

# BAKU DIALOGUES

## POLICY PERSPECTIVES ON THE SILK ROAD REGION

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# Not A Top European Priority

## Can the EU Engage Geopolitically in the South Caucasus?

*Amanda Paul*

The European Union has been active in the South Caucasus since Armenia, Azerbaijan, and Georgia regained independence in 1991. While the EU has established itself as an important partner for all three states over the past three decades, the South Caucasus is certainly not a top foreign policy priority for Brussels. Despite hopes that EU policies could act as transformative tools to help strengthen stability, security, and democracy as well as bring about a more cohesive and resilient region, the results have been rather patchy from the EU's perspective. Likewise, expectations that the EU would develop a more geostrategic and security orientated policy in order to balance Russia have been dashed.

Over the past few years a series of internal crises, confrontation with Russia, wars in Ukraine and Syria, a fractured trans-Atlantic alliance, and, more recently, the COVID-19 pandemic have consumed the EU, leaving the South Caucasus somewhat detached from its agenda. Yet the combination of all these developments have also had an impact on the geopolitics and stability of the region—as have the recent skirmishes at the Armenia-Azerbaijan border—making EU engagement there more important than ever.

This essay will look at the objectives and impact of EU policies in the South Caucasus. It starts with an overview of the EU's involvement in the region and the evolution of its policies. It then goes on to address the EU's performance as a security actor. Finally, it takes a look

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at the influence of other external actors, such as Russia, China, and Turkey, their cooperation with the three regional states, and how their influence is shifting the geopolitical landscape of the region. A final section argues that if the EU wants to achieve the goal of becoming a geopolitical power, as set by European Commission president Ursula von der Leyen, much will depend on how it deals with its neighborhood, including the South Caucasus.

### *The EU's Expanding Presence*

The history of the South Caucasus since the re-emergence of Armenia, Azerbaijan, and Georgia as independent countries has been turbulent. Almost thirty years on, the three states are still dogged by conflict and closed borders, with the region remaining highly congested militarily. The region's three protracted conflicts, Nagorno-Karabakh (Azerbaijan and Armenia) and South Ossetia and Abkhazia (Georgia), act as a handbrake on sustainable peace, economic development and prosperity, and efforts to create effective

regional cooperation. Rather, Armenia, Azerbaijan, and Georgia have integrated into a wide-range of different, sometimes opposing, organizations and alliances. Long influenced by three powerful neighbors (Russia, Turkey, and Iran), the arrival of the United States, the EU, and most recently China to the region over the last three decades has intensified geopolitical rivalries.

The EU joined the mix of actors and organizations engaged in the South Caucasus in the early 1990s. Following the collapse of the Soviet Union, the EU did not rush to the region. In large part this was due to the Union's attention being focused on developments in East-Central

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Europe following the collapse of the Iron Curtain, along with the unfolding wars in the Western Balkans. Both of these developments represented a direct threat to EU stability and security; upheavals in the South Caucasus

did not. However, this relative lack of attention was also due to the EU not viewing the South Caucasus as its neighborhood. Rather it was seen as a remote place viewed through the prism of Russia.

During the 1990s only a handful of EU member states opened embassies in the South Caucasus states. At this time the EU's main involvement was related to humanitarian and financial assistance. The Union was the biggest financer of development projects in the region between 1991 and 2000, investing well over €1 billion in the three states. Keen to diversify their foreign policies to reduce Russian dominance (as was the case with other former Soviet countries), Armenia, Azerbaijan, and Georgia signed partnership and cooperation agreements (PCAs) with the EU, which opened the way for greater political dialogue and economic cooperation. Yet these agreements were both significantly lighter in content and more limited in scope when compared to those signed with countries such as Ukraine, Moldova, and Russia, which also included the prospect of a Free Trade Area with the EU.

Non-EU actors, notably Turkey and the United States, played much bigger roles (as did Russia, obviously). With Turkey at that time strongly anchored to the Euro-Atlantic community, Ankara

wanted to bring the region closer to the West as a way to strengthen regional stability and security. During the 1990s, Turkey supported the integration processes of the South Caucasus states with the West via their integration into the

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Council of Europe, OSCE, NATO, and the EU, as well as through regional projects, including those related to transport, such as the East-West Corridor. The United States played a central role in developing the region's energy resources. It began with the 1994 U.S.-backed "Contract of the Century" that Azerbaijan signed with a group of largely Western partners. This major development broke Russia's hold on Caspian oil and gas transportation and paved the way for the construction of the Baku-Tbilisi-Ceyhan oil pipeline as well as the subsequent Baku-Tbilisi-Erzurum natural gas pipeline.

A big boost in ties with the EU came in the 2000s when the three states became part of the EU's European Neighbourhood Policy (ENP) in 2004 and the Eastern Partnership (EaP) in 2009. Yet when the ENP was launched in 2003, the three South Caucasus countries were not initially

included, only being mentioned in a footnote to the policy as possible neighbors. This again reflected the EU's failure to view them as part of its direct neighborhood.

However, much has changed since then. Over the years the EU has intensified its political and economic ties with all three countries. This happened for several reasons. First, eastward enlargement in 2004 and 2007 brought the South Caucasus geographically closer to the EU across the Black Sea. Second, Georgia's 2003 Rose Revolution resulted in the country's new president, Mikheil Saakashvili, making Euro-Atlantic integration a priority.

Indeed, Saakashvili played an important role in the eventual inclusion of the South Caucasus in the ENP. Without his active lobbying, the region may never have become part of the ENP. The 2008 Russia-Georgia war was a further important milestone. In the aftermath of the conflict, the EU increased its visibility in the region, becoming the main security actor in Georgia with the deployment of its EU Monitoring Mission (EUMM). Third, the EU was keen to develop energy relations with Azerbaijan as a way to strengthen Western efforts to diversify routes and sources of natural gas to reduce dependence on Russia. This culminated in the development of the Southern Gas

Corridor (SGC), which is expected to become operational by the end of 2020. The region has also become a central part of the EU's connectivity strategy—portrayed by the EU as its answer to China's Belt and Road Initiative (BRI)—which has gained significant traction in EaP states, including those located in the South Caucasus.

### *ENP and EaP Impact*

The ENP aimed to strengthen stability, security, and prosperity in the EU's eastern and southern neighborhoods. As then-European Commission president Romano Prodi put it, the EU wanted to build a ring of well-governed states around the EU. However, the ENP had little overall impact in terms of bringing about real change. It had a very technical, one-policy-fits-all approach, offering only vague incentives combined with unclear conditionality and almost zero local ownership. It also required rather unclear commitments from partner countries.

Frankly, the EU focus on the wide-scale export of EU standards was rather unrealistic. It was also viewed as a rather "one-way street," meaning partner countries felt they were not in a partnership with the EU, but rather were being dictated to by Brussels as if they were the pupil and the EU was the teacher.

The ENP was also eurocentric in conception and broadly ignored the roles outside actors play in the EU's neighborhood—not least Russia—and their impact on the region. Furthermore, the security rationale underlying the ENP did not translate into an increased EU role in conflict resolution in the South Caucasus, despite the ENP citing conflict resolution as an EU priority.

The EaP was developed in 2009 to differentiate between southern and eastern partners in the ENP. Since its inception, it has brought the three South Caucasus states closer to the EU in accordance to their individual preferences, ambitions, and starting points. EaP put on the table a strengthened contractual framework through Association Agreements (AAs) and Deep and Comprehensive Free-Trade Areas (DCFTAs), as well as through the gradual liberalization of respective visa regimes and increased sectoral cooperation.

Based on a “more for more” or “less for less” approach, the EaP offered a further opportunity for the three countries to strengthen political and economic ties with the EU—albeit to different degrees and based on their own interests and priorities. While Georgia continues to aspire for full EU membership, Armenia and Azerbaijan

have chosen “tailor made” relations in line with the EU's differentiated approach, meaning each country has a different type of agreement with the EU.

Today, cooperation between the three South Caucasus countries and the EU covers everything from trade, cyber-security, and security sector reform to education, counter-terrorism, human rights dialogues, and disinformation. The EU is now the biggest trade partner of all three countries. It has also been the biggest provider of humanitarian assistance during the COVID-19 pandemic via its Team Europe Package, putting on the table some €92 million. This is an enormous sum, particularly when compared to other actors such as the United States, which only provided some \$2 million in assistance, and Russia and China, which provided no financial support at all (although the Jack Ma Foundation and the Alibaba Foundation, amongst other Chinese philanthropies, sent large quantities of emergency supplies to Azerbaijan in the form of medical masks, test kits, protective suits, ventilators, and thermal imagers; and Beijing sent significant humanitarian aid to Armenia and Georgia).

In parallel, all three countries have focused on strengthening political and economic ties with

individual EU member states, particularly with Germany and France. Yet Tbilisi's efforts to convince EU capitals that Georgia's EU membership would have added value for the European Union—and that there is a need for a more robust EU response to Russian aggression in their country—has more or less fallen on deaf ears (with the exception of Poland and the three Baltic states).

When it comes to Azerbaijan and Armenia, both have lobbied for greater economic cooperation and investment opportunities. In particular, Azerbaijan has worked hard to establish fruitful ties in terms of energy cooperation with EU member states, including with Hungary, Greece, and Italy. Both Baku and Yerevan have also focused on efforts to win support for their positions on Nagorno-Karabakh from both national parliaments and governments. Local diaspora communities, along with business communities and other actors, also play a central role. This operation is also carried on into the European Parliament, with regular battles over the wording of EP reports and resolutions. To say there is Nagorno-Karabakh fatigue

in the EU institutions would be an understatement.

Yet despite many positive developments, the EU's respective bilateral agendas with the three South Caucasus states have started to become rather lackluster and bogged-down. Armenia joined the Russian-led Eurasian Economic Union in January 2015 after Moscow more or less forced Yerevan to abandon talks with the EU for an AA in 2013. Moreover, notwithstanding the fact that Yerevan signed a new Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in November 2017, Armenia has moved slowly in its implementation, despite having a new, reform-minded government. Meanwhile, despite years of negotiations for a new strategic agreement with Azerbaijan, talks have stalled.

With the exception of Georgia, real reform (as the EU understands it) has been rather thin on the ground. Where reform has taken place, implementation has often been adversely affected

by poor administrative capacities, weak institutional coordination, and vested interests. The leverage the EU believed it could have, together with the conditionality

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it believed it could place, has not always been there. The ability of the three countries to deal with the COVID-19 pandemic has revealed serious weaknesses. Georgia has most capably handled the pandemic, in large part due to Tbilisi's efforts to reform and professionalize its civil service and to crack down on corruption. Heightened public trust in professionals has also contributed to better compliance with emergency regulations and guidance on behavior during the pandemic.

Overall, the slow pace of reform can be put down to three factors: a large extent to a lack of political will from regional elites to implement massive and often costly reforms; the challenge of uprooting the networks of vested interests that have dominated key bodies such as judiciaries for years; and weak civil societies unable to wield influence over political elites, which makes a bottom-up approach to reform more difficult to achieve.

However, there is an additional issue. The EU's approach broadly failed to adequately calculate the geopolitical realities on the ground in the South Caucasus and the threat that all three states continue to feel from Russia. The integration processes used by the EU, while being seen as technical rather than geostrategic instruments by Brussels

have been viewed by the Kremlin as something aimed at undermining what Russia considers to be within the sphere of its vital interests. This has sometimes put leaderships in a tight spot, as Yerevan found out in 2013. Furthermore, Russia has shown it is ready to use force to achieve what it wants—namely to screw up the integration of EaP states with the EU and rattle the Union's cage, in the knowledge that EU member states have little appetite to seriously challenge Russia in the South Caucasus, particularly on security issues.

The EU's goal of creating a more cohesive region has also not been achieved. In fact quite the opposite as happened. With EaP having both a bilateral and multilateral dimension, it was hoped that the multilateral track could be a useful framework for representatives of the three South Caucasus states to meet and foster ties (including via the Civil Society Forum and within the framework of EURONEST), ultimately leading to stronger regional cooperation. The fact that each state has chosen a different geopolitical trajectory and a different type of relationship with the EU has led to greater fragmentation. Moreover, for Georgia, the lack of long-term EU membership perspective is becoming increasingly frustrating.

But in all frankness, EU enlargement vis-à-vis the South Caucasus will remain off the table for the duration of this European Commission at least, if not forever. The series of crises that the EU has undergone over the past few years—including the eurozone and migration crises, Brexit, the rise of populism, and the COVID-19 pandemic—has dulled the appetite for further enlargement and left the EU very focused on internal matters. Armenia's progress towards starting talks for visa liberalization with the EU were effectively delayed because of attitudes towards migration within the EU. Getting unanimity from 27 EU member states on foreign policy has become an exercise akin to herding cats in a sack. Hence while the EU continues to “go through the motions” of saying that the EaP remains a top priority, beyond visible support for Ukraine, the EU's focus is clearly elsewhere. The South Caucasus in particular seems to have disappeared from the EU's agenda to a large extent.

### *EU as Security Actor*

During the 1990s and for a large part of the 2000s, the EU was not directly engaged in security and conflict resolution issues in the South

Caucasus. This in part can be put down to the fact that a number of international (not least Russia) and multilateral (the UN and the OSCE) actors had been present in the region since the dissolution of the Soviet Union. However, it was also due to a lack of appetite on the part of the EU.

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Still, the EU has progressively recognized the importance of improving security and stability in its eastern neighborhood as a way to strengthen its own security and resilience. This came to the fore

in the aftermath of the 2008 Russia-Georgia war, and more recently following Russia's annexation of Crimea in 2014 and ongoing war in the Donbas—and even more recently due to conflict in Syria and Libya. The Black Sea region in particular has become a stage of geopolitical competition between the West and Russia. The Kremlin is determined to prevent the further fragmentation of Russian influence. Moscow sees no way to do this without maintaining buffer states and imposing its will on neighbors to secure its borders.

Numerous EU documents, going as far back as 2003, highlight the need for Brussels to take a more active role in the

problems of the South Caucasus. This has resulted in the establishment of the post of Special Representative for the South Caucasus. We also saw the publication of a 2006 European Commission report on the implementation of the ENP, which underlined the need for the EU to “be more active in addressing frozen conflicts.” Most recently, a November 2015 review of the ENP reiterates the EU’s commitment to fostering stability, security, and prosperity that states the EU should use all means available to support the management of crises and the settlement of protracted conflicts in the neighborhood. The EU’s 2016 Global Strategy also mentions building up the resilience of neighbors to prevent insecurity spilling over into the EU.

As was the case with the Western Balkans, the EU hoped that soft power tools could be used to bring about change that would lead to greater democracy, which could in turn have a positive impact on peace processes and increase stability. However, the South Caucasus is not the Western Balkans. The EU chose to focus on the partner countries’ reform processes as a first step to conflict resolution, focusing on the role of good governance and rule of law as key drivers of security and stability. Both the EU’s assistance and conditionality were

supposed to drive reforms in key sectors (e.g. justice, security sector reform) with the aim of strengthening democratic institutions and ultimately contributing to a more positive climate for conflict settlement. However, this long-term approach stumbled against regional realities. For example, the EU’s emphasis on the rule of law as a preliminary condition for stability was at odds with Georgia’s prioritization of territorial integrity and the reintegration of the breakaway regions of Abkhazia and South Ossetia. Something similar could be said with regards to Azerbaijan.

### *A Status Quo Actor*

As noted above, the security landscape in Georgia and the South Caucasus more broadly was transformed by the Russia-Georgia war and Moscow’s subsequent recognition of both regions. The EU brokered the ceasefire and took on a key post-conflict role. The EU became a main security actor in both post-conflict theaters, deploying its EUMM and becoming a co-chair of the multi-party Geneva International Discussions (GID) aimed at finding a solution to the two disputes. However, the six-point peace plan remains only partially implemented by Russia and there has been little effort to adequately engage Moscow on this issue. For example, the EUMM has so far been

denied access to the occupied territories by Russia and the de facto authorities in Abkhazia and South Ossetia.

The GID talks have effectively stalled. Nevertheless, while the GID process has not achieved much concrete progress in terms of agreements between the conflict parties—Russia continues to insist that it is not even a party in the conflict—the EUSR has played an important role by keeping the negotiations going even though the process has become little more than a talking shop. As is often the case, the status quo has become comfortable.

When the EU’s former foreign policy chief Federica Mogherini visited the South Caucasus in March 2016, she was quoted as saying that the Nagorno-Karabakh conflict was a top priority. In reality the EU has chosen to take a back seat in the peace process, being satisfied to continue to simply support the efforts of the OSCE Minsk Group in which France is a co-chair alongside Russia and the United States. Multi-year negotiations are stalled on a set of Basic Principles,

with tensions in and around the line of contact remaining high. A series of incidents on the Armenia-Azerbaijan border that began in mid-July 2020 resulted in casualties on both sides—including the taking of civilian lives—received little attention from the EU other than the standard statement expressing concern. Indeed, with regards to the Armenia-Azerbaijan conflict, the EU narrative is so weak as to be hardly noticeable.

In fact, the EU does not have a policy on the conflict. Unlike in other conflicts in the Black Sea region, the EU has tried to maintain a balanced position between Armenia and Azerbaijan. This was evident from differences between the two ENP Action Plan texts related to the conflict. While the conflict’s settlement is the first priority under the EU-Azerbaijan ENP Action Plan, it is ranked seventh in the text concluded with Armenia. The latter also mentions the principle of the right to self-determination of peoples, which is not included in the Azerbaijani Action Plan. This damaged the EU’s reputation in Azerbaijan. As underlined by Svante

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Cornell, a leading Western expert on the South Caucasus, “with the Action Plans the EU played a worse than passive role. It was actively sowing confusion and contradicting international principles into the conflict.” However, in the aftermath of Russia’s annexation of Crimea and the onset of war in the Donbas, the European Union expressed clear support for Azerbaijan’s territorial integrity, rather than its hitherto rather tight-lipped approach.

The mandate of the EUSR vis-à-vis Nagorno-Karabakh is limited to supporting the official mediation efforts of the Minsk Group and its co-chairs. This includes having direct dialogue with the leaders of Azerbaijan and Armenia and supporting confidence building measures (CBMs). The EU is not ready to take on a role in the conflict that goes beyond its traditional soft power, bottom-up approach (promoting people-to-people contacts and similar peacebuilding initiatives). Only in the event that a political agreement is reached would the EU be ready to do more.

Yet because the EU does not adequately address the main problems Armenia, Azerbaijan, and Georgia

are facing—namely those concerned with security—it is broadly viewed as a weak player that has little appetite for power. The EU’s failure to respond to Russian aggression against Georgia weakened the belief in the ability of the West to counter Moscow’s power projection or provide security guarantees to countries in the region. This vision was reinforced by

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the Kremlin’s annexation of Crimea and developments in the Black Sea whereby Russia shored up its military presence. In short, when it comes to security issues there has been no EU appetite to further challenge Russia over its malign activities. Ultimately, the EU lacks a clear vision of how to contribute to the region’s security: so far, Brussels has been unwilling to invest the political and diplomatic capital necessary to significantly advance regional peace.

### Russia

Russia has increasingly come to see the South Caucasus region as a pivot through which it can present itself as a key player in the Black Sea, Eastern Mediterranean, Red Sea, and Caspian Sea regions. Therefore, the South Caucasus is

part of a more extensive Russian southern strategy, aiming at projecting power across what some have taken to calling the Silk Road region.

Russia’s influence in the South Caucasus is certainly not the same as it was some years ago. Russian language use is declining, Russian television viewership has declined precipitately, and ethnic Russians comprise less than 5 percent of the population of each of the South Caucasus states. Furthermore, with the country in poor economic health, and with Russia having heavy financial commitments in eastern Ukraine and Syria, Moscow hardly has money to throw at the South Caucasus. Nevertheless, Russia remains a very influential player. While the region may not be Russia’s top foreign policy priority, the South Caucasus remains more important to Russia than for any other external player. Moscow thus concerns itself with reducing the influence of other powers, including the EU, which Russia continues to consider a normative-civilizational competitor in the shared neighborhood.

Albeit in different ways, Russia remains deeply embedded in all

three South Caucasus countries. Moscow has important and influential networks, including ties with the militaries of all three states. Yet Russia has already achieved many of its objectives. It has more or less blocked Georgia’s path to NATO membership, with the same fate likely to meet Georgia’s EU aspirations. It has forced Yerevan, which depends on Russia for its security, to join the EAEU and renounce plans to sign an AA with the EU. And despite the efforts of Armenian prime minister Nikol Pashinyan to reduce Russia’s influence over the country, he has had little success so far and regularly finds himself pandering to Vladimir Putin. Moscow has had a more accommodating and flex-

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ible approach to Azerbaijan, which has consistently followed a “balancing” foreign policy between the West and Russia. So far, the Kremlin has not countered

Baku on this score whilst ensuring that Azerbaijan does not cross Russia’s interests.

To a large extent, Russia has played a key role in the stalemate the three states currently have with the EU. Russia uses its military bases in Georgia’s occupied territories to project power across the region.

It is also able to manipulate both Azerbaijan and Armenia over the Nagorno-Karabakh conflict, in which Moscow plays a deft game of “good cop, bad cop” whereby it simultaneously presents itself as peacemaker whilst selling arms to both Yerevan and Baku, playing the two countries off each other.

The future shape of Russia’s ties with the West will also have a significant impact on the South Caucasus. Russia has long called for a “Yalta 2”-type conference to work out a new European security architecture. French president Emmanuel Macron has been a leading voice calling for rapprochement with Russia. He opened the door for Russia’s recent return to the Parliamentary Assembly of the Council of Europe and the restoration of military cooperation between France and Russia. He also insists that pushing Russia away from the EU is a profound strategic error that will result in an isolated Russia, increasing tensions with the West or deepening alliances with in particular, China. In short, Macron claims that Russia could eventually be lost to Beijing’s economic, military, and technological superiority.

While the EU remains committed to its current sanctions policy vis-à-vis Russia at present, Macron’s message has gained traction with other EU member states. Such a

rapprochement would clearly impact the calculus in the foreign policies of the three South Caucasus states as it would carry a risk of increasing the Kremlin’s influence in the region. However, given that many EU member states continue to view Russia as a threat to their security, not only from the Kremlin’s hard power projection but also due to Russia’s interference in elections, rapprochement is still seen as a far-fetched scenario.

Reducing Russia’s influence remains a priority of all three South Caucasus countries and efforts to deepen political and economic ties with other partners countries continues apace.

### *Other Players*

Aside from the EU and Russia, there are four other powers with interests in the South Caucasus: the United States, Turkey, Iran, and China. Each will be addressed in turn, beginning with America. Armenia, Azerbaijan, and Georgia would each welcome renewed interest and engagement from Washington. While America remains a key partner for Georgia in terms of defense cooperation, the sort of political engagement that existed in the 1990s is missing. However, renewed engagement goes against the retrenchment trend that is currently in vogue in official Washington.

The American withdrawal from the region began under the Obama administration in the context of its reset policy with Russia and has further gathered speed under the Trump administration. Washington’s attention is far more focused on the Indo-Pacific region and countering China. There is no reason to believe that this would change in the event Joe Biden is elected president. The fact that the United States is no longer so interested in the region is crucial in the calculus of the three South Caucasus states in terms of managing their ties with other partners.

While economic cooperation with the EU remains crucially important for all three countries, efforts to strengthen ties with other neighbors and external powers has been a priority. In this sense, Eurasian connectivity through the employment of various formats has been boosted. For instance, cooperation between Turkey, Azerbaijan, and Georgia has been particularly successful.

Over the past two decades there has been a surge in ties between the three states. Differences in foreign and security policies have been put

to one side as the three states have strengthened cooperation in the economic, political, and defense spheres. This has effectively culminated in a trilateral alliance, paying economic dividends to all three

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countries whilst deepening Turkey’s regional footprint. It has also deepened Azerbaijan’s influence in both Turkey and Georgia. Although projects like the Baku-Tbilisi-Kars (BTK) railway

have transformed Azerbaijan and Georgia into a connectivity hub between Europe and Asia, they have still to deliver real economic benefits.

Iran has significant interests in the region and views it as part of a common Iranian cultural area. Like Russia, it has not welcomed regional activities by external powers, in particular the United States. As a Shia nation and with some 30 million ethnic-Azerbaijanis in Iran, Baku has often had a challenging relationship with Iran. Efforts by Tehran to export its brand of Islam have created tensions over the years. Furthermore, the fact that Iran is viewed as a key partner of Armenia is also an irritant. Incidents like Iran delivering oil to the occupied



region of Nagorno-Karabakh are very testing.

Still, the South Caucasus is not Iran's top foreign policy priority: the Middle East, and to a lesser degree Afghanistan, ranks higher. Nevertheless, Iran is engaged in a number of different strategic projects, particularly in the energy sector, with both Azerbaijan and Armenia. However, since the United States pulled out of the Iran nuclear deal, launched its "maximum pressure" campaign against Tehran, and re-imposed sanctions on the country, many of the Islamic Republic's economic projects have been floored. The sanctions bar American companies from trading with Iran, but also with foreign firms or countries that are dealing with Iran.

Lastly, China. The three South Caucasus states have been eager to strengthen ties with Beijing. Despite Russia and Iran opposing foreign actors engaging with the South Caucasus, the fact that China's integration projects exclude the United States are supported as they are viewed as undermining America's presence in the region

While the South Caucasus cannot be described as priority area in China's foreign policy, there has nevertheless been an increase in the Middle Kingdom's presence in the region. The region is of interest to

Beijing as an important part of its BRI and investment strategy. This importance was reflected in the May 2019 visit of Chinese foreign minister Wang Yi to all three countries. As China aims to diversify its trade routes, the South Caucasus offers an alternative and shorter route to conduct part of its trade. In May 2017, Tbilisi concluded a free trade agreement with Beijing, which made Georgia the only post-Soviet country to have such a deal with both the EU and China. Meanwhile, the South Caucasus states—particularly Azerbaijan and Georgia—see China's BRI and the EU's connectivity strategy as being congruent with their respective foreign policy agendas, which aim to transform their countries into regional connectivity hubs.

During the COVID-19 pandemic, China targeted the leaders and the general publics of the South Caucasus, including using the Shanghai Cooperation Organization to promote its narrative about its response to the pandemic. In its effort to make inroads, China sent high-profile humanitarian and medical aid missions and promoted its digital technologies, including 5G, as the means to keep the virus from spreading. While there is an obvious interest in adopting 5G technology, the three South Caucasus states are likely

to face increasing pressure from the United States to abstain from using the Chinese version. Furthermore, it remains to be seen how the COVID-19 pandemic will impact on China's BRI and consequently far-flung regions such as the South Caucasus where Chinese influence is still rather nascent.

### *The EU's Bottom Line*

The South Caucasus has gained more prominence in EU foreign policy over the last three decades. New bilateral and multilateral framework agreements established with Armenia, Azerbaijan, and Georgia have strengthened political and economic ties. Nevertheless, today the South Caucasus is not a priority for the EU or for any of its member states. Because there is no direct border with the EU, the three countries are broadly viewed as being less important than, say, Ukraine, which is a direct neighbor. Relations between the EU and all three South Caucasus countries have reached a stalemate, which needs to be overcome. Furthermore, despite its increased regional footprint, the EU has become less central to the dynamics in the region compared to regional powers Russia, Turkey, and Iran.

The EU lacks a clear strategic vision and coherent policy. It

should be more strategic and less patronizing. Its actions must reflect its words. Furthermore, there has been a tendency to view developments in the South Caucasus through liberal democratic lenses, failing to take into account the bigger picture, particularly related to the security environment and the influence of other actors when designing policy instruments. This has sometimes led to ruling elites having to pacify Russia.

However, when compared to other external actors, the EU is broadly viewed positively, particularly among young people. Efforts by EU Delegations to promote the EU throughout the South Caucasus via different tools, ranging from conferences and workshops to cultural events, have been successful. These activities have played a key role in increasing the EU's visibility. One of the results has been an increase in young people from the South Caucasus studying in universities in some EU member states, or taking part in EU educational programs.

As a consequence of the COVID-19 pandemic, Azerbaijan, Armenia, and Georgia are facing an unprecedented challenge. The pandemic will exacerbate many pre-existing conditions like poverty and mistrust in political elites. While the EU is also suffering from the

same crisis, it is important that the EU continues to support the South Caucasus: the risk of the region's problems affecting the EU should not be overlooked. With Russia and Turkey having also been very badly hit by the COVID-19 pandemic, neither country can offer the South Caucasus solutions to its economic and social challenges. On the contrary, the Kremlin has a history of exploiting the internal and external fragility of all three countries.

There is an opportunity for the EU to demonstrate that it can become a "top-tier geostrategic actor," as EU foreign policy chief Josep Borrell recently put it. When considering ways to reduce the risks of economic overdependence on China—not least because of long supply chains—EU businesses should look to the South Caucasus as three countries that can provide a workforce that has the potential to produce goods at a high standard of quality. This would not only significantly shorten supply chains, but also strengthen EU-compatible rules-based economic and political systems.

The EU also needs to sharpen its tools of engagement with the region when it comes to security.

Here too Brussels should be more strategic and its actions must reflect its words. In a speech earlier this year, German foreign minister Heiko Maas claimed that, regard-

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*The three South Caucasus states have been eager to strengthen ties with Beijing.*

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less of the outcome of America's presidential election in November, the EU and its member states "will have to think about how to better contain the conflicts in Europe's vicinity, even without the United States."

There are a number of steps that could be taken in this respect. First, the mandate of the EUSR should be reviewed and revamped to include a coordinating role in developing and delivering strategic engagement with the region. At the moment the EUSR is appointed by, and reports to, EU member states. This has its benefits, but in order to increase coherence he and his team need to be better integrated in the EEAS's structure. Second, given it has been more than a decade since the EUMM was first deployed, it needs to be reviewed to ensure that it continues to be fit for purpose. Third, the region's unresolved conflicts will play a key role in how the region will evolve in the future. The high level of engagement that the EU current has with the conflicts in Georgia should be maintained.

When it comes to Nagorno-Karabakh, more focus should be placed on efforts to help bring about a solution including continuing support for peacebuilding efforts.

Moreover, the EU needs to maintain a united front when it comes to Russia. A rapprochement with Russia which could lead to the lifting of sanctions that were put in place following its annexation of Crimea and the war in Donbas would be a very wrong move. The EU would be seen as rewarding Putin even though he hasn't moved an inch on anything.

With increased engagement in the South Caucasus by other regional actors and China, including via different alliance

structures, coupled with a lack of U.S. interest in the region, the geopolitical chess board in the South Caucasus is in flux. The EU needs to double down on its engagement. It should make a clearer geopolitical commitment with a more geostrategic and security-oriented policy.

If the EU fails to do this, it could have implications for all three countries. Most particularly, a decrease of Western support for Georgia risks sapping the country's resolve to pursue pro-Western policies. As Macron has warned, Europe could "disappear geopolitically" unless it begins to act as a strategic power. This sort of action should start in its own neighborhood. **BD**

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