans-Caspian International Transport Route and the Southern Gas Corridor, with the two sides committing to redouble gas exports to Europe by 2027.⁴ Russia's interest in reviving the International North-South Transport Corridor (INSTC),—facilitating trade between India, the Persian Gulf and Russia, and support for the launch of the so-called Zangezur corridor, connecting Azerbaijan's mainland to its Nakhchivan exclave through Armenian territory—have also strengthened Baku's bargaining position.⁵

As a further manifestation of its multi-vector foreign policy, Azerbaijan, together with its strategic ally Türkiye, has expressed its interest in joining BRICS, having officially applied for membership and attended the BRICS Summit in Kazan in October 2024.⁶ This initiative provides evidence of

3 'Ilham Aliyev: Azerbaijan is building its future based on its own strength, not on international institutions', *Aze.Media*, 14 March 2025, <https://aze.media/ilham-aliyev-azerbaijan-is-building-its-future-based-on-its-own-strength-not-on-international-institutions/>.

4 European Commission, 'Statement by President von der Leyen with Azerbaijani President Aliyev', 18 July 2022, https://ec.europa.eu/commission/presscorner/detail/it/statement_22_4583.

5 Nikita Smagin, 'A North-South Corridor on Putin's Dime: Why Russia Is Bankrolling Iran's Infrastructure', *Carnegie Politika*, 15 June 2023, <https://carnegieendowment.org/russia-eurasia/politika/2023/06/a-north-south-corridor-on-putins-dime-why-russia-is-bankrolling-irans-infrastructure?lang=en>; Patrick Wintour, 'Iran warns Russia against siding with Azerbaijan in border dispute', *The Guardian*, 6 September 2024, <https://www.theguardian.com/world/article/2024/sep/06/iran-warns-russia-against-siding-with-azerbaijan-in-border-dispute>. Azerbaijan refers to this route as the Zangezur corridor, while Armenia calls it the Syunik route.

6 Office of the President of Azerbaijan, 'Joint Declaration of the Republic of Azerbaijan and the People's Republic of China on the establishment of a strategic partnership was adopted in Astana', *President of the Republic of Azerbaijan*, 3 July 2024, <https://president.az/en/articles/view/66389>.

Azerbaijan's efforts to position itself as an emerging 'middle power' in the wider region. Starting in December 2024, with the accidental downing of an Azerbaijani civilian plane by Russian air defences, bilateral relations between Azerbaijan and Russia have markedly deteriorated, with both countries taking antagonising steps towards each other. This development not only marks the volatility of regional geopolitics but also speaks to Baku's growing confidence in navigating them.

The loss of Nagorno Karabakh to Azerbaijan's military offensive and the exodus of 100,000 Armenians from the enclave have displayed Armenia's vulnerability. Russia's unresponsiveness to Yerevan's call for support has exposed the erosion of Armenia's national security strategy, built on reliance on Russia's security guarantees. Disillusionment with Russia induced Yerevan to distance itself from Moscow and to freeze its participation in the Collective Security Treaty Organisation (CSTO).⁷ Throughout the last two years, Armenia undertook a delicate balancing act, pursuing dialogue with Russia, while seeking emancipation from exclusive reliance on its erstwhile strategic ally and diversifying its partnerships with both traditional and new actors. Armenia therefore charted a new course in foreign policy: it reinforced trade and energy cooperation with Iran, advanced defence cooperation and diplomatic ties with France and India, and signed the comprehensive Strategic Partnership Charter with the US under the Biden administration.⁸ Relations between Armenia and Azerbaijan are also going through a precarious transition after decades of hostility; bilateral negotiations led in March 2025 to the conclusion of a peace agreement that is yet to be signed.

7 Armenia's Prime Minister Nikol Pashinyan cited in 'L'Azerbaïdjan prépare une attaque contre l'Arménie, selon le Premier ministre arménien', *France 24*, 22 February 2024.

8 U.S. Embassy in Armenia, *Charter on Strategic Partnership between the United States of America and the Republic of Armenia*, last modified 15 January 2025, <https://am.usembassy.gov/charter-on-strategic-partnership-between-the-united-states-of-america-and-the-republic-of-armenia/>.

Yerevan sought in particular to acquire new security partners and find new weapons' suppliers after Russia failed to deliver military support.⁹ More than a decade after dropping negotiations towards a comprehensive Association Agreement with the EU, and joining instead the Eurasian Economic Union under Moscow's pressure, Yerevan opted for seeking closer ties with Brussels and launched visa liberalisation negotiations with the EU. The adoption of a bill on fostering EU integration by the Armenian parliament in March 2025 is part of Yerevan's attempt to position itself as the West's primary ally in the region— a position that Georgia's foreign policy U-turn away from Europe left vacant.¹⁰ Rebranding itself as the only remaining democracy in the South Caucasus has been part of Armenia's re-positioning, and an effective political message at a time when the Biden administration revamped the 'democracy vs. autocracy' divide as a factor structuring US foreign policy.

While Brussels has welcomed Armenia's geopolitical tilt towards the West and its readiness to deepen the partnership with the EU, the accomplishment of this transition is contingent on several factors.¹¹ In particular, the outcome of the war in Ukraine, and its effect on Russia's influence in the region will weigh on Yerevan's course. It will provide a critical test of Europe's willingness and capacity to defend its Eastern neighbours. Beyond the security dimension, Europe should be ready to back its message of political support for Armenia with tangible contributions to Armenia's economic and energy resilience in the face of the country's heavy dependence on Russia.

Since Russia's full-scale invasion of Ukraine, the Georgian government has reversed the country's geopolitical trajectory by ending three decades of efforts to join the EU, failing to seize the opportunity of the West recognising

9 Nikol Pashinyan, interview by The Wall Street Journal, *Office of the Prime Minister of Armenia*, 25 October 2023, <https://www.primeminister.am/en/interviews-and-press-conferences/item/2023/10/25/Nikol-Pashinyan-Interview-The-Well-Street-Journal>; Armenia's Prime Minister Nikol Pashinyan cited in 'Armenia, India Said To Sign Arms Deal', *Azatutyun*, 29 September 2022, <https://www.azatutyun.am/a/32057951.html>.

10 'Armenian parliament adopts EU bill at second reading', *ARMENPRESS*, 26 March 2025, <https://armenpress.am/en/article/1215464>.

11 'Armenia: remarks by High Representative/Vice-President Kaja Kallas at the joint press conference', *European Union External Action Service*, 30 June 2025, https://www.eeas.europa.eu/eeas/armenia-remarks-high-representativevice-president-kaja-kallas-joint-press-conference_en.

the threat posed by Russia to Europe and granting Georgia the status of EU accession candidate in December 2023. The European path came into conflict with the ruling party's desire to consolidate its power and to eradicate dissent by introducing illiberal laws and repressive practices.¹² Yet, by eroding democratic governance and capturing state institutions, Georgian Dream not only thwarted the widespread aspirations of the people for European integration but opened the door to Russia's influence within. Alongside ideological convergence between the regimes in Tbilisi and Moscow, Georgia's economic ties with Russia have been strengthening in recent years, potentially endowing the Kremlin with additional leverage over the country. Whether out of fear or collusion, by choice or by default, the Georgian government is moving the country into Russia's orbit under the rhetorical framing of preserving its 'sovereignty'.

The deliberate antagonising of the West and self-inflicted isolation casts a shadow on Georgia's ambition to reconcile different foreign policy vectors, reaping benefits from parallel relationships with the EU, Russia and China. Plans to develop energy and digital connectivity infrastructure with Europe across the Black Sea, as Georgia and the EU had envisaged back in 2022, face uncertain prospects. Secluded and estranged from its partners in the West, the Georgian government has been intensifying cooperation with Armenia and Azerbaijan and pursuing old and new partnerships—such as with Türkiye, Iran, Central Asia and China—seeking both political legitimacy and economic gains.

China's footprint in Georgia's infrastructure sector goes back to 2019, when the Georgian Government awarded the construction of the North-South Highway project, connecting South and North Caucasus, to Chinese companies.¹³ In line with its emerging multi-vector foreign policy, Georgia signed with China a strategic partnership agreement in July 2023 and, in

12 Natalie Sabanadze, 'Georgia's Imitation Game. Hungary, Russia and the Rise of the Anti-Liberal International', *Heinrich Boll Stiftung South Caucasus*, 7 November 2024, <https://ge.boell.org/en/2024/11/07/georgias-imitation-game>.

13 Road Department of Georgia, *North–South*, accessed 18 July 2025, <https://qzebi.ge/en/road-category/north-south/>.

April 2024, a bilateral Visa Exemption Agreement.¹⁴ In 2024, Georgia entrusted to a Chinese consortium the construction of the country's strategically important, first deep-sea port of Anaklia, one of the key elements of the so-called Middle Corridor. Anaklia stands only 30km from the naval base that Russia has envisaged to build in Ochamchire, in Georgia's occupied region of Abkhazia.

Given recent developments in the trajectories of the three South Caucasus countries, the region, which not so long ago was known for its heterogeneity, looks politically and geopolitically more homogenous. Azerbaijan is seeking to 'adapt to geopolitical transformations' through multi-alignment, Georgia is following in Baku's footsteps after turning its back to Europe, and Yerevan is considering the available options to acquire leverage by expanding its range of partners.¹⁵

A shifting constellation of power in the shadow of Russia's war against Ukraine

The war in Ukraine distracted Russia from the South Caucasus and led many observers to foresee, if not the demise of the Russian hegemony in the region, at least the waning of its influence there.¹⁶ However, the South Caucasus is becoming more important for Moscow, at a time when Western sanctions against the Russian economy have shifted Russia's priorities and heightened the importance of connectivity and trade with and through

14 'Georgia and China Issue Joint Statement on Strategic Partnership', *Civil Georgia*, 31 July 2023, <https://civil.ge/archives/553820>; 'China Grants Visa Free Regime to Georgia', *Civil Georgia*, 26 February 2024, <https://civil.ge/archives/584261>.

15 'Ilham Aliyev: Azerbaijan is building its future based on its own strength, not on international institutions', *Aze.Media*, 14 March 2025, <https://aze.media/ilham-aliyev-azerbaijan-is-building-its-future-based-on-its-own-strength-not-on-international-institutions/>.

16 Stefan Meister, *The End of Russian Hegemony: A New Transactional Order Arises in the South Caucasus*, DGAP Analysis No. 10 (Berlin: German Council on Foreign Relations, December 2024), <https://dgap.org/en/research/publications/end-russian-hegemony-new-transactional-order-arises-south-caucasus>; Neil Melvin, *Retying the Caucasian Knot: Russia's Evolving Approach to the South Caucasus* (London: Royal United Services Institute, 2024), <https://www.rusi.org/explore-our-research/publications/occasional-papers/retying-caucasian-knot-russias-evolving-approach-south-caucasus>.

the region to sustain its war economy.¹⁷ In this new context, the Kremlin calculated that damaging Russia's relations with Armenia, by not supporting it against the Azerbaijani offensive in 2023, was a cost worth bearing to maintain good relations with Baku, whose central role in transport and connectivity networks increasingly matters for Moscow.

Russia's calculations, however, might be affected by the repositioning of the countries in the region. If Armenia and Azerbaijan sign the currently envisaged peace agreement, this would deprive Russia of leverage over both of them and reduce its grip on the South Caucasus.¹⁸ Russia's recent attempts to rekindle its relations with Armenia—as manifested by its Foreign Minister Lavrov's visit to Yerevan in May 2025—alongside its escalatory actions to tame Baku's assertiveness by orchestrating anti-Azerbaijani campaigns are part of Moscow's broad endeavour to re-assert its influence in the region. However, these efforts might instead highlight the limitations of Russia's power.

While Armenia and Azerbaijan are taking steps to reduce their dependence on Russia, the Georgian Government's choice to dial down relations with Europe has constrained the country's freedom of action, leaving Tbilisi more exposed to Russia's influence. Georgia has been Russia's unexpected and easy win in the region, which could potentially carry consequences

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17 Thomas de Waal, 'Putin's Hidden Game in the South Caucasus', *Foreign Affairs*, 3 June 2024, <https://www.foreignaffairs.com/azerbaijan/putins-hidden-game-south-caucasus>.

18 Thomas de Waal, 'Armenia and Azerbaijan's Major Step Forward', *Carnegie Endowment*, 17 March 2025, <https://carnegieendowment.org/emissary/2025/03/armenia-azerbaijan-peace-deal-next-steps?lang=en>.

for Armenia and Azerbaijan as well.¹⁹ By attacking Georgia in August 2008, Moscow failed to reverse the country's westward foreign policy course, but the trauma that Russia's military aggression inflicted on Georgian society allowed the Georgian Government to instrumentalise the Russian threat for political aims after Russia's attack against Ukraine. The ruling party deceitfully justified the dramatic shift in the country's foreign policy as necessary to avoid being dragged by the West into a war against Russia. It seized the opportunity to simultaneously wreck relations with its Western partners and shrink civic space, which earned Georgian Dream Putin's appreciation.²⁰ In economic terms, since the full-scale invasion of Ukraine, all three countries in the region saw rapid growth—whether through increased energy trade with Russia or through enhanced exports of dual-use items towards Russia and other neighbouring countries, raising doubts about their role as a trade corridor enabling Russia to circumvent Western sanctions.²¹

The period of interregnum has particularly benefitted Türkiye's standing in the South Caucasus. In addition to positioning itself as an intermediary between Russia and the West, Ankara took advantage of Russia's fading influence in the region to tilt the balance of power in its favour. Azerbaijan's victory in the Nagorno-Karabakh conflict, owing much to political and military support from Türkiye, consolidated Ankara's footprint in the South Caucasus. If created, the Zangezur corridor would bridge Türkiye to Azerbaijan and open a direct route to the Caspian Sea and the 'Turkic world' in Central Asia. The importance of Türkiye as a regional player has increased for Georgia as well. While all consecutive Georgian governments had valued the strategic partnership with Türkiye, the alienation of its Western partners by Tbilisi has raised the salience of long-standing ties with Ankara.

19 Natalie Sabanadze, 'Is Russia Behind Georgia's Geopolitical Realignment', *GeoPolitics*, 8 January 2025, <https://www.politicsgeo.com/article/118>.

20 Paul Kirby, 'Georgia's moment of truth: Protesters demand Western path not Russian past', *BBC News*, 2 December 2024, <https://www.bbc.co.uk/news/articles/cj49xg5en09o>.

21 Tinatin Akhvlediani, 'The EU and the South Caucasus: Geoeconomics at Play', *Carnegie Europe*, 2 October 2024, <https://carnegieendowment.org/research/2024/10/the-eu-and-the-south-caucasus-geoeconomics-at-play?center=europe&lang=en>.

The expected signing of a peace treaty between Armenia and Azerbaijan would also give an impetus to the ongoing attempts at normalising relations between Armenia and Türkiye. These efforts resumed in early 2022 but remained hostage to the conflict resolution between Baku and Yerevan. In June 2025, the process received a boost with Armenian Prime Minister Nikol Pashinyan's meeting with Turkish President Recep Tayyip Erdoğan in Istanbul—the first meeting of its kind since Armenia regained its independence. The establishment of diplomatic relations, and the opening of the border, which had been closed since the early 1990s, would offer opportunities both for Armenia, to overcome its geographic isolation, and for Türkiye, to gain further economic and political clout in the region.

The shift in the South Caucasus status quo in favour of the Azerbaijan-Türkiye axis, at Russia's expense, has also penalised Iran's regional interests. To counterbalance Türkiye's growing clout, while taking advantage of Russia's distraction, Iran sought to advance bilateral relations with the three states. After initial tensions, aggravated following the Second Nagorno-Karabakh War in late September 2020, Iran and Azerbaijan have sought to normalise mutual ties since early 2024 and committed to cooperation in trade and infrastructure. Investing in relations with Baku was also meant to offset the deepening strategic partnership between Azerbaijan and Israel—a major factor of concern for Tehran.

The period of interregnum has seen the remarkable consolidation of Iran's ties with Armenia, including the intensification of political and diplomatic visits, the opening of the Iranian consulate in Armenia's Syunik province bordering the Islamic Republic, and negotiations towards a comprehensive strategic partnership agreement.²² To manage the competition with other regional players in the South Caucasus, Tehran continues to attach particular importance to the 3+3 regional cooperation format, involving Russia, Iran, Türkiye, Azerbaijan, Armenia, and nominally, Georgia (which has not attended the summits until now). Despite Iran's recent activism

22 Nane Sahakian, 'Iran Opens Consulate In Strategic Armenian Region', *Azatutyun*, 21 October 2022, <https://www.azatutyun.am/a/32095062.html>; 'Заместитель министра иностранных дел Ирана: "Мы должны сосредоточить усилия на подписании документа о стратегических отношениях с Арменией"', *Region Monitor*, 14 April 2025, <https://regionmonitor.com/ru/86627>.

in the South Caucasus, however, prospects for Tehran's influence in the region continue to look uncertain. Iran's recent military setback in its confrontation with Israel and the US will likely reduce Tehran's clout and room for manoeuvre in the region, simultaneously highlighting the interconnection between geopolitical developments in the South Caucasus and in the Middle East.

Russia's waning power in the region has not translated into increasing Western influence in the South Caucasus. The last three years have seen the influence of the US and the EU receding in the region, even if the drivers behind their declining engagement differ. Overall, the disengagement of the US from the South Caucasus has been part of the broader shift of Washington's focus from Europe to the Indo-Pacific. The belated response of the Biden administration to Georgia's illiberal drift—suspending the strategic partnership with Tbilisi in December 2024, and its proactive support of peace talks between Armenia and Azerbaijan—cannot disguise the fact that the South Caucasus has fallen down the priority list of US foreign policy, alongside the fading of the external democracy-promotion agenda.²³ Although Georgia's policy reversal largely explains the decision at NATO's Washington Summit in 2024 not to reiterate the Alliance's commitment to Georgia's NATO accession, this choice is also indicative of American disengagement from its once closest partner in the South Caucasus. The US diminishing footprint in the region does not preclude the Trump administration seizing ad hoc opportunities for transactional economic deals with local countries, or seeking to insert the US into stabilisation efforts. As an example, the Trump administration has recently

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23 'Breaking: U.S. Suspends Strategic Partnership with Georgia', *Civil Georgia*, 30 November 2024, <https://civil.ge/archives/639985>.

proposed a plan to Baku and Yerevan that envisages the participation of US contractors in managing the contested Zangezur corridor—a step that would sideline both Russia and Iran.²⁴

By contrast, the decline of the EU's clout in the region owes to a complex set of factors more than to a conscious choice. Russia's war against Ukraine has triggered renewed EU interest in the South Caucasus. First, the South Caucasus is integral to the Black Sea region—a main theatre of war and a zone whose security is inseparable from European security. Second, the search for alternative energy suppliers to Russia, as well as for diversifying trade and transport routes, enhanced the value of the South Caucasus for the European energy and connectivity strategy. Finally, many in Europe have drawn the conclusion that leaving eastern neighbours in a geopolitical grey-zone invites aggression by Moscow. The EU has therefore taken steps to prevent the further destabilisation of the South Caucasus. At Armenia's request, the EU established in January 2023 a civilian crisis management mission in Armenia (EUMA) to contribute to the normalisation of relations between Armenia and Azerbaijan.²⁵ The EU also joined the peace process between the two countries in 2021. Following Russia's invasion of Ukraine, then-European Council President Charles Michel sought to take the lead in peace talks with the aim to sign a comprehensive peace agreement.²⁶ However, these measures have failed to affect geopolitical developments and conflicts on the ground.

Nothing epitomised this trend more than the EU's indecisive approach to the political crisis in Georgia. Both EU and national leaders wavered when dealing with Georgia's illiberal regime and failed to influence the

24 Olesya Vartanyan, 'Why Armenia Is Seeking to Normalize Relations With Turkey', *Carnegie Politika*, 1 July 2025, <https://carnegieendowment.org/russia-eurasia/politika/2025/06/armenia-turkiye-rapprochement?lang=en>.

25 Council Decision (CFSP) 2023/162 of 23 January 2023 on a European Union mission in Armenia (EUMA), *Official Journal of the European Union*, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023D0162&from=EN>.

26 Council of the European Union, 'Press remarks by President Charles Michel following trilateral meeting with President Aliyev of Azerbaijan and Prime Minister Pashinyan of Armenia', press release, 15 July 2023, <https://www.consilium.europa.eu/en/press/press-releases/2023/07/15/press-remarks-by-president-charles-michel-following-trilateral-meeting-with-president-aliyev-of-azerbaijan-and-prime-minister-pashinyan-of-armenia/>.

government's course of action. If the EU was unable and unwilling to prevent the political drift of Georgia, its longstanding ally, it is legitimate to doubt its capacity to accompany Armenia in its recent efforts to emancipate itself from Russia, despite the EU's readiness to support Yerevan. In a multipolar region, the EU appears to struggle to sustain the leverage it traditionally wielded through conditional engagement with partner countries under the neighbourhood and enlargement policies. Meanwhile, the EU has been criticised for pursuing a transactional foreign policy with Azerbaijan, striking new energy deals despite the regime's repressive record.²⁷

If Azerbaijan succeeded to sustain its multi-vector foreign policy and Georgia chose to follow suit, China's growing footprint in the South Caucasus has been an important enabler of such moves. Partnering with Beijing provides local actors both with an edge to balance their relations with traditional regional powers and with an additional source of revenue. The first engagement of China in the South Caucasus predates Russia's war against Ukraine to 2015/2016, when Armenia, Azerbaijan and Georgia joined the Belt and Road Initiative (BRI) for infrastructure development. In 2017, China signed a free trade agreement with Georgia, seizing the opportunity that Georgia's free trade deal with the EU provided for Chinese companies, and gradually intensified investment and trade relations.²⁸

While Chinese infrastructure investment in the region has been growing over time, Russia's full-scale invasion of Ukraine has compelled China (and Europe), to redirect transport from the Northern Route via Russia to the Trans-Caspian International Transport Route, also known as the Middle Corridor.²⁹ In Autumn 2024, China established a joint venture with Azerbaijan and Kazakhstan to develop a new intermodal cargo terminal in the Baku

27 European Parliament, 'MEPs denounce violations of human rights and international law by Azerbaijan', press release, 24 October 2024, <https://www.europarl.europa.eu/news/en/press-room/20241017IPR24740/meps-denounce-violations-of-human-rights-and-international-law-by-azerbaijan>.

28 'Georgia's economic relations with China', *Transparency International Georgia*, 1 March 2025, <https://transparency.ge/en/post/georgias-economic-relations-china>.

29 Katja Kalkschmied, 'China's Infrastructure Investment in the South Caucasus before and after Russia's Invasion of Ukraine', *Caucasus Analytical Digest* 2023, pp. 7-13, <https://www.ssoar.info/ssoar/handle/document/89912>.

port.³⁰ For China, Georgia and Azerbaijan constitute important nodes in the Middle Corridor, which is expected to connect China and Central Asia with Türkiye and the EU, allowing Beijing to bypass Russia and to diversify transportation and infrastructure projects. Today, China's mounting interests in the region are epitomised by the Strategic Partnerships it established with Georgia in 2023 and with Azerbaijan in 2024, which envisage growing political, economic, people-to-people and cultural cooperation.³¹ While Armenia is currently not benefitting from the same degree of Chinese involvement, the bilateral cooperation is progressing, especially in the field of information technology.

In recent years, developing bilateral ties with Armenia has been the principal vector for India to expand its foothold in the South Caucasus. Since the 2020 Nagorno-Karabakh War, Armenia has significantly deepened military cooperation with India, involving arms supplies and defence consultations.³² The Indian External Affairs Minister S. Jaishankar's trip to Yerevan in October 2021, the first since Armenia regained its independence, is indicative of the relevance that Armenia gained for India's strategic goals.³³ Armenia has emerged as a large importer of weapons: Yerevan is the first recipient of the new Akash air defence missile system. Beyond military cooperation, Armenia seeks to position itself as a gateway for Indian exports to both Europe and Russia—a key knot in the North-South International Transport

30 'Kazakhstan, Azerbaijan and China to Build Intermodal Cargo Terminal in Baku Port', Middle Corridor—Trans-Caspian International Transport Route, 14 November 2024.

31 'Georgia and China Issue Joint Statement on Strategic Partnership', *Civil Georgia*, 31 July 2023, <https://civil.ge/archives/553820>; 'Joint Declaration of the Republic of Azerbaijan and the People's Republic of China on the establishment of a strategic partnership was adopted in Astana', *President of the Republic of Azerbaijan*, 3 July 2024, <https://president.az/en/articles/view/66389>.

32 Artak Khulian, 'Armenia, India Map Out Closer Defense Cooperation', *Azattyun*, 15 May 2024, <https://www.azattyun.am/a/32948935.html>.

33 PTI, 'Jaishankar Arrives in Armenia as Part of His Three-Nation Tour to Central Asia', *Times of India*, 12 October 2021, <https://timesofindia.indiatimes.com/india/jaishankar-arrives-in-armenia-as-part-of-his-three-nation-tour-to-central-asia/articleshow/86974291.cms>.

Corridor project and in the Armenia-India-Iran trilateral cooperation format.³⁴ For India, expanding its influence in Armenia and the South Caucasus carries strategic importance; the trilateral format with Armenia and Iran serves to counterbalance the trilateral cooperation between Azerbaijan, Türkiye and Pakistan that dates back to 2017 and has been relaunched in 2021 with the Islamabad Declaration.³⁵

What way forward?

Preserving autonomy and expanding their foreign policy options have been strategic objectives that Baku, Yerevan and Tbilisi have been seeking to advance since regaining independence in the early 1990s, often through uneasy tradeoffs and with a varied degree of success. Yet, there is a risk that these small states become collateral victims of the collapse of the liberal international order, where the power of the rules is replaced by the rules of power. The question is whether the three states of the South Caucasus will manage to escape Thucydides' predicament, by which '[t]he strong do what they can and the weak suffer what they must'. This paper has outlined the key shifts taking place in the region and the main factors at play that will define its future. On that basis, different scenarios can be envisaged.

34 Rajat Pandit, 'US, France and Armenia top three buyers of Indian defence exports', *India News - Times of India*, 28 October 2024, <https://timesofindia.indiatimes.com/india/us-france-armenia-top-three-buyers-of-indian-defence-exports/articleshow/114666748.cms>; Tatevik Khachatryan and Srujan Palkar, 'Why India and Armenia are now taking their relationship to new heights', *Atlantic Council*, 19 February 2025, <https://www.atlanticcouncil.org/blogs/new-atlanticist/why-india-and-armenia-are-now-taking-their-relationship-to-new-heights/>; Armenian Foreign Minister Ararat Mirzoyan cited in Xandie Kuenning, 'Armenia and India deepen ties during state visit in New Delhi', *OC-Media*, 11 March 2025, <https://oc-media.org/armenia-and-india-deepen-ties-during-state-visit-in-new-delhi/>.

35 Republic of Azerbaijan, Islamic Republic of Pakistan, and Republic of Türkiye, *Islamabad Declaration of the 2nd Trilateral Meeting of the Ministers for Foreign Affairs*, 13 January 2021, <https://mfa.gov.az/en/news/no00621-islamabad-declaration-of-the-2nd-trilateral-meeting-of-the-ministers-for-foreign-affairs-of-the-republic-of-azerbaijan-the-islamic-republic-of-pakistan-and-the-republic-of-turkey>.

Under one of them, Russia and Türkiye remain the main actors defining the region's geopolitics. The three states of the South Caucasus have high stakes in the outcome of the war in Ukraine. The latter will shape not only the future of Ukraine but also of the wider region, where Russia aims to re-assert its sphere of influence. In this scenario, Türkiye will play a decisive role to preserve a balance of power in the South Caucasus. Moscow and Ankara previously shared a tacit agreement to contain Western engagement there and to retain their primary influence in the region. Russia's aggression of Ukraine has upset this balance, leading to a rapprochement between Türkiye and Europe, opening a window of opportunity for a wider security partnership between them in the Black Sea, including through NATO. However, the arrest of the Istanbul mayor, Ekrem İmamoğlu, in March 2025 and the crackdown on the demonstrations in his support speak to the hardening of Erdogan's rule, which will not facilitate Türkiye's political relations with the EU.

If Russia continues to be entangled in Ukraine or anyway fails to recover its traditional influence in the South Caucasus, the trend towards a multipolar region might strengthen.³⁶ In this second scenario, local actors would continue gaining space for manoeuvring, engaging in transactional foreign policies and deploying hedging strategies among multiple actors. China, whose mounting regional presence gave a key impetus to these shifts, is the critical player in this context. While Russia's war against Ukraine has enhanced the importance of the South Caucasus for Beijing, the US retreat from the region has favoured China's increased engagement. China's strategic ambitions in the South Caucasus have not yet been in full display, but new questions loom ahead concerning the Chinese modus operandi in a traditional sphere of Russian influence. How will the 'no-limits partnership' between China and Russia play out in the South Caucasus?³⁷ How far will China be willing to challenge Russia's traditional geopolitical role to advance its own economic interests? It seems improbable that

36 Natalie Sabanadze, 'Captive of the Caucasus—Can Georgia Navigate the Multipolar World', *GeoPolitics*, 8 April 2025, <https://www.politicsgeo.com/article/142>.

37 Russian Federation and People's Republic of China, *Joint Statement on International Relations Entering a New Era and the Global Sustainable Development*, 4 February 2022, <http://www.en.kremlin.ru/supplement/5770>.

Russia's and China's competing interests in the region will upset their broader strategic convergence. More likely is a sort of tacit division of labour between them, based on the respect of mutual red lines.

Priorities for Europe

Amid competing strategic pressures, Europe's economic size, normative proposition and geographical proximity suggest that it could play a pivotal role in defining the future of the South Caucasus, in cooperation with local countries. This potential, however, is yet to convert into commensurate influence. Georgia's drift towards an illiberal regime, and the EU's inertia in dealing with this shift, demonstrated the severe limitations of the EU's transformative or normative power.³⁸ While the effectiveness of the EU's much-vaunted normative foreign policy is increasingly questioned, Brussels has sought to play a more strategic role by supporting Ukraine and countering Russia. The question is whether a more 'geopolitical' Europe will be willing and able to punch its weight in the South Caucasus too. This question is all the more relevant because, for about three decades, Europe and the US have pursued broadly shared goals in their approach to the region. Today, due to transatlantic tensions and US declining engagement in European security affairs, the EU may find itself alone in defending its interests in the South Caucasus.

First, the EU, in partnership with the UK and other important players like Norway, needs to define its interests and priorities. More clarity is required as to how much the region matters for the EU and whether the latter is willing and ready to strengthen its footprint there. Recent developments, such

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38 Teona Giuashvili, 'The European Union's Strategic Test in Georgia', *Institut Français des Relations Internationales*, 27 January 2025, <https://www.ifri.org/en/memos/european-unions-strategic-test-georgia>.

as hesitations concerning Georgia's political crisis and the EU's sidelining in negotiations on regional conflicts, question Europe's normative consistency and do not match its new geopolitical rhetoric. At the same time, the South Caucasus and the adjacent Black Sea region are becoming more relevant for Europe's security and economic interests in a destabilised strategic landscape.

In May 2025, the EU adopted a new strategic approach to the Black Sea, which among other priorities, affirmed the necessity to amplify the EU's links to the South Caucasus.³⁹ Investing in the South Caucasus is a central component of a broader approach to contain Russia and preserve a favourable balance of power in the Black Sea. Promoting energy security, trade, connectivity and—as the 2024 Niinistö report suggested—mutual resilience, should drive EU policies towards the region.⁴⁰ The South Caucasus is a test of the EU's ambition as a strategic actor.

Second, the EU will have to defend its interests in an uncharted territory, despite the fact that it has been engaged with the three states of the South Caucasus for the last three decades, albeit with different degrees of intensity. Changes in the existing regional context in the shadow of Russia's war against Ukraine have been considerable: a new regional order is in the making. Before February 2022, the EU found itself competing with Russia across Eastern Europe, despite Brussels and some European states refusing to acknowledge it and downplaying the gravity of the situation. Today, the EU has to operate in a more complex and intricate regional setting, competing not only with Russia but also, on geoeconomic and political grounds, with other regional and extra-regional players. Besides, in a multipolar region, the EU no longer enjoys the same appeal as two decades ago, as competitors strive for influence through both hard and soft power.

Russia might have lost its hegemonic influence in the region, but it retains the capacity to damage the prospects of peace and regional cooperation. While Russia is absorbed by the war it unleashed against Ukraine, it still

39 Joint Communication to the European Parliament and the Council, 'The European Union's strategic approach to the Black Sea region', JOIN(2025) 135 final, 28 May 2025, https://enlargement.ec.europa.eu/joint-communication-european-parliament-and-council-european-unions-strategic-approach-black-sea_en.

40 Sauli Niinistö, 'Safer Together—Strengthening Europe's Civilian and Military Preparedness and Readiness', 30 October 2024, https://commission.europa.eu/topics/defence/safer-together-path-towards-fully-prepared-union_en.

has the resources to bring pressure on local countries, including through economic means, and can play a destabilising role in the region through hybrid measures. In addition to Russia, actors like Türkiye—a traditional regional power—and China have seen their influence growing. Furthermore, the local actors are seeking to broaden their room for manoeuvre, gain more agency and diversify their partnerships by engaging with new players. Azerbaijan has not only asserted its interests in the region, but is also establishing a web of relations with external players that enhances its role as a connectivity and energy hub beyond the South Caucasus. If state interests encouraged the Armenian leadership to seek closer ties with Europe, regime survival drove the Georgian Government to curtail the partnership with the EU.

Third, in this fluid regional context, the EU needs strategic agility. It will have to streamline its approach and tailor it to its interests, seizing the opportunities to advance them. The EU should avoid binary choices, whether to prioritise strategic interests over normative agendas, or vice-versa. The EU needs to combine different levers of power to secure core interests, while ensuring that it does not veer away from the long-term agenda of political and economic reforms that will eventually deliver both deeper partnerships and regional stability.

Although the elaboration of an overarching strategic approach to the Black Sea region is a step forward, blueprints and roadmaps will not suffice to give the EU the geopolitical edge that it lacks in the South Caucasus. The main problem that has prevented the EU from playing a decisive role in the region has been a lack of political will, rather than a lack of capacity. The EU remains an unfulfilled actor in the region, without a clear vision for the South Caucasus. This is primarily due to divisions among member states and within EU institutions, compounded by an inward-looking focus on strengthening Europe's own resilience to multiple challenges. The South Caucasus has been too close to disregard, but too distant to generate sustained European engagement. Most European member states are not prepared to spend too much political capital on the region, among many other emergencies in Europe and on the global stage. The paradox is that the more 'geopolitical' the EU seeks to become, the less influence it seems to carry in the South Caucasus. ■

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LSE IDEAS
Floor 9, Pankhurst House
1 Clement's Inn, London
WC2A 2AZ

+44 (0)20 7107 5619
ideas@lse.ac.uk
lse.ac.uk/ideas

