

The EU's ambivalent neighbours. Brussels on the South Caucasus

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During the current terms of office of the European Commission and the President of the European Council, both of which end in 2024, the EU has stepped up its activities in the South Caucasus in an unprecedented manner. It has become involved in the political infighting in Georgia and in mediation between Armenia and Azerbaijan, and enhanced its economic relations with the latter by developing various transport projects. On the one hand, its increased activity has come as a response to the developments in and around the region. On the other, the actions it has taken are consistent with its strategic policy objective of strengthening the former Soviet states and expanding the zone of stability in its own neighbourhood. The head of the European Council Charles Michel has played a major role in animating the EU's policy by personally participating in many of its initiatives. The granting of candidate status to Georgia marked the beginning of a qualitatively new stage in the EU's presence in the region, even if this country is extremely unlikely to join the EU anytime soon.

However, the EU's enhanced position in the South Caucasus may prove to be temporary. Georgia continues to drift towards Russia, despite the pro-European orientation that its government officially espouses and its population supports. The way the parliamentary elections are conducted in the autumn will have a key impact on the dynamic of Georgia's integration with the EU. Negotiations between Armenia and Azerbaijan have lost momentum, and another war between them is no longer improbable. If the invasion of Ukraine goes in Russia's favour, Moscow will also step up its pressure in the Caucasus. Finally, the elections to the European Parliament are drawing near, and it is possible that the new decision-makers will not be as open to this region as the current ones are.

Stability, hydrocarbons and institutionalising cooperation

In recent decades, Western countries and structures have been involved in the South Caucasus to varying degrees of intensity; this includes the EU, which itself has also evolved. The first phase of their activity came in the period following the Soviet Union's collapse. In keeping with the 'end of history' spirit of that time and the belief in the definitive triumph of liberal democracy, they were motivated (at least declaratively) by a desire to expand the zone of stability. In reality, the prospect



of gaining access to Caspian energy resources (the reserves of which were overestimated at the time) played an equally important role. The EU's TRACECA programme¹ launched in 1993 epitomised that course. The West's interest in this part of the world faded after it achieved its economic objectives with the successful development of latitudinal infrastructural projects (oil and gas pipelines) despite the ongoing conflict in Nagorno-Karabakh;² the growing authoritarianism among the South Caucasus countries was another factor that contributed to this waning interest.

Western capitals and institutions reactivated their policy towards the South Caucasus after the Rose Revolution, which brought the radically reformist and pro-

” **The current phase of the EU's stepped-up activity was triggered by regional developments: the fierce political strife in Georgia and the Second Karabakh War in the autumn of 2020.**

Western camp led by Mikheil Saakashvili to power in Georgia at the turn of 2004. The countries of the South Caucasus were first included in the EU's European Neighbourhood Policy, and then, after the Russian-Georgian war in 2009, in the Eastern Partnership, which was also addressed to Belarus, Moldova and Ukraine. However, Georgia was the only country in the region that took full advantage of the instruments this initiative offered: in 2014, it signed an Association Agreement with the EU that included the Deep and Comprehensive Free Trade Area Agreement (AA/DCFTA), which came into force in 2016. On the one hand, this opened up the prospect of gradual economic integration, but on the other hand, it exhausted the main 'institutional' objectives of the Partnership, which did not offer the prospect of EU membership. In this situation the EU no longer had any real carrots or sticks for Georgia, especially after 2017, when it abolished short-term visas to the Schengen area for Georgian citizens.³ Over time Georgian Dream, which has been in power since 2012, has started drifting away from EU standards. Consequently Brussels has highlighted problems such as stalled reforms, human rights violations and electoral irregularities in Georgia.⁴

Armenia, for its part, opted not to sign an association agreement with the EU in 2013 after coming under pressure from Russia, and joined the Eurasian Economic Union instead; in 2017, it concluded a framework partnership agreement with the EU.⁵ Azerbaijan was also not interested in an association agreement and a DCFTA with the EU; in 2017, it started negotiations with the bloc on a partnership and cooperation agreement,⁶ but these are still ongoing. For the time being, EU-Azerbaijan relations are still governed by the previous agreement, which came into force in 1999 and reflected the state of bilateral relations at that time (association agreements that include DCFTAs bind individual countries to the EU more strongly than partnership agreements, partly by requiring them to bring their trade legislation into line with that of the EU). In this situation, the EU's relations with the South Caucasus countries began to loosen again.

Mediation between Armenia and Azerbaijan

The current phase of the stepped-up activity by the EU, and more broadly the West (the US has consistently supported the EU's initiatives in the Caucasus), was triggered by regional developments: the fierce political strife in Georgia and the resumption of fighting between Armenian and Azerbaijani

¹ The acronym stands for Transport Corridor Europe-Caucasus-Asia. The programme has continued to this day, but most of its initiatives were launched in the 1990s and early 2000s.

² Initially it was believed that the ongoing conflict would, at the very least, make it difficult to exploit Caspian resources. See W. Górecki, *The Gordian knot of the Caucasus. The conflict over Nagorno-Karabakh*, OSW, Warsaw 2020, osw.waw.pl.

³ See M. Falkowski, 'EU-Georgia: visas abolished – what next?', OSW, 29 March 2017, osw.waw.pl.

⁴ In 2016, GD won elections for the second time, scoring a landslide that gave it a constitutional majority (in 2012 it had to form a coalition).

⁵ CEPA – the Comprehensive and Enhanced Partnership Agreement. See W. Górecki, 'Armenia's agreement with the EU – Yerevan pretends to conduct a multivectoral policy', OSW, 29 November 2017, osw.waw.pl.

⁶ PCA – the Partnership and Cooperation Agreement.

forces over Nagorno-Karabakh, which culminated in the Second Karabakh War in the autumn of 2020. In response President Michel, who had been personally involved in the affairs of the Caucasus, came up with several initiatives.

Chronologically, the first of these related to Georgia, a country of particular importance for the EU as it has made the greatest progress in the European integration process. The Georgian opposition did not recognise the results of the autumn 2020 elections, which gave Georgian Dream its third consecutive victory, and refused to take their seats in parliament.⁷ Michel's efforts, which were aided by an *ad hoc* envoy for the Georgian crisis, brought about an agreement between the ruling party and the opposition forces in the spring of 2021, which temporarily calmed the atmosphere (although Georgian Dream backed out of that deal a few months later). The government in Tbilisi, aware of the population's pro-Western attitude⁸ and concerned about its image in Western capitals, agreed to the EU's mediation. In addition, European integration has been and still remains the main declared priority of its foreign policy. In May 2021, Georgia, Ukraine and Moldova formed an association trio to deepen their cooperation on the path to EU accession.⁹

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new development in the more than 30-year history of their conflict reflected the EU's ambition to contribute to the region's security architecture. The OSCE's Minsk Group had led the efforts to settle this conflict since the early 1990s. It was led by France, the United States and Russia, but the latter played the central role. After the Second Karabakh War, which ended after Vladimir Putin's mediation, the Minsk Group effectively suspended its activities and Russia in fact became the only intermediary between the two warring parties. Over time, however, it has become apparent that as a result of its involvement in the invasion of Ukraine, it has been unwilling or unable to move the negotiations forward.

Between December 2021 and July 2023, Armenia's prime minister Nikol Pashinyan and Azerbaijan's president Ilham Aliyev met six times in Brussels in the presence of president Michel. They agreed on a number of specific issues, including the principles for the delimitation of the two countries' common border. In addition, they held two meetings in Prague and Chişinău during the summits of the European Political Community. Besides Michel, both were attended by French president Emmanuel Macron, while Germany's Chancellor Olaf Scholz participated in the Chişinău summit. The apparent purpose of the latter's presence was to 'balance' Macron, as Azerbaijan has accused the latter of bias and claimed that France's overtly pro-Armenian policy has influenced the attitude of the EU as a whole; this was the reason why several EU-led meetings were cancelled in the autumn of 2023, throwing the Brussels format into deadlock. However, these developments also resulted from Azerbaijan's military

⁷ The EU and the ODIHR/OSCE shared the view that the 2020 elections were free and competitive, although they noted the "lack of a clear distinction between the ruling party and the state". See W. Górecki, 'Gruzja: pow wyborczy kłincz', OSW, 23 November 2020, osw.waw.pl.

⁸ Since the end of the 2000s, all opinion polls have shown that around 80% of respondents are in favour of Georgia's membership in the EU. For example, according to a survey by the International Republican Institute from February 2021, 67% of Georgian people strongly supported accession, while only 16% supported it with less conviction ('somewhat'). At the same time, around 70% of those surveyed have regularly expressed their support for joining NATO.

⁹ The pursuit of full integration with the EU and NATO was enshrined in the Georgian constitution. The relevant amendments came into force in 2018. See 'New Constitution of Georgia comes into play as the presidential inauguration is over', 17 December 2018, agenda.ge.

operation and seizure of the last Armenian-controlled part of Nagorno-Karabakh, which triggered an exodus of the Armenian population.¹⁰

Notwithstanding these circumstances, Western patronage over the peace process (the foreign ministers of Armenia and Azerbaijan have met in the US on several

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occasions and also held talks in Berlin in late February 2024) appears more promising than that of Russia: Moscow has also hosted meetings between the two parties, but these have failed to produce any concrete agreements.¹¹ Much suggests that an agreement on the first steps to build mutual trust, which the offices of Prime Minister Pashinyan and President Aliyev announced on 7 December 2023, was reached during the EU-led negotiations.¹² Chancellor Scholz attended the meeting between the two leaders on the sidelines of the Munich Security Conference in February 2024.

In an unprecedented step for the EU that confirmed its ambitions and constituted a strong reaction to the destabilisation of its neighbourhood, it deployed a two-month observer mission to Armenia’s border with Azerbaijan in the autumn of 2022. It was created almost *ad hoc* on the basis of the EUMM mission in Georgia,¹³ which had operated since the 2008 Russian-Georgian war. This deployment came as a response to a serious escalation which resulted in several days of fighting between the two neighbours in mid-September: nearly 200 soldiers were killed on both sides, and Azerbaijani forces reportedly occupied 10 km² of Armenian territory. This was the first EU mission of its kind to be conducted on the territory of a member state of the Russian-controlled Collective Security Treaty Organisation. Its establishment came under criticism from both Russia, which claimed that the EU’s presence in the region could generate additional tensions, and Azerbaijan, which argued that it had caused Armenia to toughen its stance. This short-lived deployment was replaced by a two-year mission, whose term began in February 2023 and which can be extended.¹⁴ Despite Azerbaijan’s reluctance, this move has eased tensions and raised the political cost of a possible Azerbaijani attack on Armenia. According to media reports, the EU is considering establishing another mission to be run by its Frontex agency; this would be deployed along the border with Iran, in the vicinity of the planned road from Azerbaijan proper to Nakhichevan.

The Ukrainian game changer and the tussle over Georgia

The discussions on deploying a Frontex mission and the fact that the EU has also floated the idea of transferring non-lethal military equipment to Armenia under the EPF instrument¹⁵ (albeit only hypothetically for the time being), demonstrate the scale of the changes that have taken place in the regional landscape. Notwithstanding this, it is important to note Armenia’s increasingly pronounced pro-Western turn and its growing conflict with Russia.¹⁶ However, with respect to the South Caucasus, the EU’s most dramatic political response to Russia’s aggressive actions was the decision to grant EU candidate status to Georgia on 14 December 2023.

¹⁰ W. Górecki, ‘Exodus of Armenians from Nagorno-Karabakh’, OSW, 3 October 2023, osw.waw.pl.

¹¹ *Idem*, ‘Competing peace formats. Russia and the EU’s attitudes towards the Armenian-Azerbaijani conflict’, OSW, 7 June 2023, osw.waw.pl.

¹² *Idem*, ‘The end of the stalemate in the Armenia-Azerbaijan peace process?’, OSW, 8 December 2023, osw.waw.pl.

¹³ The European Union Monitoring Mission in Georgia.

¹⁴ The European Union Mission in Armenia. It consists of 209 observers.

¹⁵ The European Peace Facility.

¹⁶ W. Górecki, ‘A serious crisis in Armenian-Russian relations’, OSW, 11 September 2023, osw.waw.pl. On 27 February 2024, the speaker of the Armenian parliament said that Russian border guards should leave Yerevan airport as they have failed to guarantee the protection of the country’s borders.

Initially, the Georgian government had planned to apply for EU membership in 2024, but when Ukraine and Moldova decided to do so after the outbreak of the Russian-Ukrainian war, Georgia joined its partners in the association trio. At the summit of the European Council on 23 June 2022, only Moldova and Ukraine were granted candidate status, while Georgia was offered the so-called European perspective. The EU made the granting of candidate status to Georgia conditional on the fulfilment of its recommendations in twelve areas. These ranged from specific objectives (such as the election of an independent ombudsman) to very general ones (such as “ensuring cooperation across political parties to address the issue of political polarisation”); progress in these areas would be assessed in a discretionary manner.

In a report presented to the EU’s member states in June 2023, the Commission found that Georgia had fulfilled only three recommendations entirely, seven partially and one to the bare minimum.

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It reported no progress on the issue of introducing media pluralism.¹⁷ Despite its reservations, in November 2023 the Commission recommended to the Council of the EU that Georgia be granted candidate status, which was certainly aided by the fact that its application had been considered in a ‘package’ with the two other countries: at the same time, the EU launched accession negotiations with Moldova and Ukraine. The Commission also welcomed Georgia’s long-standing efforts to integrate with the West and the pro-European attitude of the vast majority of its population. This was also a positive signal to Armenia, which had been increasingly vocal about its European aspirations. However, the EU’s decision had a primarily strategic significance. The EU was acting proactively, drawing the region into its own orbit and symbolically pulling it closer to itself. At the same time, granting Georgia candidate status does not oblige the EU to do anything further: the onus is on the applicant to prove that it is following the path to accession.¹⁸ Georgia’s most immediate and vitally important test is to hold its upcoming parliamentary elections, scheduled for 26 October 2024, in accordance with the OSCE standards.

Russia’s attack on Ukraine and the resulting curtailment of the West’s contacts with it have increased the economic importance of the South Caucasus countries for the EU; this in turn has expanded their room for manoeuvre. According to the memorandum that President Aliyev and European Commission President Ursula von der Leyen signed in July 2022, Azerbaijan will export 20 bcm of gas to the EU in 2027, up from 8.2 bcm in 2021. These volumes may not be very significant for the EU as a whole, but they still matter on the small markets of the Balkan and Central European countries, where this gas is primarily exported.

It is also worth mentioning the memorandum of cooperation between Azerbaijan’s SOCAR and the transmission network operators from Bulgaria, Romania, Hungary and Slovakia on the implementation of the Solidarity Ring gas corridor (STRING), which was signed in April 2023 and envisaged the expansion of cross-border transmission infrastructure.¹⁹ Back in December 2022, the president of Azerbaijan and the prime ministers of Georgia, Hungary and Romania concluded an agreement on a strategic partnership for the development and transport of green energy which provided for the

¹⁷ *Idem*, ‘The game of Georgia’s EU candidate status’, OSW, 28 June 2023, osw.waw.pl. The government in Tbilisi claimed that it had met all the recommendations, and that the EU’s failure to grant candidate status would mean that it did not want Georgia as its member, because it did not accept the country’s traditional conservative values.

¹⁸ Obtaining candidate status does not mean that membership is a foregone conclusion; a case in point is Turkey, which was granted this status back in 1999.

¹⁹ ‘Solidarity Ring: a step towards increasing Azerbaijani gas supplies to Central Europe’, OSW, 11 May 2023, osw.waw.pl.

construction of a 1 GW undersea power line.²⁰ These initiatives, which form part of the EU's Global Gateway strategy, have strengthened the importance of the Middle Corridor, a transport route that runs from China through Central Asia, the Caspian Sea and the South Caucasus (Azerbaijan and Georgia) to Turkey and Europe, largely overlapping with the TRACECA project. Although it will not replace maritime transport and will remain a niche route due to its bottlenecks, for certain sectors of the economy and along certain stretches it may offer an alternative to the Northern Corridor that runs through Russia.²¹

Meanwhile, the surge in exports from the EU's member states to the South Caucasus countries and Central Asia (particularly Armenia, Kazakhstan and Kyrgyzstan) that has been seen since Russia launched its invasion of Ukraine is partly related to Russia's efforts to bypass the sanctions it has faced; at the same time, exports from these countries to Russia have been growing.²² However, a broader discussion of this issue is beyond the scope of this commentary.

Conclusions

On the one hand, the political and economic initiatives that the EU has launched in the South Caucasus over the past two to three years have formed part of its strategy to stabilise its neighbourhood and develop transport routes. On the other hand, these moves have been taken *ad hoc* in response to the developments in individual countries of the region. After 24 February 2022, the EU has also sought to minimise the costs of imposing sanctions on Russia and Belarus and to strengthen the buffer of those countries around the Russian Federation that have been open to closer cooperation with the West. Therefore, just as in the 1990s, the EU has aimed to expand the zone of (relative) stability and security in its neighbourhood.

Developing a detailed, long-term strategy for the South Caucasus, a region which is important for the EU, appears to be a difficult task given the fact that this region is not situated in the EU's immediate vicinity, unlike, for example, the Balkans; moreover, the processes taking place there are highly volatile. There are also numerous differences of opinion between the EU's major member states on issues such as the attitude towards Turkey. France has been trying to curb its influence in the South Caucasus (while demonstratively supporting Armenia); this is not only unacceptable for Azerbaijan, but has even raised concerns in Germany and (outside the EU) the UK.

At the start of spring, the EU's position in this part of the world appears to be, and indeed institutionally is, stronger than it was before Russia's invasion of Ukraine and in the early days of the current European Commission's term of office. The EU's assets include the presence of a candidate country in the region (Georgia), the deployment of an EU monitoring mission (Armenia) and its growing trade with Azerbaijan, for which the EU is its largest trading partner.²³

However, the EU has also suffered setbacks: it has been unable to stem Georgia's drift towards Russia (in an ostentatiously pro-Russian gesture, Georgia resumed flights to/from Russia in May 2023)²⁴ or find a way to improve political relations with Azerbaijan, a country whose dislike of Western institutions was

²⁰ K. Całus, A. Sadecki, W. Górecki, 'The South Caucasus-EU green electricity bridge plan', OSW, 27 December 2022, osw.waw.pl.

²¹ K. Popławski *et al*, *The Middle Corridor. A Eurasian alternative to Russia*, OSW, Warsaw 2024, osw.waw.pl.

²² See for example G. Sargsyan, 'Armenia–Russia Trade: Benefits and Risks of Sanctions', JAMnews, 10 January 2024, jam-news.net.

²³ In 2022, the EU accounted for almost 52% of Azerbaijan's trade turnover (almost €26 billion), while Turkey accounted for 11% and Russia for 7%. The EU also ranked first in Azerbaijan's exports (65.6%) and second in imports (16.1%), slightly behind Russia. 'European Union, Trade in goods with Azerbaijan', The European Commission, webgate.ec.europa.eu.

²⁴ W. Górecki, 'Between Brussels and Moscow. Georgia is moving closer to Russia', OSW, 25 May 2023, osw.waw.pl. Georgia has also signed a document on strategic partnership with China.

demonstrated by its expulsion of the USAID mission in November 2023. At the same time, we should bear in mind that despite their relative geographical proximity and close ties to Europe, none of the South Caucasus countries border the EU, while two of them (Georgia and Azerbaijan) are neighbours of Russia; in the third, Armenia, Russia operates a military base and owns a number of assets in the strategic sectors of its economy. In addition, all three countries border Turkey. These circumstances have compelled them to pursue a nuanced foreign policy.

The South Caucasus region has gained in importance since the outbreak of the full-scale Russian-Ukrainian war. For the West, including the EU, it has become one of the energy sources that is competing with Russia (Azerbaijan), and represents a transport route that bypasses it (in the form of the initiatives around the Middle Corridor). For Russia, it has provided one of the 'windows to the world' and become an important link in the system of circumventing sanctions. It has also given refuge to Russians fleeing mobilisation.

The countries of the South Caucasus, for their part, see the EU as an important external partner, but not the only one. Relations with the EU have raised their profile vis-à-vis other players, but these closer ties do not necessarily imply weaker relations with Russia, at least in some areas.

Georgia has been trying to have its cake and eat it, too.²⁵ While not abandoning EU integration and demonstrating its commitment to the Euro-Atlantic vector of its policy (Irakli Kobakhidze, who took office as prime minister on 8 February 2024, travelled to Brussels on his first trip abroad), it has also continued to profit from trade with Russia, even though it broke off diplomatic relations with its neighbour after the 2008 war. The parliamentary elections in the autumn will test the integrity of the government's intentions: the more they deviate from the OSCE standards, the more problematic the country's European integration will become.

Azerbaijan has been drifting away from the EU politically and dragging out talks on a new partnership and cooperation agreement with it while also strengthening its economic ties with the EU. It has also sought to keep its distance from Russia while putting pressure on Armenia by leveraging Russia's failure to honour its commitments to this country as its ally (it did not respond to Azerbaijan's attacks on targets on Armenian territory).

Armenia has been sending ever stronger signals that it is ready to reorient its foreign policy from a formally pro-Russian to a pro-Western one; the EU seems to be receptive to such statements, as illustrated by the speedy organisation of its monitoring missions. However, it remains to be seen whether the scale of Armenia's dependence on Russia will allow such a reorientation to take place in the short term, or whether the EU would be prepared to support Armenia's defence against Russia even to as small an extent as it currently assists Armenia vis-à-vis Azerbaijan.

Enhancing the EU's presence in the South Caucasus requires further proactive action, especially with regard to the Armenian-Azerbaijani conflict, as well as flexibility and the ability to make unconventional moves, for example concerning the European aspirations of Armenia, which is still a member of various post-Soviet integration formats. Another important thing is to reach out to Azerbaijan, for example by offering assistance in the post-war reconstruction of the territories around Nagorno-Karabakh that it has seized from the Armenians. In the context of these challenges, the upcoming appointments to the EU's top posts after the European Parliament elections in June may prove crucially important: the example of President Michel, who has been keenly interested in the Caucasus, shows how much depends on personal commitment from the EU's leaders.

²⁵ *Idem*, 'Having your cake and eating it. Georgia, the war in Ukraine and integration with the West', *OSW Commentary*, no. 454, 7 June 2022, osw.waw.pl.