

# Fading Power? The EU's Strategic Dilemmas in the South Caucasus

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2 June 2026



## Executive Summary

Throughout the 2000s and 2010s, the EU approached the South Caucasus with deliberate caution: avoiding confrontation with Russia, withholding an enlargement perspective from partner countries and prioritising technocratic reform over strategic commitment. Even Russia's 2008 war against Georgia and the 2014 Association Agreement with Tbilisi failed to alter this risk-averse posture and produce a coherent vision for the region.

Russia's full-scale invasion of Ukraine in 2022 forced a partial recalibration. The EU granted Georgia a European perspective, deepened energy cooperation with Azerbaijan to reduce dependence on Russian supplies, strengthened engagement with Armenia and sought to reinvigorate regional connectivity through the Trans-Caspian Transport Corridor and the Black Sea Submarine Cable (BSSC).

Nonetheless, these steps have not resolved the underlying structural weaknesses of the EU's approach to the region. Divisions among member states, consensus-driven decision making and competing geopolitical priorities continue to produce fragmented, crisis-driven engagement rather than coherent strategy. The EU has been slow and reluctant to confront Georgia's authoritarian turn, and was largely sidelined as Washington brokered the Armenia-Azerbaijan peace framework. These internal constraints have been compounded by a rapidly shifting external environment. The South Caucasus has evolved into a competitive multipolar landscape in which Türkiye, China, the Gulf states and an intermittently engaged United States all exert growing influence, while the South Caucasus states themselves pursue multi-vector foreign policies designed to maximise leverage over external partners. Growing international instability, fraying transatlantic relations and internal EU fragmentation have further narrowed Brussels' strategic bandwidth and ambition for sustained regional engagement.

Despite the partial recalibration since 2022, the EU has yet to dispel the ambiguity surrounding its goals and long-term strategic direction in a region of considerable importance to its broader geopolitical agenda. The cost of continued indecision is real: eroding credibility, ceding strategic space to rivals and leaving European interests in energy security and regional stability inadequately protected.

Rather than treating values and interests as competing priorities, the EU should focus on building leverage – through investment, sustained high-level political engagement and assertive diplomacy – and deploy it to advance democratic reforms and strategic goals depending on the circumstances on the ground. This means capitalising on the regional appetite for European connectivity, taking a leading role in peace processes and holding partners firmly to their commitments.

## Introduction

The South Caucasus is undergoing one of the most consequential geopolitical reconfigurations in its recent history, driven by Russia's diminished net regional influence linked to its war against Ukraine, the ongoing normalisation of relations between Armenia and Azerbaijan and the growing footprint of regional and global powers such as Türkiye and China. Longstanding power arrangements are being unsettled, regional alignments are shifting and local actors are recalibrating their external partnerships. Amid these developments, the EU finds itself increasingly outpaced by events. Its considerable economic leverage, diplomatic presence and normative appeal have failed to translate into meaningful influence on the ground. Geographic proximity and more than two decades of engagement have not produced clarity of purpose, leaving the EU mired in indecision and without a coherent strategic vision for the region.

As the geopolitical landscape of the South Caucasus rapidly transforms, the EU's hesitant and reactive approach risks further diminishing its influence and ceding strategic ground to more assertive, less liberal powers. The widening gap between the EU's declared ambition to play a more prominent geopolitical role and its actual performance also undermines its broader credibility as a strategic actor.

This paper examines the evolution of EU policy towards the South Caucasus, the structural and context-specific constraints that have shaped its behaviour, the new geopolitical realities emerging in the region, and the strategic choices that Brussels must confront if it intends to remain a relevant actor there.

## Caution as strategy

The EU's 1990s and 2000s engagement with the South Caucasus was cautious and limited. The region initially appeared only as a footnote in the 2003 "Wider Europe – Neighbourhood" Communication – and [fell outside the geographical scope of this initiative](#) – but was incorporated into the European Neighbourhood Policy in 2004 and the Eastern Partnership in 2009. Throughout this period, the EU's primary aim for the region was the stabilisation and the prevention of spillover of instability into Europe – but this objective was consistently subordinated to two overriding considerations.

First, Brussels sought to avoid antagonising Russia, treating Moscow's sensitivities as a structural constraint on its policy options, particularly with regard to the EU's role as a security provider in the South Caucasus and its engagement in conflict resolution in Georgia and between Armenia and Azerbaijan. Second, the EU has never articulated a strategic approach to the European integration of the region; nor did it envisage an enlargement perspective for the local states. This neglect proved particularly damaging and counterproductive in relation to Georgia, once its most enthusiastic partner in the South Caucasus. Although the EU served as a powerful normative pole of attraction for Georgia, it was unwilling to make deeper political or strategic commitments to the country, focusing instead on managing Tbilisi's expectations about its European future. Its approach rested on the belief that democratic reform and regulatory harmonisation alone would suffice to steer Georgia towards transformation and lasting alignment with the EU – an assumption increasingly at odds with the country's realities. Meaningful political investment came largely from individual member states, notably the Baltic states, Poland and Sweden, which spearheaded more ambitious EU partnership formats with Eastern neighbours. Detached from a sharper strategic agenda at the EU level, however, these efforts fell short of fundamentally altering the geopolitical constraints that had long impeded Georgia's European journey – above all, Russia's military occupation of Abkhazia and South Ossetia, which deprived Tbilisi of control over 20 percent of its internationally recognised territory and left the country exposed to the Russian threat.

Neither Russia's 2008 war against Georgia, which resulted in the occupation of one-fifth of Georgia's territory, nor the 2014 Association Agreement between the EU and Georgia fundamentally altered this calculus of doing the least it could get away with. Even after Georgia became an associated partner, several EU member states continued to dilute any language in official EU documents that might have alluded to [the Copenhagen criteria](#) or implied a future accession perspective.

The EU's overall approach to the South Caucasus before 2022 remained risk-averse rather than assertive, technocratic rather than strategic and incremental rather than transformative. Whether confronted with Georgia's European aspirations, Armenia's deepening dependence on Russia or Azerbaijan's energy-driven agenda, the EU proved reluctant to invest political capital, actively shape strategic outcomes and embrace Western-leaning partners in the region as members of the European family of nations. Over time, ambiguity became a substitute for strategy, with the region largely defined as an emerging connectivity hub and a potential gateway to the Caspian region rather than as an arena of geopolitical competition and normative contestation. As a result, the EU effectively relegated the region to the margins of its foreign policy agenda, treating it as a distant neighbourhood to be managed at arm's length.

## Reckoning with a new geopolitical reality

Russia's war against Ukraine compelled the EU to undertake a fundamental strategic reorientation. One of the clearest expressions of this shift was a reassessment of its neighbourhood policy, including its approach to the South Caucasus. The confrontation with Russia – long minimised and only belatedly acknowledged in many Western European capitals – made the EU's earlier posture of strategic ambiguity in the region impossible to sustain.

An early sign of the EU's growing strategic awareness emerged from an unexpected direction: the revamping of its enlargement policy. [The decision in June 2022 to grant Georgia a European perspective](#), alongside Ukraine and Moldova, followed [by candidate status](#) in 2023, marked a departure from the EU's longstanding technocratic approach and signalled a willingness to view the South Caucasus through a geopolitical lens. This step reflected a broader recognition that geopolitical grey zones in the EU neighbourhood, whether in Eastern Europe or the Western Balkans, invite coercion and instability, thereby making enlargement not merely a normative project but a security imperative. It remains to be seen, however, whether this recognition will translate into sustained progress on EU enlargement in Eastern Europe – an area of acute strategic competition.

Energy and infrastructure security emerged as pressing priorities. Russia's war against Ukraine laid bare the vulnerabilities that stemmed from the EU's dependence on Russian supplies and elevated the strategic importance of the South Caucasus as an alternative corridor for both energy and trade. The region consequently assumed a central role in the EU's efforts to build resilience through the diversification of energy routes and sources, most notably via [the Southern Gas Corridor](#).

This recalibration prompted the EU to deepen its engagement with Azerbaijan (its share of EU gas supply grew from around 2 percent in 2021 to [4 percent in 2025](#)) and to formalise this cooperation through a new [energy partnership agreement](#) concluded in July 2022. [This pragmatic turn has not been without controversy](#), however, given Azerbaijan's persistent human rights violations and its military offensives in Nagorny Karabakh in September 2020 and September 2023.

Regional connectivity initiatives expanded further in December 2022 with the unveiling of [the Black Sea energy submarine cable](#) project, designed to link Romania with Georgia and Azerbaijan, and to strengthen Europe's access to renewable energy from the Caspian Sea region. In parallel, cooperation on infrastructure and strategic connectivity gained momentum through promotion of the [Trans-Caspian Transport Corridor](#) (TCTC), widely known as the Middle Corridor, which connects Europe and China via Türkiye, the South Caucasus and Central Asia. As a flagship initiative of [the EU's Global Gateway investment strategy](#), the TCTC has been promoted as an alternative to the Northern Corridor, which has been disrupted by Russia's war against Ukraine. Under the recently launched [Cross-Regional Connectivity Agenda](#), the EU is also weighing potential investment in the Nakhchivan railway project as part of the TCTC. Future commitments are [contingent on the outcome of an ongoing EBRD feasibility study](#). In December 2025, moreover, the EU committed €500 million under [the Caucasus Transmission Network project](#) to support diversification of Armenia's energy security and reduce its reliance on Russia by synchronising its power systems with Georgia and expanding its electricity trading capacity.

Russia's entrenchment in its war against Ukraine also opened a window of opportunity for the EU to assume a mediating role between Armenia and Azerbaijan – one previously reserved for the OSCE Minsk Group, where Russia had exercised a duplicitous role. The EU seized this moment and, working in close coordination with the US State Department, led several diplomatic initiatives under the so-called Brussels process.

Separately, in response to a formal request from Yerevan, the EU launched [the civilian crisis management mission EUMA](#) in February 2023 under the Common Security and Defence Policy (CSDP), tasked with monitoring conditions on the ground and contributing to confidence building between Armenia and Azerbaijan, aimed at averting a new war and steering the parties towards a sustainable peace. These efforts unfolded in the period preceding Azerbaijan's military takeover of Nagorny Karabakh in September 2023. Since July 2024, [the EU has allocated €30 million](#) in security and defence assistance to Armenia through the European Peace Facility.

As Armenia grew disenchanted with Russia's failure to provide support in its confrontation with Azerbaijan, Brussels responded to Armenia's growing interest in closer EU engagement – an opening made all the more significant by Georgia's parallel and unexpected retreat from its European path. In September 2024, [the EU launched a visa liberalisation dialogue with Armenia](#), in a politically symbolic and practically meaningful step that signalled a willingness to deepen ties. This was followed in early December 2025 by the adoption of a [new Strategic Agenda](#) aimed at expanding cooperation with Yerevan on governance, security, economic integration and connectivity, building on [the EU-Armenia Comprehensive and Enhanced Partnership Agreement \(CEPA\)](#), which was signed in 2017 and has been in force since 2021. In April 2026, Brussels established [the EU Partnership Mission in Armenia \(EUPM Armenia\)](#), a second civilian CSDP mission seeking to enhance the country's resilience against hybrid threats and foreign interference. This trajectory of deepening bilateral engagement gained further institutional momentum with the first [EU-Armenia bilateral summit](#), held in Yerevan on 4–5 May 2026 on the margins of the European Political Community meeting.

Supporting lasting peace and stability in the South Caucasus, most notably the conclusion of a peace treaty between Armenia and Azerbaijan, also features among the priorities of the EU's Black Sea strategic approach unveiled in May 2025. Although primarily centred on bolstering Ukraine's resilience, the strategy's wider ambition to [“unlock potential for economic growth, sustainable investments and enhanced regional connectivity”](#) encompasses the South Caucasus as well.

## **Europe's self-imposed constraints**

Together, these recent initiatives reflect a broader shift in the EU's regional posture – a willingness to recalibrate its approach to a region marked by intensifying geopolitical competition and to strengthen cooperation with local partners. However, this evolution also exposes several deep-seated inconsistencies.

First and foremost, the EU's reaction to Georgia's authoritarian turn clearly reveals a persistent pattern of strategic indecision. Brussels has demonstrated a greater willingness to engage with Armenia as it seeks closer alignment with the EU, but it has failed to sustain pressure on the authorities in Tbilisi, which have reversed Georgia's foreignpolicy orientation and tightened domestic repression. This inability, or unwillingness, to formulate a coherent response to state capture by entrenched oligarchic power has effectively relegated Georgia to the margins of the EU's political priorities. There is no consensus among EU member states on imposing meaningful costs on those responsible for dismantling the country's democratic achievements, however incomplete these may have been. The recent [suspension of visa-free travel for Georgian diplomatic, service and official passport holders](#) signals a long overdue, albeit largely symbolic and insufficient, shift in this regard.

Second, the EU frequently struggles to translate its political initiatives into concrete outcomes. The Black Sea energy submarine cable project, framed as an ambitious strategic advance, has been hamstrung by technical, financial and security obstacles, although its inclusion in [the list of Projects of Mutual Interest](#) in December 2025 – recognising its contribution to

the energy and climate objectives of the EU and the third countries involved – is expected to facilitate [access to financial assistance and streamline grant procedures](#). In addition, the Middle Corridor, despite the celebratory rhetoric at [the Tashkent connectivity forum](#) in November 2025, continues to be burdened by uncertainties surrounding its economic rationale, strategic value and long-term viability.

Third, the EU's inability to act in a timely and decisive manner allows other actors to fill the vacuum. Brussels was well-positioned to accompany negotiations between Armenia and Azerbaijan to their conclusion and to support the development of a route connecting Azerbaijan with its exclave of Nakhchivan via Armenian territory. However, [it was the United States that ultimately seized the moment](#). The Trump Administration moved swiftly to provide the guarantees that underpin what has since been named [the Trump Route for International Peace and Prosperity \(TRIPP\)](#). It was Washington, bypassing Brussels, that convened the August 2025 summit that produced the most substantive breakthrough in Armenia-Azerbaijan normalisation.

While articulating a unified strategy for the South Caucasus has long posed a challenge for the EU, much of this difficulty stems from the well-known structural features of the Union itself: its institutional design, its consensus-driven decisionmaking culture and the divergent priorities of its member states. A persistent lack of agreement on how far, and how fast, to extend engagement eastwards has consistently confined the EU to the lowest common denominator. As a consequence, its engagement has remained fragmented and episodic, driven more by crises than by strategy – a pattern that endured even following Russia's war against Ukraine. Despite its increased engagement in the South Caucasus since 2022, the EU has yet to dispel the ambiguity surrounding its goals and long-term strategic direction in a region that matters to its geopolitical, geoeconomic and normative agendas.

## **Competitive multipolarity in the South Caucasus**

The layered complexity of the South Caucasus political and security environment has further hampered the EU's efforts to formulate a coherent political vision and craft a credible long-term regional strategy. [The heterogeneity of the geopolitical choices made by the](#) three sovereign states remains the defining feature of the region.

In Georgia, the ruling party has renounced the country's European trajectory, prioritising regime survival over alignment with EU norms and adopting repressive laws and practices reminiscent of Russia's authoritarian playbook, thereby drawing the country closer to Moscow. Armenia, by contrast, has signalled a growing interest in deeper engagement with the EU, driven by its disillusionment with Russia as a security guarantor. Azerbaijan, meanwhile, has emerged as an increasingly confident regional actor, bolstered by its partnership with Türkiye, pursuing middlepower ambitions. These aspirations are particularly visible in [Baku's expanding role in Central Asia](#) and its growing diplomatic engagement in the Middle East, including efforts to mediate between Türkiye and Israel and to establish a partnership with Syria.

Military and political overstretch in Ukraine has weakened Russia's longstanding grip on regional security, but the resulting vacuum has not empowered the EU. Instead, it has opened up space for a more complex and competitive regional landscape, marked by the rise of alternative power centres in the South Caucasus. In this context, local actors exercise greater agency, pursue multivector foreign policies and hedge between competing external partners. Despite their different records of engagement with the EU and their divergent approaches, Baku, Yerevan and Tbilisi are recalibrating their alignments and advancing strategies aimed at maximising their leverage.

Before Russia's 2022 invasion of Ukraine, the South Caucasus was anchored in a geopolitical contest between Russia and the West, but the region has since witnessed the emergence of a more fluid and intricate regional order. In this emerging micromultipolar environment, the EU is only one actor among many. Türkiye has consolidated its influence, particularly in the realms of security and connectivity, much to the distress of Iran, which has itself been assiduously

cultivating ties with all three states in the region. The anticipated normalisation of its relations with Armenia would further enhance Ankara's regional role, complementing its alliance with Azerbaijan and its close partnership with Georgia. China, for its part, treats the South Caucasus as a strategically important link in its Belt and Road Initiative. Beijing has expanded its economic footprint in the region through trade and investment in strategic infrastructure, most notably the Anaklia Deep Sea Port on Georgia's Black Sea coast. The Gulf Arab states have also increased their presence across the region, investing in Azerbaijan's energy sector and in infrastructure and real estate projects in Georgia. In this increasingly competitive geopolitical environment, the EU can no longer rely on shared strategic goals with the United States. For two decades, Brussels operated largely in tandem with Washington, but effective coordination in the region is no longer assured and is now contingent on the erratic course of the Trump administration.

Along with the region's inherent complexity, the EU's capacity to play an effective role in the South Caucasus is increasingly constrained by Europe's shifting priorities amid growing international instability. Acute, concurrent crises – from the war in Ukraine to the destabilisation of the Middle East – have sharply reduced the EU's strategic bandwidth for sustained engagement in the South Caucasus. The proliferation of such crises, unfolding against a backdrop of ever more strained transatlantic relations, further undermines the EU's ability to act coherently – a challenge compounded by internal political fragmentation and mounting economic pressures.

### **The way forward: Building leverage**

The impact of these internal and external constraints on the EU's policy towards the South Caucasus has been significant, producing a pattern of half-measures and incremental steps that fails to match the scale of regional change. In the post 2022 landscape, where competition among multiple centres of geopolitical and geo-economic power is reshaping the region's strategic map, indecision is neither inconsequential nor cost-free.

For one, continued indecision undermines the EU's credibility by exposing the gap between its declared [ambition to assert itself as a geopolitical actor](#) and its fading influence in the region. For another, treating the South Caucasus as peripheral to EU priorities is strategically short-sighted. Whether the goal is to achieve stability in the Black Sea area or to bolster Europe's economic security, the region is too important to be neglected, despite the understandable competing priorities. Hesitation in a context where others act decisively or deploy significant economic leverage will only further dilute Europe's influence and cede strategic space to actors such as Russia and China.

The growing tension between the EU's strategic priorities and its normative agenda has become a central dilemma in its engagement with the region. This dilemma, long evident in its policy on Azerbaijan, has now become equally pronounced in its approach to Georgia, where the EU's interests in fostering energy security and connectivity risk sidelining values-based goals.

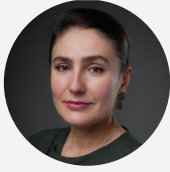
Implementation of the EU's normative agenda is inevitably shaped by local realities and broader international dynamics. Both Azerbaijan and Georgia have shown little interest in aligning with EU norms. Baku has leveraged its energy resources and strategic partnership with Ankara to secure terms of engagement with Brussels that sideline normative requirements. The Georgian Dream government has sought to emulate this posture, but lacks the structural foundations that make Azerbaijan's autonomous trajectory sustainable: Georgia commands neither comparable energy assets nor a powerful regional ally. Tbilisi has nonetheless attempted to instrumentalise Georgia's value as a transit corridor and its position on the Black Sea coast to pressure the EU into a less conditional relationship. The competing priorities of external actors further compound these dynamics, creating opportunities for countries in the region to evade EU conditionality and undermine the effectiveness of the Union's valuesbased approach.

The EU cannot, however, rely solely on pragmatic calculations. While a purely transactional approach might suit other powers, it sits uneasily with the EU's selfperception and strategic rulebook. Preserving a meaningful degree of normative coherence is essential to maintaining the EU's credibility and to preventing Russia from further curtailing its influence in the region.

## Policy recommendations for the EU

There is no ready-made recipe to guide EU policy in the increasingly multipolar South Caucasus. Any coherent strategy will hinge on the EU's ability to navigate a series of internal and external disruptions. Nonetheless, the starting point must be a renewed appreciation of the region's significance, situated at the intersection of conflict zones, strategic faultlines and major connectivity corridors, combined with a clear articulation of the EU's long-term strategic interests. These include securing and, where necessary, expanding energy and trade infrastructure across the region, preventing competitors from gaining a further foothold and taking control of key chokepoints therein and playing a more decisive role in preserving regional stability and advancing political reform. Interests and values do not always align in foreign policy, but in the case of the EU's engagement with its Eastern neighbourhood, promoting liberal values is squarely in its long-term interest. Since the EU has both values and interests to defend, the appropriate course of action is not to prioritise one over the other in principle, but to build leverage. Such leverage can then be deployed, depending on the circumstances on the ground, to advance reform and uphold democratic standards while safeguarding the EU's strategic interests.

Building leverage requires the EU to deploy its influence decisively and act on several fronts. First, it must capitalise on the region's interest in deeper connectivity with Europe to help shape the priorities of the three states. The EU should develop a proactive investment agenda that strengthens economic ties and makes the benefits of cooperation with the Union more tangible to local societies. Second, leverage demands sustained, high-level political engagement in regional crises, coupled with a readiness to provide timely and concrete contributions to regional security, whether by supporting the Armenia-Azerbaijan peace process or by addressing the security and humanitarian challenges in Georgia's occupied regions, such as through efforts to build bridges between war-affected communities. In particular, the EU should not rely on Washington's volatile commitment to regional peace-making, but instead take a leading role in fostering cooperation projects that bring Armenia and Azerbaijan together. Finally, building leverage entails more assertive diplomacy that mobilises both pressure and incentives to ensure that the countries of the region honour the commitments in their respective partnership frameworks and remain aligned with shared norms.



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