

The EU in the South Caucasus: Making the Most of Current Opportunities

Jakob Hedenskog
22 December 2022

Executive Summary

The full-scale invasion of Ukraine on 24 February 2022 and the resulting increased international isolation of Russia, at least on the European stage, has created opportunities for the European Union (EU) across Eurasia. This is most clear in the South Caucasus, where frustration over Moscow's actions could allow the EU to play a key stabilising role.

The EU has a strong hand to play in the South Caucasus. Trade is growing between the EU and the countries of the region, and the EU sees opportunities to increase its role as a conflict resolution partner, particularly in the conflict between Armenia and Azerbaijan over Nagorno-Karabakh. Both Armenia and Azerbaijan tend to have a positive impression of the EU's engagement in conflict resolution in the region. With its hands tied in Ukraine, Russia has become an increasingly unreliable guarantor of its de facto control over Nagorno-Karabakh.

In addition, the Minsk Group under the Organisation for Security and Cooperation in Europe (OSCE), co-chaired by Russia, France and the United States, the traditional negotiating format on the conflict, has been largely inactive and side-lined. The EU should therefore maintain momentum in its efforts to stabilise this important region in its neighbourhood.

Introduction

Russia's full-scale invasion of Ukraine on 24 February 2022 has changed the geopolitical situation in the South Caucasus, a region at the crossroads of Europe, Asia and the Middle East. Moscow, the traditional security hegemon in the South Caucasus, has been weakened by its war in Ukraine and a growing number of countries are trying to increase their activity in the region, both political and economic, among them Türkiye (Turkey), Iran and China.

The South Caucasus is also of growing importance for the EU, especially in terms of diversifying its energy resources and as a transport corridor linking Europe with Central Asia. The EU's main interests in the South Caucasus are peace and stability in the EU neighbourhood, a stable energy supply through the region and progress on good governance, democracy and human rights.

More recently, the EU has begun looking for ways to increase its involvement in conflict resolution in the South Caucasus. All three countries in the region – Armenia, Azerbaijan and Georgia – are members of the EU's Eastern Partnership. In Georgia, the EU has been involved in conflict resolution since 2003, when it deployed its first EU Special Representative (EUSR) with a mandate to “contribute to the prevention of conflicts, and to prepare a return to peace in the region”.¹ Furthermore, the EU brokered the agreement that ended hostilities in the Russia-Georgia war of August 2008, and since then has led conflict resolution efforts through the EUSR for the South Caucasus and the crisis in Georgia as co-chair of the Geneva International Discussions, the international talks on addressing the consequences of the war. The EU Monitoring Mission (EUMM), established on 15 September 2008, the most important contributor to the security of Georgia, has been the only international monitoring presence on the ground in the country since 2009.²

Now that Moscow is increasingly unable to maintain the status quo in the South Caucasus, due to its military engagement in Ukraine, Brussels is also testing its diplomatic influence as a conflict resolution actor in the war between Armenia and Azerbaijan over Nagorno-Karabakh. On 22 May 2022, President of the European Council Charles Michel hosted the leaders of Armenian and Azerbaijan in Brussels. Welcoming the first historic meeting of both countries' border commissions, to be held two days later, he stressed the paramount importance of ensuring stability and security along the border between Armenia and Azerbaijan as delimitation is pursued. Progress was also made on connectivity to advance opportunities for unblocking the region. Both parties confirmed there were no extraterritorial claims regarding future transport infrastructure. The talk is especially about the so-called Zangezur passage which Azerbaijan calls a “corridor”, which will run through the southern Armenian region of Syunik and connect Azerbaijan to its Nakhchivan Autonomous Republic.³

1 European Council (2003) “Council Joint Action 2003/496/CFSP of 7 July 2003 concerning the appointment of an EU Special Representative for the South Caucasus”, posted on the website of the MFA of Georgia, <https://mfa.gov.ge/>.

2 Borell, Josep (2021) “We need more EU engagement in the South Caucasus, EEAS, blog, 2 July, https://www.eeas.europa.eu/eeas/why-we-need-more-eu-engagement-south-caucasus_en

3 European Council (2022) “Statement by the spokesperson of Charles Michel, President of the European Council regarding Armenia and Azerbaijan, 31 May”, European Council, 31 May, <https://www.consilium.europa.eu/en/press/press-releases/2022/05/31/statement-by-the-spokesperson-of-charles-michel-president-of-the-european-council-regarding-armenia-and-azerbaijan-31-may-2022/>

In October 2022, the EU took another significant step in enhancing its engagement in conflict resolution by launching a short-term civilian monitoring mission on the internationally recognised border between Armenia and Azerbaijan – the European Union Monitoring Capacity (EUMCAP).

The Changing Situation in the South Caucasus Since Russia's Full-Scale Invasion of Ukraine

Russia increased its influence in the region in the aftermath of the Second Karabakh War between Armenia and Azerbaijan in 2020. Moscow gained leverage as the sole broker of the 9 November 2020 trilateral ceasefire statement, sidestepping France and the United States as the other co-chairs of the OSCE Minsk Group, which had been passive for several years. Russia also fulfilled a long-standing objective in the region by deploying its peacekeepers in the Nagorno-Karabakh conflict zone. For the first time, Russia now had troops on the ground in all three countries in the South Caucasus.

This picture substantially altered after 24 February 2022. Even before the full-scale invasion of Ukraine, the Russian peacekeeping mission in Nagorno-Karabakh had failed to fulfil its role of maintaining peace. Azerbaijan had managed occasionally to improve its position through further territorial gains in the conflict zone, including over territories controlled by the Russian peacekeepers. After 24 February, Russia had to transfer significant amounts of equipment and personnel from Karabakh to Ukraine, leading the Armenian population of Nagorno-Karabakh and Armenia to express dissatisfaction with the mission.⁴ In the summer of 2022, Azerbaijan demanded that Russian peacekeepers leave the Lachin Corridor, the only passage linking Armenia with the Nagorno-Karabakh, which was supposed to be controlled by Russian peacekeepers under the 9 November trilateral ceasefire statement.⁵

Both Armenia and Azerbaijan have long been frustrated by Russia's transactional approach to peacekeeping in Nagorno-Karabakh. Russia has never had any genuine intention to resolve any of the conflicts in its neighbourhood, preferring to keep them unresolved or "frozen" to maintain its long-term influence and control over the host countries and prevent their eventual integration into Euro-Atlantic institutions.

The parties to the conflicts see the EU as a more honest broker. Azerbaijan wants a western-backed peace treaty that neutralises Russia and extracts maximum concessions from Russia on the Karabakh and other issues. Supported by its ally, Türkiye, Azerbaijan has continued to openly challenge Russia while it is bogged down in Ukraine. It is also disappointed by Russia's lack of desire to implement the ceasefire statement, especially article 4 which states that Armenian troops should have withdrawn following deployment of the Russian peacekeepers.

Armenia has shown clear disappointment that neither Russia nor the Collective Security Treaty Organization (CSTO) has stood up for Armenia's security needs. As the current chair

4 Kuzio, Taras (2022) "The South Caucasus dimension of the war in Ukraine: Russia's declining influence is giving the West a role in the Karabakh peace process", *New Eastern Europe*, 7 November, <https://neweasterneurope.eu/2022/11/07/the-south-caucasian-dimension-of-the-war-in-ukraine-russias-declining-influence-is-giving-the-west-a-role-in-the-karabakh-peace-process/>.

5 Gavin, Gabriel (2022) "With Russia distracted, clashes rock Nagorno-Karabakh", *Politico*, 5 August, <https://www.politico.eu/article/russia-distracted-ukraine-clash-rock-nagorno-karabakh-azerbaijan/>

of the CSTO, Prime Minister Nikol Pashinyan abruptly closed the CSTO summit in Yerevan on 23 November 2022 in frustration at the lack of support from its allies within the organisation, and refused to sign the joint declaration.⁶ Russia is trying to apply a Donbas model to Karabakh, which involves distribution of Russian passports to Armenians in Karabakh, and using pro-Moscow groups under the protection of the Russian military to attack Azerbaijani military positions.⁷

Thus, not surprisingly, the EU's enhanced engagement in the South Caucasus has been largely embraced by both Armenia and Azerbaijan. This has also underlined the dysfunctionality of another format, the 3+3 Platform of the three South Caucasus states and the three regional powers, Russia, Türkiye and Iran. In contrast to the EU, this format represents the multipolar world order advocated by Russia, which places the interests of the relatively strong regional powers above those of the smaller countries, leaving them to navigate between the regional powers.

The Current State of EU Relations With the Countries of the South Caucasus

The closest relationship with the EU in the South Caucasus – but also currently the most problematic – is with Georgia. The EU is Georgia's largest trading partner, and since 2016 relations have been based on an Association Agreement, which provides the foundations for political association and economic integration between the EU and Georgia. Key benefits in this relationship include a Deep and Comprehensive Free Trade Area (DCFTA), which opens the EU market up to Georgian businesses and products, and a visa-free regime for Georgian citizens to the Schengen area since March 2017.

In recent years, however, Georgia's political and media landscape has been characterised by sharp polarisation.⁸ This has raised concerns in Brussels about democratic backsliding and the undermining of civil liberties in the country. In addition to widespread impunity for high-level corruption, there have been instances of political violence, a chronic lack of independence and transparency in the judiciary, restrictions on media freedom and continuing stigmatisation of and discrimination against the LGBT+ community. On 19 April 2021, after several months of negotiations, the ruling Georgian Dream party and large parts of the opposition signed an agreement brokered by Charles Michel, which inspired hope that polarisation might be eased. Just three months later, however, Georgian Dream's leaders announced their decision to unilaterally withdraw from the agreement, causing great disappointment and concern among Western partners.⁹

Georgia had originally planned to apply for EU membership in 2024, after further reforms, but Russia's full-scale invasion of Ukraine brought the decision forward to March 2022. On 23

6 Mejlumyan, Ani (2022) "Pashinyan refuses to sign CSTO declaration after bloc's failure to help Armenia", *Intellinews*, 25 November, <https://www.intellinews.com/pashinyan-refuses-to-sign-csto-declaration-after-bloc-s-failure-to-help-armenia-263492/>

7 Kuzio, Taras (2022) "A weaker Russia provides a vacuum for the EU to exploit in Eurasia", *New Eastern Europe*, 29 April, <https://neweasterneurope.eu/2022/04/29/a-weaker-russia-provides-a-vacuum-for-the-eu-to-exploit-in-eurasia/>.

8 Kapanadze, Sergi (2022) "Media freedom is essential for Georgia's path to EU candidacy", *SCEEUS Guest Commentary*, No. 9, 14 November, [Media Freedom is Essential for Georgia's Path to EU Candidate Status - SCEEUS](https://www.sceeus.eu/2022/11/14/media-freedom-is-essential-for-georgia-s-path-to-eu-candidate-status/).

9 European Parliament (2022) "Three Eastern Partnership Neighbours in the South Caucasus 2022", *Fact Sheets on the European Union*, <https://www.europarl.europa.eu/factsheets/en/sheet/172/three-eastern-partnership-neighbours-in-the-south-caucasus>.

June, the European Council announced that it was ready to grant Georgia candidate status for accession once a set of 12 recommended reforms had been implemented. Among these were political reforms such as reducing political polarisation, implementing electoral reform, judicial reform, the creation of stronger anti-corruption institutions, “de-oligarchisation”, a reduction in organised crime and the protection of vulnerable groups against criminal human rights violations.¹⁰ The Georgian government’s cautious reaction to the Russian invasion of Ukraine – failure to support sanctions and refusing to criticise Russia – despite overwhelming support for Ukraine among the population in Georgia, led to criticism in both Brussels and Kyiv.¹¹

To the issues of concern to the EU regarding developments inside Georgia can also be added the status of the former president of Georgia, Mikhail Saakashvili, who was arrested in connection with the local elections of October 2021 on his return to Georgia from exile in Ukraine.¹² European institutions are worried about the recent rapid deterioration in Saakashvili’s health. On 14 December 2022, the European Parliament called on the Georgian government to send Saakashvili for treatment abroad for humanitarian reasons and to reduce polarisation in society. The resolution also called for a curb on the excessive influence of Bidzina Ivanishvili on the country.¹³ Ivanishvili is Georgia’s richest man and a former prime minister. He is widely believed to be the shadow leader of both Georgian Dream party and the country itself, as well as the man behind the pro-Russia policy after 24 February and the main reason for the EU’s demand for de-oligarchisation in Georgia.

The EU’s relations with Armenia are based on a Comprehensive and Enhanced Partnership Agreement (CEPA), which was signed in November 2017 and entered fully into force on 1 March 2021. The agreement, which replaced the Partnership and Cooperation Agreement (PCA) of 1999, deepened bilateral relations in a range of areas while ensuring compatibility with Armenia’s membership of the Russia-led Eurasia Economic Union (EAEU). Armenia was forced to reject an Association Agreement with the EU in 2013 after pressure from Russia.

The EU and Azerbaijan have had a PCA since 1999 but negotiations on an enhanced agreement began in February 2017. Azerbaijan does not want an Association Agreement with the EU but has also resisted joining Russia-led organisations such as the EAEU or the CSTO, preferring to maintain a strong presence in the Non-Aligned Movement (NAM) and a strong bilateral relationship with Türkiye. On 18 July 2022, the EU signed a deal with Azerbaijan expanding the volume of gas exports from Azerbaijan to Europe from 8 billion cubic meters (bcm) in 2021 to around 20 bcm by 2027. While in Baku, European Commission President Ursula von der Leyen praised the EU’s long-term partnership with Azerbaijan and declared it a “crucial” and “reliable” partner, in contrast to Russia.¹⁴ The deal, however,

10 Aliyeva, Aytan (2022) “The European Union Policy in the South Caucasus”, *SSRN*, 20 August https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4192555.

11 Hedenskog, Jakob and Zachau, John (2022) “Russia’s War on Ukraine: Consequences for Georgia and Moldova”, *SCEEUS Commentary*, No. 6 , 18 March, [Russia’s War on Ukraine: Consequences for Georgia and Moldova - SCEEUS](https://www.sceeus.com/2022/03/18/russias-war-on-ukraine-consequences-for-georgia-and-moldova/)

12 Hedenskog, Jakob (2021) “The political crisis in Georgia – stakes and consequences”, *SCEEUS Commentary*, 21 December, [The Political Crisis in Georgia: Stakes and Consequences - SCEEUS](https://www.sceeus.com/2021/12/21/the-political-crisis-in-georgia-stakes-and-consequences/).

13 Jam News (2022) “Sanctions on Ivanishvili: the European Parliament adopts resolution on Georgia”, *Jam news*, 14 December, <https://jam-news.net/sanctions-on-ivanishvili-the-european-parliament-adopts-resolution-on-georgia/>

14 Muradov, Murad (2022) “A new chapter in EU Azerbaijani relations against the backdrop of the Russian

worried Yerevan, which warned that the gas tap might be turned off if the EU becomes too supportive of Armenia. The deal was also criticized by international organisations advocating for human rights and democracy in Azerbaijan, which stated that the EU should learn from previous experience with Russia and avoid increasing its dependence on dictatorships.¹⁵

The EU Border Mission of 2022

On 7 October 2022, the European Council announced that Prime Minister Nikol Pashinyan of Armenia and President Ilham Aliyev of Azerbaijan had agreed to an unarmed civilian EU mission being deployed along part of the Armenian border with Azerbaijan, where more than 200 people were killed in clashes as recently as 12–13 September 2022. The meeting came a day after the two leaders had met in Prague on the margins of the first summit of the European Political Community at the invitation of President of France Emmanuel Macron and Charles Michel.

Following a decision of the Foreign Affairs Council on 17 October, the European Union Monitoring Capacity became operational on 20 October. The mission's mandate was to monitor the situation on the border between Armenia and Azerbaijan, to contribute to confidence building between the two countries and to assist the ongoing process of border delimitation. The only way for this two-month mission without possibility of extension to deploy quickly enough was to deploy monitors from the EUMM in Georgia and fund the mission from the EUMM budget.¹⁶ The EUMCAP ended its mandate on 19 December 2022. On 12 December, however, Josep Borell, the EU High Representative for Foreign Affairs and Security Policy, announced that a technical team will be deployed to Armenia to plan a possible civilian mission, subject to agreement, to be deployed in 2023.¹⁷

Russia unsurprisingly saw the EU mission as a sign of increased geopolitical manoeuvring in the South Caucasus. Russia perceives any form of intervention by Western organisations, such as the EU and its Eastern Partnership, negatively in what it perceives as its exclusive sphere of interest in the post-Soviet space. Russia does not differentiate between integration, which is on offer under the Eastern Partnership, and membership of the EU.

At a press briefing, a spokesperson for the Russian Ministry for Foreign Affairs, Maria Zakharova, said that Russia sees “this as yet another attempt by the EU to interfere by any means in the normalisation of relations between Armenia and Azerbaijan, to oust our country's mediation efforts”.¹⁸ A few weeks after the meeting in Prague, Putin invited Pashinyan and

invasion of Ukraine”, *New Eastern Europe*, 29 July, <https://neweasterneurope.eu/2022/07/29/a-new-chapter-in-eu-azerbajani-relations-against-the-backdrop-of-the-russian-invasion-of-ukraine/>.

15 Zachova, Aneta and Kristina Zichova (2022) “Czech MP: EU Azerbaijan gas deal was a mistake”, *Euractiv*, 22 September, https://www.euractiv.com/section/politics/short_news/czech-mep-eu-azerbajani-gas-deal-was-mistake/

16 EEAS (2022) “EU monitoring capacity to Armenia”, *European Union External Service*, 20 October, https://www.eeas.europa.eu/eeas/eu-monitoring-capacity-armenia_en; Krikorian, Onnik James (2022) “EU Monitoring Capacity deploys on the Armenia-Azerbaijan border”, *CCI*, 8 November, <https://www.cci.tn.it/eng/Areas/Armenia/EU-Monitoring-Capacity-deploys-on-the-Armenia-Azerbaijan-border-221575>

17 Mirzoyan, Armen (2022) “EU will not Extend Observer's Mission in Armenia”, *Hetq*, 13 December, <https://hetq.am/en/article/151142>

18 Russian Ministry of Foreign Affairs (2022) “Brifing ofitsialnogo predstavatelya MID Rossii M.V. Zakharovoy, Moskva 11 oktyabrya 2022 goda”, *MID*, 22 October, https://mid.ru/ru/press_service/spokesman/

Aliyev to Sochi for a trilateral meeting. Although the meeting was fruitless, it confirmed the impression of two increasingly competitive peace platforms – one facilitated by Brussels and the other by Moscow.

Recent Development Around Nagorno-Karabakh and Zangezur

On the morning of 12 December 2022, a group of Azerbaijani government-affiliated environmental organisations stopped traffic on the road in the Lachin Corridor, citing illegal mining practices in the Armenian-controlled territory of Nagorno-Karabakh. Russian peacekeepers were unable to reopen the road. The action was the start of a blockade of Nagorno-Karabakh that disrupted the flow of food and medical supplies, as well as other essentials. On the second day of the blockade, Azerbaijan cut the gas supply to the territory, and the protest slogans at the blockade became more nationalistic, creating the image of a more hard-line approach.¹⁹ The actions of Azerbaijan, which are a clear breach of article 6 of the trilateral ceasefire statement, under which Azerbaijan guarantees the security of persons, vehicles and cargo moving along the Lachin Corridor in both directions, provides further proof of Russia's inability to restore its authority as conflict broker through its peacekeepers on the ground.

Baku's interpretation of the Zangezur passage as a corridor raises fears in Yerevan that Baku's claims to Zangezur are extraterritorial, with Russian border guards doing the job of the Armenian authorities. This interpretation, of course, would not be an entirely unacceptable option for Russia. Controlling the road linking Russia to Türkiye would be a convenient alternative to the route through pro-Western Georgia. Armenia, however, sees this interpretation of the issue as a threat to the country's sovereignty, especially as the corridor could impede Armenia's transport links to Iran, which also pass through the Syunik region. Yerevan is supported on this issue by Teheran. Iran does not want to lose Armenia as a gateway to Russia and the EAEU or reduce its influence as the main connection between the Nakhchivan exclave and mainland Azerbaijan, or as a continuation of the bridge between Türkiye and Central Asia. Yerevan is also supported by the West, which would prefer not to hand such an important communications link to Russia.²⁰

Iran and Armenia have initiated a north-south route together with India as an alternative to the east-west corridor, but neither party has the financial means to invest in such a large project. Iran sees Türkiye as its rival competitor for influence in Central Asia, and the "Zangezur corridor" would provide Türkiye with an alternative route to Central Asia that bypasses Iran. At the same time, both Türkiye and Iran are competing with the financially more powerful China for influence in Central Asia.²¹ Like the situation in the South Caucasus, Russia's influence in Central Asia has decreased since the full-scale invasion of Ukraine.

[briefings/1833395/#19](#)

19 Shahverdyan, Lilit (2022) "Blockade of Nagorno-Karabakh enters the second day", *Eurasianet.org*, 13 December, <https://eurasianet.org/blockade-of-nagorno-karabakh-enters-second-day>.

20 Zolyan, Mikael (2022) "How the West managed to Sideline Russia in Mediating the Nagorno-Karabakh Conflict", *Carnegie*, 9 November, <https://carnegieendowment.org/politika/88347>.

21 Kuzio, Taras (2022) "War a Possibility as Iran-Azerbaijan Tensions Flare", *Geopolitical Monitor*, 21 November, <https://www.geopoliticalmonitor.com/war-remains-a-possibility-as-iran-azerbaijan-tensions-flare/>.

Policy Recommendations

- The Eastern Partnership remains the only platform that brings together the three partners in the South Caucasus and the EU. It should therefore be preserved and developed as a plurilateral forum between the EU and the respective states, which helps them to cooperate, improve the lives of citizens in concrete ways, improve governance and create more links between the partner countries themselves.
- The EU should strengthen the security dimension of the Eastern Partnership. Of the countries in the South Caucasus, only Azerbaijan is self-sufficient as regards security, while both Georgia and Armenia face heavy pressure from external powers.
- The EU should immediately facilitate an agreement with Armenia and Azerbaijan on an extended border mission on Armenia's recognised border with Azerbaijan. This should replace the EUMCAP and remain in place, if necessary, until a border delimitation agreement has been reached between Armenia and Azerbaijan.
- The EU should further internationalise the Nagorno-Karabakh conflict and seek a solution, without undermining the efforts of the OSCE Minsk Group. This should include offering to send peacekeepers to replace the Russian peacekeepers when their mandate expires in 2025.
- The EU's cooperation with Armenia should continue within the Eastern Partnership and the CEPA, but a message should also be sent that when Yerevan is ready for an Association Agreement with the EU, the EU is ready.
- The EU should send a message to Georgia that EU candidate status is not a dream, but an opportunity, which also demands change. There is no room for Georgia fatigue. The Georgian population supports EU membership and Ukraine in the war against Russia. The polarisation within Georgia is mainly between the population and the government.
- The EU should push for sanctions on the Georgian oligarch, Bidzina Ivanishvili, and demand the release of former president Saakashvili for medical treatment abroad in line with the 14 December resolution by the European Parliament.



Jakob Hedenskog

Analyst at the Stockholm Centre for Eastern European Studies (SCEEUS).

About SCEEUS

The Stockholm Centre for Eastern European Studies (SCEEUS) at the Swedish Institute of International Affairs (UI) is an independent Centre, funded by the Swedish Government, established in 2021. The Centre conducts policy relevant analysis on Russia and Eastern Europe and serves as a platform and meeting place for national and international discussions and exchanges on Russia and Eastern Europe. Any views expressed in this publication are those of the author.

© 2022 Stockholm Centre for Eastern European Studies

Previous SCEEUS Publications:

[Putin's Visit to Belarus: Will Lukashenka Join Russia's War in Ukraine? by Alla Leukavets](#)

SCEEUS Quick Comment, 21 December 2022

[Dead Water: How the Russian Security Services' Paranoid Mindset Justifies the War by Andrei Soldatov & Irina Borogan](#)

SCEEUS Guest Report No. 5 2022, 20 December 2022