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External Actors and Geopolitical Pivoting in the South Caucasus¹

Small countries often find themselves having to make difficult choices when it comes to navigating optimal pathways for their national development. Their relations with larger powers, as well as competing relations between larger powers with an interest in specific regions where small countries are located, will invariably impact on their development. One of the regions of the world where the impact of larger powers on the development of smaller countries is highly evident is the South Caucasus, a region of the former-Soviet Union predominantly associated with the countries of Armenia, Azerbaijan and Georgia. These three relatively small yet important countries in a region of strategic importance have come a long way since they became independent nation states following the collapse of the Soviet Union at the end of 1991.

Most international visitors to the thriving, present day urban metropolises of Yerevan, Baku and Tbilisi are largely oblivious to the fact that just a few decades ago, these were capital cities of countries going through a dire political, economic and social crisis. Basic goods and services which most people have long taken for granted in the developed world – including basic energy supply, adequate transport infrastructure, appropriate public as well as consumer goods and, perhaps most importantly, civil security – were for the most part in short supply in these countries.

Fast forward the situation some 25 years later and find a completely different situation. All three countries have reached an impressive state of development compared to their baseline scenarios from barely a generation ago. Modernisation of infrastructure, abundance and variety of goods and services as well as the highly evident process of capital formation through domestic and international investment flows are all very visible to persons visiting Armenia, Azerbaijan and Georgia at the present time.

Yet the countries of the South Caucasus region remain in many ways in a similar predicament to their situation during the 1990s: largely unfinished projects from a national development perspective – politically and socio-economically. Despite substantial economic gains made by all three during the last two decades, and the fact that the results of capital formation are visibly

¹ *The original paper has been published with the Study Group Information on “Does the EU Need a Strategy for the South Caucasus?”, Editors Frederic Labarre, George Niculescu, Band XX/2024, by the Austrian National Defence Academy, Vienna, 2024.*

contributing to their modernisation, a major sense of uncertainty surrounds the future of Armenia, Georgia and, perhaps to a lesser extent, Azerbaijan.

This is largely due to two factors. The first is to do with the political and security-level fallout in the region as a result of the collapse of the Soviet Union. Prior to the conflict currently engulfing Ukraine, the South Caucasus was the region which has seen the largest degree of political violence, breakaway wars and inter-state conflict out of all of the Soviet Union's successor states – perhaps with the exclusion of the largest of the successor states: Russia. The region has still not been able to cast aside the shadow of its post-Soviet era conflicts, resulting in political volatility, strategic uncertainty and the inability for the region to fully integrate economically with itself.

The second factor is the relationships the states of the region harbour with larger powers, as already alluded to above. When it comes to the states of the South Caucasus having to engage larger powers, two sets of external actors loom large: regional larger powers (predominantly Russia, Turkey and Iran) and international larger powers (predominantly the EU and several of its individual member states, the US and the UK and, to a lesser degree, China, and the Gulf Arab States). The regional larger powers have been present as external actors in the South Caucasus region for centuries. They have both courted as well as imposed their power on the smaller states (and in historical terms, kingdoms) of the region and continue to do so to this day.

The international larger powers have appeared in the region as external actors very recently, mainly since the collapse of the Soviet Union. Armenia, Azerbaijan and Georgia were of course all part of the larger Soviet mother state until the end of 1991 and the South Caucasus was largely closed off to the outside world up until that time. All larger powers – local and international – have exercised their interest in the region as external actors, whether it has coincided or contradicted to that of the region's smaller countries. As it stands today, the region is characterised by fairly intense geopolitical rivalry, adversarial relations and lack of trust between a number of the external powers in general and Russia and (the so called) West in particular.

Russia has found it difficult to 'pull out' of the region since the collapse of the Soviet Union or accept the fact that the South Caucasus countries are fully fledged sovereign states whose national interest may not always coincide with that of Moscow. The EU, the US and the UK, all backed by the NATO Alliance, on the other hand, have invested substantial political capital in bringing these countries (especially Georgia, and more recently Armenia) closer to the West. This has created, rightly or wrongly, a perception in Moscow that they are being pulled away from Russia's geostrategic orbit. Such developments have clearly not been well received in Moscow and has resulted in a backlash from the Russian state. Russia's invasion of Georgia in August 2008, and the short yet deadly war that followed between the two countries, is perhaps the most flagrant example of how the West's political courting of the South Caucasus states has led to a violent and decisive backlash from Russia.

The newfound rivalry and power competition between the larger external powers in the South Caucasus region – which has been present for centuries – has increasingly forced the three countries of the region to engage in what can be referred to as 'geopolitical pivoting'.² Armenia,

² There is no particular academic literature on the concept that we refer to here as 'geopolitical pivoting'. In a theoretical context, the term would refer to a responsive course of foreign policy actions taken by small states/local actors as a means of promoting and/or defending their national interest in response to rivalry and influence seeking instigated by larger powers/external actors in a certain region of strategic interest. In the context of this essay the term is largely used to describe the actions of smaller powers/local actors in the former-Soviet Union (and particularly in the South Caucasus) in response to the geopolitical rivalry between Russia and the West in post-Soviet space.

Azerbaijan and Georgia are finding themselves under increasing pressure to choose between integrating themselves politically and economically with either East or West: to decide whether to anchor themselves either to the EU/US, or to stick with Russia, as the primary means of assuring their security and economic development.

The game of geopolitical pivoting in which these countries now find themselves not only undermines the region's security and prospects for regional economic integration, but it is also the major contributing factor to the prevailing uncertainty which hangs over the future of the entire South Caucasus. A major change in the behaviour from the leading external actors exercising power and influence in the South Caucasus is necessary if Armenia, Azerbaijan and Georgia are to realise their sovereign nation-statehood and to complete the realisation of national-development project journeys upon which they embarked in the early 1990s.

The Lure of Europe

When the Soviet Union collapsed as a nation state in late December 1991, history ended. Or at least this was the myth that entered into widespread circulation at the time, as made famous none more so than by Francis Fukuyama's seminal essay: 'The End of History'.³ While the collapse of the Soviet Union immediately resulted in the birth of 14 new countries in 1992, as the USSR's successor states, influential essays such as those of Fukuyama and other scholars in Europe and North America cultivated a default thinking that these countries would now join the international club of democracies and market economies. Democracy theorist, Samuel Huntington, spoke of the 'third wave' of democratisation in the late 20th Century, which included the political transformations taking place in Eastern Europe and the former-Soviet Union at the time of the coming down of the Berlin Wall in 1989.⁴

The Cold War had ended. Democratic elections were taking place in all Soviet successor states, including Russia. Market reforms, including chaotic yet pervasive privatisation programs intended to form the basis of market economies, were also being rolled out in the former-Soviet Union region. In light of newly emerging trade and investment opportunities in ex-Soviet Eurasia, the world was entering into a new era where Cold War tensions took a backseat as we witnessed the onset of globalisation. The lure of the West – the economic, technological and material wealth of capital rich Europe and North America – rapidly emerged as a default development benchmark for all Soviet successor states to aspire to. A new term even appeared in the Russian language to encapsulate the lure and to rapidly spread the seductive nature of its message across Russia and the Soviet successor states: *Evrostandart*.

The lure of the West was particularly strong in all Soviet successor states during the 1990s and early 2000s, including Russia, and was cultivated further by a steady flow of the West's investment, trade and aid to the region. Further, as ex-Soviet Eurasia globalised and become more integrated into the international economy during the 1990s, the lure of new business opportunities in the 'East' – with its emerging markets, abundance of raw materials and high-quality human capital –

³ The End of History?, Francis Fukuyama, *The National Interest* [No.16 \(Summer 1989\)](#), pp. 3-18 (16 pages); Published By: Center for the National Interest

⁴ *The Third Wave: Democratization in the Late Twentieth Century*; Samuel Huntington; University of Oklahoma Press, Norman, 1993.

attracted many investors (and fortune hunters) to the region. In countries like Kazakhstan and Azerbaijan, international oil companies invested big time into the oil and gas sectors based on long term production sharing agreements and other forms of concessional arrangements with these governments.

Major investments were also channelled into oil and gas transportation projects in these countries, including pipelines designed to export Caspian hydrocarbons to international markets in circumvention of Russia, depriving the latter of both income and influence. Western capital often came in parallel to, or was accompanied by, development aid and technical assistance projects funded by governments from Europe and North America. This process was further supported by the establishment of diplomatic representations, chambers of commerce, and even efforts at military cooperation.

By the end of the 1990s and into the early 2000s, the West had firmly established a powerful interest in all of the Soviet successor states, including Russia. At the same time governments in Europe and North America actively promoted democratic values throughout the region, to compliment investment and market reform. Aid money was happily accepted by government and non-government stakeholders in the region - Eurasia was largely cash strapped in the initial years following the Soviet collapse.

A Russian Reconsolidation in the former-Soviet Union

The journey to democracy and to the market (economy) for the successor states of the former-Soviet Union was anything but a simple one, however. In Russia, the main successor state of the Soviet Union, the liberal and (relatively) democratic 1990s decade soon gave way to a re-centralised political economy during the 2000s, where the state clawed back control of the crown jewels of the economy and tightened the political environment, which became centred around the (Vladimir) Putin regime. At the same time, the Russian economy grew at a very impressive tempo in the 2000s, fuelled both by foreign investment as well as steadily high incomes received from hydrocarbons exports. As the Russian economy expanded, Russia became the main source of investment and trade for most of the other Soviet successor states.

By the early 2000s, Russian corporate brands competed strongly with leading Western brands across the former-Soviet Union, whilst Moscow and other major Russian cities attracted guest workers by the millions from the poorer Soviet successor states. Moscow was establishing itself as a new capital, no longer of the Soviet Union, but rather of a swathing post-Soviet economic ecosystem which became a driver for investment and trade right across the entirety of Eurasia. While the West was visibly establishing its presence across the region, the economic evolution which took place in Russia during the 2000s resulted in Moscow's reconsolidation in the former-Soviet Union. Some Western critics described this process as Vladimir Putin's attempt to recreate the Soviet Union by asserting Russian political dominance across the region, but the phenomenon taking place was largely of an economic/business creation.

At the same time, the 2000s are also often associated with the retreat of democracy in Russia (although it is questionable, how democratic Russia really was during the 'liberal 1990s') and the arrival of the *siloviki* (former-state security officials turned 'power-bureaucrats'), who rallied around the Putin regime and propped up its increasingly authoritarian tendencies. In fact, the better the Russian economy did at the time, the tighter the political control seemed to become in Putin's newly rebranded Russia. In Moscow's newly evolving world view, the lure of the West was largely

dwindling down into an ‘economic lure’. Democracy also failed to take root in other sound performing and relatively stable post-Soviet economies, including Azerbaijan, Belarus and Kazakhstan, as well as politically stable yet lesser economic performers such as Turkmenistan, Uzbekistan, as well as Tajikistan.

While all of these countries actively courted Western business and some of them (Azerbaijan and Kazakhstan in particular) attracted very substantial volumes of foreign direct investment (FDI), their progress with democratic reform continued to evolve largely on their own terms. All of these countries, as well as Russia, recorded impressive economic growth during the 2000s and were largely guided by an indigenous form of evolving state capitalism. This development model – limited in democracy yet heavily pro-business – created a solid foundation for their current level of relatively impressive economic development, particularly if we take account the dire situation in which all of these countries were mired during the 1990s.

Furthermore, neither Russia nor any of these state capitalist, limited democracy countries of the former-Soviet Union were on a political collision course with the West, despite the retreat of democracy in the region as of the earlier part of the 2000s decade. To the contrary, prior to the Russo-Georgia war of 2008, Russia and the West were going through their own form of political honeymoon, which was underscored by massive expansion of FDI into the Russian economy as well as voluminous trade turnover between Russia and Europe. Multibillion dollar investment projects channelled by multinationals into the Russian economy at the time, particularly in the energy sector, helped to iron out some areas of geopolitical discord, such as the accession of former-Soviet republics – Estonia, Latvia and Lithuania – to the EU and the eastbound expansion of NATO.

Geopolitical Pivoting Begins with State Failure: Georgia, Ukraine and Kyrgyzstan

The seeds of large-scale tension and the overall crisis in Russia’s relations with the West currently being witnessed has its roots in the partial state failure experience of the politically weaker and poorer economic performers of the post-Soviet countries, namely Georgia, Ukraine, Kyrgyzstan and (to a lesser extent) Armenia. It is in the near political collapse that these countries experienced – following contentious elections and the ensuing eruption of ‘coloured revolutions’ in Georgia, Ukraine and Kyrgyzstan – between 2003 and 2005 that the game of geopolitical pivoting began, both in the South Caucasus and in the former-Soviet Union more broadly.

In November 2003, following a parliamentary election which was widely seen as a fraudulent attempt to keep the decaying regime of President Eduard Shevardnadze in power, Georgia succumbed to what became dubbed as the Rose Revolution. While Shevardnadze’s early legitimacy as Georgia’s mainstay president of the 1990s was derived from the relative stability he brought to the country following the Soviet collapse, by the early 2000s his rule oversaw a country on the brink of socio-economic collapse. Discontent in the country was pervasive and the rigged elections of 2003 led to street protests on a scale large enough to eventuate in Shevardnadze’s downfall.

A year later, in late 2004 in Ukraine, another fraudulent election led to the eruption of what became dubbed as the Orange Revolution, where a seemingly pro-Western candidate, Victor Yushchenko, swept to power following widespread street protests rejecting the initial results of the poll. Yushchenko won a re-run of the election, defeating the pro-Russian candidate, Victor Yanukovich, who was also widely seen as ‘the candidate of continuity’ of the murky regime of President Leonid Kuchma, Ukraine’s second elected president of the post-Soviet era. A further coloured revolution

then engulfed the small, mountainous Central Asian Republic of Kyrgyzstan in the spring of 2005, where the regime of the country's first ex-Soviet president, Askar Akayev, was also toppled by sweeping street protests. Kyrgyzstan's protests and the downfall of Akayev were labelled as the Tulip Revolution.

It was at this point in the historical evolution of post-Soviet politics that the roots of geopolitical pivoting – a concept reflecting foreign policy behaviour of smaller Soviet successor states in response to the rivalry for power and influence between Russia and the West in post-Soviet space – were largely sown. Following the Rose Revolution in Georgia and the Orange Revolution in Ukraine, both Georgia and Ukraine were widely perceived to have pivoted increasingly to the West, becoming less aligned with Russia politically. The relationships of both countries with Russia became more complex, following what appeared to be – at least on the surface – a form of regime change which took place in the two countries.

Following their respective revolutions, both Georgia and Ukraine appeared as shining examples of democratic former-Soviet reformers at a time when democracy was in retreat in Russia, and perhaps also losing foothold in other Soviet successor states. Further, since the process of democratisation in the former-Soviet Union was firmly associated with the West, the new regimes in Georgia and Ukraine almost immediately became labelled as pro-Western.

In these circumstances, it proved almost impossible for the EU and the US not to support both Tbilisi and Kiev in their new pivot to the West. Furthermore, the economic and fiscal weakness of both countries helped further open the door for voluminous foreign aid as well as external finance from international donors in order to help prop up the new governments of Presidents Mikhail Saakashvili in Tbilisi and Victor Yushchenko in Kiev respectively. The dependency relationship which both the Saakashvili and Yushchenko governments allowed to develop with the Western-led international donor community left them with little room to manoeuvre apart from continuing with their reform agendas.

In the case of Georgia, the reforms introduced by Saakashvili appeared to improve governance in the country, with many of the political and economic indicators improving according to international ratings agencies. Ukraine, on the other hand, appeared to produce fewer positive results – much of the foreign assistance coming into the country was either mismanaged or squandered, and led to multiple reshuffles within government. Nevertheless, continued aid packages and flows of donor money to Georgia and Ukraine deepened their pro-Western political orientation and set the seeds for much deeper geopolitical rivalry between Russia and the West in the former-Soviet space for years to come.

Eventually, this state of affairs would elicit a Russian response, particularly in Georgia. It came following the Bucharest Summit of NATO in April 2008, where the prospects for Georgia's future membership of the alliance appeared to be put on the table. Russia's response was in fact a geopolitical power play – a full-scale military invasion of the country intended to rattle the Saakashvili government to the core and to block any prospect of Georgia's future NATO membership. Moscow already held the view that both the Rose Revolution in Georgia and the Orange Revolution in Ukraine were 'encouraged' – if not directly instigated – by the West, since Euro-Atlantic public diplomacy openly endorsed both movements. Additionally, the accession of the three Baltic States – Estonia, Latvia and Lithuania – to NATO in 2004 was not an easy pill for

Moscow to swallow.⁵ ‘Losing Georgia’ (and possibly later on Ukraine) to NATO appeared to be a red line that Moscow was not prepared to compromise.

The Russian military onslaught against Georgia in August 2008 – which Moscow waged in the name of protection of ethnic minorities in the Russian Federation’s Caucasian republic of North Ossetia – ended after mediation by the president of France of the time, Nikola Sarkozy. While Russia’s war against Georgia did not lead to the immediate collapse of Saakashvili’s government, the Georgian president eventually lost power in the country to a new regime which pivoted Tbilisi back towards improved political ties with Moscow.

Nevertheless, Georgian society became highly polarised, with much of the country remaining pro-Western in orientation and resentful of Russia’s omnipresent geopolitical-military shadow, which continued to loom large over the small South Caucasian country following the August 2008 war. The West continued to court Georgia with multiple instruments of development aid and external finance from international donors. Yet the new and successive Georgian governments, which were financially backed by the pro-Russian billionaire, Bidzina Ivanishvili, exercised caution in not repeating the brand of geopolitical pivoting which was rather brazenly adopted by Tbilisi during the Saakashvili years.

External Actors Making Life Unbearable for Soviet Successor Countries

If Russia’s ultimate aim in Georgia was to (first) put an end to any discussion of Georgia’s membership of NATO and also (second) to see the end of Mikhail Saakashvili, then it can probably be argued that Moscow succeeded. However, neither the war, nor the departure from power of Saakashvili resulted in the end of geopolitical pivoting in the former-Soviet space. To the contrary, rivalry and competition between Russia and the West in the former-Soviet Union – as well as in the Middle East, Africa and Latin America – would only intensify following Moscow’s military operation against Georgia in 2008.

We have already commented in detail as to how post-Soviet Russia has evolved from what can be referred to as a ‘compliant power’ (1992-2008) to a ‘revisionist power’ (2008-23) in an earlier essay in this series for the Austrian Defence Academy.⁶ Spurred on by differing positions towards Arab regimes during the upheavals of the Arab Spring (particularly in Syria), relations with Iran and China, as well as multiple tensions over the EU-Russia energy (particularly gas) trade, Russia and the West increasingly failed to see eye-to-eye. The West, for its part, often viewed Moscow’s non-alignment on multiple geostrategic issues in antagonistic terms: Moscow’s non-compliance with the West’s position against Syrian leader, Bashar al-Assad, for example, was seen as an action countering the interests of the US and the major powers of the EU.

⁵ The accession and assumption of full membership of NATO of Estonia, Latvia and Lithuania was duly accompanied by that of Bulgaria, Romania, Slovakia and Slovenia, making the 2004 enlargement the biggest in the history of the alliance. Poland, Czech Republic and Hungary had already joined NATO in 1999. All of these countries were either members of the Soviet-led Warsaw Pact or constituent republics of the Soviet Union barely a decade earlier.

⁶ “The Likeliest Scenarios for Tomorrow’s Russia” in Frederic Labarre and George Niculescu (Ed), *Discussing a South Caucasus short of Russian dominance*, Study Group Information, 25th Workshop of the PfP Consortium Study Group ‘Regional Stability in the South Caucasus’, 17/2023, Vienna, Austrian Defense Academy, November 2023

This led to tense diplomatic relations between Moscow and the West, resulting in Russia seeking to further assert its dominance in those parts of the world where it could do so, with its most natural spheres of influence being in the former-Soviet Union. Thus, any structural movement in the external policies of the former-Soviet states towards European (political, economic or military) integration *de facto* became viewed in Moscow as policy measures contrary to the Russian national interest – or a form of geopolitical pivoting towards the West. Moscow increasingly tightened the screws in the former-Soviet Union and sought to maintain its geopolitical leverage where possible, both in the near and far-abroad.

It largely monopolized for itself the peace-process between Armenia and Azerbaijan through the tri-partite OSCE Minsk Group format, whilst maintaining its military footprint in other frozen, separatist conflicts in Soviet successor states such as Moldova and Georgia. It also kept close tabs on Central Asia – the spring 2005 Tulip Revolution in Kyrgyzstan initially led to substantial chaos and instability in the small mountainous country rather than a pro-Western orientation. The request placed by the government of Kyrgyzstan to Washington for the removal of US military presence from the Manas airbase in 2014 was portrayed in Moscow as a Russian geopolitical victory in Central Asia.

It should also be mentioned that Russia's business corporations – in energy, raw materials and multiple other areas of the economy – had firmly established themselves in other Soviet successor states during Russia's reconsolidation in the former-Soviet Union (discussed above). Moscow's oligarchs and giant parastatal corporations – most of whom likely benefited from substantial links to the Kremlin – held little interest in losing market share to foreign competition in these newly emerging countries.

Many of the Russian oligarchs and business leaders were themselves *Rossiyani*, or 'greater-Russians' from non-ethnic Russian titular nations of the former-Soviet Union, with substantial ties in the Soviet successor states where their businesses operated. This further assisted in connecting Russia with these countries and ensuring the Russian interest within them. Post-Soviet Eurasia, whilst now comprised of sovereign states as opposed to Soviet Socialist Republics, firmly remained a highly integrated *Russophile*-dominated economic space – where business deals cut through the borders of the newly emerged sovereign states like a sharp knife through butter.

Yet the lure of Europe continued to loom large in the region, particularly in Western Eurasia (Ukraine and the South Caucasus). In countries like Ukraine, it was driven by multiple factors. These included continued state failure and widespread corruption under the regime of President Victor Yanukovich, who made a comeback in the polls to win Ukraine's presidential elections in 2010, despite being widely seen as Moscow's preferred candidate. They also included Brussels' Eastward expansion through exportation of European integration to EU neighbourhood countries through multiple policy tools and technical assistance instruments under the European Neighbourhood Programs. Much of this policy of exporting European integration instruments to the EU's Eastern Neighbourhood was driven politically by some of the bloc's newest member countries, particularly Poland and the three Baltic nations, whose primary objective of promoting such policies was to settle old scores with Russia backlogged from Soviet times.

In November 2013, a new, major crisis erupted in Ukraine following Yanukovich's reluctance to sign a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU. Much has already been said about Ukraine's (effectively) second post-Soviet revolution which led to the overthrow of the Yanukovich regime in February 2014 and embroiled Ukraine, Russia and the West into a conflict over Ukraine's sovereignty in the Crimea and the Donbass. The reasons why Yanukovich

abstained from signing the DCFTA with Brussels may be obvious enough to some (that he was instructed not to sign the agreement by Moscow), but debatable for others (that Moscow offered Ukraine a much better financial and investment deal in return for not signing, whilst it should also be noted that Armenia and Belarus also abstained from signing the DCFTA).

What is important to mention, however, is that the sheer magnitude of the protest movement which toppled Yanukovich, and its overwhelmingly pro-EU orientation resulted in European and Euro-Atlantic integration becoming perhaps the most sensitive political topic in the post-Soviet space since the collapse of the Soviet Union itself. Ukraine's ensuing *Euromaidan* revolution led to even greater political turbulence than was seen during the Orange Revolution a decade earlier. *Euromaidan* precipitated overt civil war in the country in the early spring of 2014 and led to the first Russian military intervention on the territory of a post-Soviet neighbour since its invasion of Georgia in August 2008. As most of the post-Soviet successor states ominously looked on at the turmoil taking place in Ukraine, European integration became a topic almost too sensitive for the countries of the region to even consider discussing openly. Geopolitical pivoting had by now made political life almost unbearable for Soviet successor states.

Georgia's Pivot from West to East and Ensuing Polarisation

The end of the Cold War and the collapse of communism in the former-Soviet Union and Warsaw Pact countries created an expectation that East-West antagonism, rivalry and the bloc mentality which divided Europe for over four decades would come to an end. It was expected that democracies and market economies would emerge, ushering in a new era of trade, investment and globalisation for the benefit of all. The entire Soviet bloc, including Russia, would succumb to the lure of Europe, it was thought. This has, for the most part, not happened. Whilst a high degree of economic integration and some political goodwill existed between Russia and the West during the years that Moscow played its part in the post-Cold War European system of international relations as the 'compliant power', all of this has since evaporated. Initially Georgia, and later Ukraine, increasingly became the straws that broke the camel's back when it came to relations between Russia and the West following the end of the Cold War.

A good three decades since the Soviet collapse, geopolitical pivoting has become a major, if not dominant foreign-security policy feature in the former-Soviet space, particularly in regions such as the South Caucasus, where multiple external actors compete for power and influence. Whereas in Central Asia, the Soviet successor states have walked a tight rope in advocating a non-aligned foreign policy whilst publicly championing economic cooperation, geopolitical pivoting continues to dominate external relations in the South Caucasus.

Georgia, which pivoted to the West under Saakashvili some two decades ago, has now reoriented itself towards Moscow. Successive Georgian governments supported by pro-Moscow oligarch, Bidzina Ivanishvili, have continued to keep both the EU and NATO at a distance, whilst gradually restoring and strengthening ties with Moscow. Georgian Prime Ministers have made public statements to the effect that 'Georgia will never again go to war with Russia'.

Indeed, at the time of writing, rumours circulating on some Russian language Telegram (social media) channels suggested that Georgia would join the (Russia-driven) Eurasian Economic Union – which would be a major political coup for Moscow in its current standoff with the West over Ukraine and in the former-Soviet Union more broadly. Russia would, in exchange, allow for the return of Abkhazia to Georgia, which Tbilisi considers to be part of its sovereign territory.

Abkhazia broke away from Georgia following the collapse of the Soviet Union, further to a short, separatist war fought by Sukhumi against Tbilisi, where the former was backed by Moscow. Georgia has been unable to restore its sovereignty over the breakaway region since that time and Moscow's support for Sukhumi has continued to this day. Furthermore, Georgia's largest electricity generation plant – the Inguri Hydroelectric Power Station – is also located in Abkhazia. Its return to Tbilisi's fold would be another carrot and part of the deal between Georgia and Russia.

At the same time, Georgia's steady pivot towards Russia has been accompanied by similar tumultuous street protests to those seen during the Rose Revolution, which led to the overthrow of Edward Shevardnadze. The Georgian Parliament's recent adoption of a new law requiring full transparency of (foreign) funding for NGOs has led to widespread political demonstrations in the country during 2024. The Georgian opposition and civil society groups have dubbed the new legal requirement as 'the Russian law', since it is based on similar statutes to those introduced in Moscow, which require NGOs to reveal their foreign backers. The Georgian government has justified the law by arguing that it protects the country's sovereignty against intrusive meddling by foreign agents and helps protect Georgian culture from the West's 'exportation of its degeneracy agenda such as the LGBT movement'. Brussels responded to the passing of the law by largely putting on hold Georgia's EU integration track. Brussels had earlier granted Georgia the status of an 'EU candidate country' in December 2023, opening the pathway for Tbilisi's eventual EU membership.

Georgian society remains highly polarised over the implementation of the law, however. Much of the country's fast growing, younger population has become highly Westernised during the last generation and sees Europe and the US – rather than Russia – as the benchmark for the future they want to build. Substantial distrust of Russia as an external actor in the South Caucasus still remains amongst large segments of the Georgian population and many Georgians would like to see the EU, the US and NATO bolster their presence on Georgian territory as a deterrent to Moscow. Such polarisation in Georgian society has not prevented Georgia from expanding economically, and the country is now far more developed than it was a generation ago. But the country remains largely poor, dependant on foreign aid and its future is no less uncertain today than it was during the 1990s.

Armenia, Azerbaijan and the New Lines of Division in the South Caucasus

In contrast to Georgia, Armenia has gone in the other direction. Yerevan was a loyal ally of Moscow for much of the post-Cold War period. It was part of the Eurasian Economic Union, a member of the Collective Security Treaty Organisation (CSTO) and like Ukraine under Yanukovich, resisted Brussels' temptations in signing the DCFTA with the EU in late 2013. Russian military bases were largely welcome on Armenian territory and Yerevan looked at Moscow as a core pillar of its security, which helped to keep the pro-Armenian *status quo* over the largely frozen Nagorno-Karabakh conflict. This entire configuration started to change substantially following yet another set of sweeping street protests which led to the downfall of the regime of Prime Minister Serzh Sargsyan and the arrival of the populist leader, Nicol Pashinyan, who became Prime Minister of Armenia in 2018. The equation shifted further, more radically, following Armenia's defeat by Azerbaijan during the Second Karabakh War in the autumn of 2020, and further still after the Armenian loss of Stepanakert (*Khankendi* in Azerbaijani), the capital of Nagorno-Karabakh, in September 2023.

The decisive operation by the highly superior military forces of Azerbaijan in disarming Armenian rejectionists of Azeri rule in Karabakh in the early Autumn of last year led to the final dissolution of the Karabakh-Armenian statelet which was established shortly after the collapse of the Soviet Union. The crisis also caused an exodus of Armenian refugees fleeing the region for the Armenian mother country. The images of the fleeing of some 100,000 Armenians – the second large scale refugee crisis to inflict the former-Soviet Union in less than two years – resulted in stern reprimand of the Baku leadership in Europe and North America. Russian peacekeepers, who were present in the area, appeared to do little to prevent hostilities during the highly uneven conflict between the Azerbaijani military and the remaining Armenian armed groups in Karabakh, who were no longer backed by the Armenian army. Russia, whose credibility as a peace keeping force separating Armenian and Azeri combatants had already eroded after the Second Karabakh War, had by now suffered a total loss of face in Yerevan.

After the fall of Stepanakert and the exodus of the remaining Armenians of Karabakh, Armenia pivoted to the West in a manner not seen previously since the collapse of the Soviet Union. Russian military bases have been packing up their operations on Armenian territory and there is now talk of Yerevan leaving the CSTO. In wake of the Russian loss of face in Yerevan, as well as the emerging military vacuum, France has come to Armenia's aid, reportedly arming the country and engaging in talks of defence agreements.

While Brussels has attempted to provide a platform for hosting peace talks between Armenia and Azerbaijan following the Second Karabakh War, it has more recently accorded substantive attention to Armenia in its diplomatic engagements. Such posturing culminated in Pashinyan being endorsed in Brussels and Washington almost at the same level as Ukrainian President Vladimir Zelenski following the Russian invasion of Ukraine in February 2022. Indeed, in April 2024, the Armenian Prime Minister was received in Brussels jointly by the President of the European Commission and the Secretary of State of the United States.

Although Pashinyan's visit to Brussels may have been an effort to provide political support for his dwindling popularity within Armenia (the Armenian Prime Minister had been facing regular protests over his efforts on a peace agreement with Azerbaijan), it was not seen in the most positive light in Baku. Azerbaijan's president, Ilham Aliyev, referred to Pashinyan as being received in a manner unprecedented for any leader of a post-Soviet state and warned that the West is creating new lines of division in the South Caucasus. Other high-level representatives of the Azerbaijani state accused the EU of waging a 'Cold War' against their country.

Such remarks may have been targeted just as much at Paris, as they were at Brussels, since relations between Azerbaijan and France have plummeted to an all-time low after France started to provide weapons to Armenia in the second half of 2023. France and Azerbaijan have engaged in *tit-for-tat* expulsions of each other's diplomats on reciprocal espionage charges, while Paris has accused Baku of aggravating anti-Paris riots in the French Pacific Ocean territory of New Caledonia. A war of words has been raging between Baku and Brussels in light of the above: there is currently little love lost between the European Parliament and Azerbaijan on the one hand, and the EU's outgoing top diplomat, Josep Borrel, and President Aliyev on the other.

Azerbaijan, it should be said, has been very careful in presenting itself as a neutral actor when it comes to tensions between Russia and the West, be it over Ukraine or other points of discontent. Baku – like the Central Asian states across the Caspian – has done its utmost to abstain from the game of geopolitical pivoting and to avoid the 'it's either us or them' mentality. Although Baku (like the Central Asians) has not condemned Russia's invasion of Ukraine, it has provided Kiev

with humanitarian aid and has also responded to the EU's requests for additional support in the area of natural gas supplies following the Russian invasion of Ukraine.

However, following the long convoys of Armenian refugees fleeing Karabakh in the Autumn of 2023, both European and American leaders have increasingly pointed the finger at Aliyev as the aggressor – although not withstanding that his military conducted the operation within restored Azerbaijani sovereign territory against armed groups which Baku considered to be illegally formed. Aliyev, for his part, was not impressed by Borrel's thinly veiled reference to Azerbaijan when he stated that 'Europe is a garden while the rest is but a jungle'.

Despite Azerbaijan's efforts to maintain a non-aligned foreign policy, Baku is now being placed increasingly into the Russian camp by Western experts and political figures, even though it has resisted temptation to pivot geopolitically either East or West. But with Georgia's current rough patch with the EU and consolidation with Russia, Baku's scolding in Paris, Brussels and Washington over its handling of the remaining Karabakh Armenians, and Pashinyan's 'Zelenski-style' welcome received within the Euro-Atlantic camp, Azerbaijan's president may well be right when he warned recently of new dividing lines emerging in the South Caucasus.

Small Countries Should Not Have to Make Hard Choices

Small countries often have to make hard choices when it comes to their national development, particularly those categories of small countries which find themselves in complex external environments, where the interests of larger powers and external actors collide. The international relations environment which has prevailed in the South Caucasus following the collapse of the Soviet Union – the inexorable expansion of the West on the one hand and the inability of Russia to 'let go' on the other – has substantially complicated the efforts of Armenia, Azerbaijan and Georgia to secure and consolidate upon their independent, sovereign statehoods. The prevailing level of tension and confrontation between Russia and the Euro-Atlantic community of states which has steadily accumulated to levels unprecedented since the end of the Cold War, has neither allowed for the integration of (some) of these countries with Europe, nor integration with themselves as a region – either politically or economically.

All three South Caucasus countries remain highly integrated with Russia economically and it does not seem likely that this economic interdependence will subside in the foreseeable future. This has both positive and negative implications for their future economic development prospects. All three countries have in their own way developed substantially, although to varying degrees, since the collapse of the Soviet Union. However, a substantial clouding of geopolitical risk remains omnipresent in the region at the present time. It would be foolhardy to diminish the seriousness of the current situation, the likelihood of the reigniting of conflicts or to disregard the impact that the prevailing wider tensions between Russia and the West can have on the South Caucasus.

The spiralling of the region into another war, such as the level of conflict which took place between Armenia and Azerbaijan in the Autumn of 2020, risks unravelling many of the economic gains made in recent years. New conflict in the South Caucasus would also further undermine business confidence in the region. Only a substantial change in the behaviour of the large powers and external actors in the region will allow Armenia, Azerbaijan and Georgia to consolidate on their sovereignty and secure their future as strong, independent nation states in a dynamic, integrated, prosperous and peaceful South Caucasus region. Small countries should not have to make hard choices.