

Under the Radar. The World's Forgotten Crises

"Great Game" in the South Caucasus

How Internal and External Factors Are Fuelling Tensions in the Region

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Scarcely any other region is so directly impacted by the wars in Ukraine and the Middle East as the South Caucasus. It is as if they have plunged Armenia, Azerbaijan and Georgia into a permanent crisis mode, after years of "stagnant stability" had already been shaken in 2020 with the second Nagorno-Karabakh war¹. Since then, the South Caucasus has been in a state of unrest. The causes are complex, the landscape of players is confusing, and forecasts would require a crystal ball.

From Frozen to Hot: Unresolved Conflicts in the South Caucasus

In summer 2020, the European Commission launched an ambitious programme called "EU4Dialogue". It addressed the unresolved conflict in the Transnistria region of Moldova, but above all, it was devoted to the South Caucasus. The territorial conflicts there had been considered to be virtually frozen for almost 30 years, and international negotiation formats had practically failed. In Georgia, two regions, Abkhazia and South Ossetia, are de facto occupied by Russia. In Azerbaijan, the enclave of Nagorno-Karabakh was inhabited almost exclusively by ethnic Armenians. At the same time, internationally, it was recognised as part of Azerbaijan. The aim of EU4Dialogue was to help transform these conflicts, reduce tensions and promote better understanding between people across the lines of conflict.2 Nobody in Brussels had thought that, three months later, the Azerbaijani President Ilham Aliyev would decide to attack the Armenians in Nagorno-Karabakh. The second Nagorno-Karabakh war between Armenia and Azerbaijan in autumn 2020 lasted 44 days, claimed around 7,000 victims and brought a third of the territory of Nagorno-Karabakh under Azerbaijani control. It was one of the first drone wars of the 21st century, which, in retrospect, looks like a blueprint for what the world is currently witnessing on a much larger scale in the war between Russia and Ukraine.

The ceasefire in the Nagorno-Karabakh region initiated by Russia in November 2020 never

really held. In September 2022, Azerbaijan attacked Armenian territory. More than 300 soldiers were killed in three days. This was followed in December 2022 by a months-long blockade of the part of Nagorno-Karabakh that was still populated by Armenians, and in September 2023 Azerbaijan gained complete control of the region in a one-day blitz operation. This led to more than 100,000 people fleeing from Nagorno-Karabakh to Armenia, which, surprisingly, did not lead to lasting domestic political destabilisation.

The events in the South Caucasus from 2020 onwards show three things. Firstly: supposedly frozen or unresolved conflicts can quickly thaw and escalate into hot wars with unforeseeable consequences. Secondly: authoritarian rulers have little or no respect for international law or regulatory institutions and regard violence or war as an effective means of resolving conflict. This was true for Ilham Aliyev, and applied to Vladimir Putin, before 2020 and especially afterwards. Thirdly: the conflicts in the South Caucasus represent a comprehensive political and diplomatic failure on the part of the international community, both in the form of individual parties or states as well as international organisations such as the Organization for Security and Co-operation in Europe (OSCE) or the United Nations. Given that the OSCE Minsk Group, founded in 1992 to settle the conflict over Nagorno-Karabakh under the leadership of France, Russia and the US, was unable to achieve any results in almost 30 years, Azerbaijan decided to resolve the conflict by

military force in 2020.³ The virtual absence of decisive international reactions to Aliyev's violent actions was in turn closely monitored in the Kremlin and may have encouraged Putin's actions in Ukraine a year and a half later.

Following the collapse of the Soviet Union, Russia has played a destructive role in virtually all wars and crises in the region.

The situation between Armenia and Azerbaijan continues to be fragile even after Azerbaijan's complete capture of Nagorno-Karabakh and the exodus of Armenians. In Armenia there are fears that Azerbaijan could exploit its military superiority and force further concessions, such as extraterritorial access to its exclave of Nakhchivan via Armenian territory. Alivey's aggressive rhetoric fuels these fears.4 This prompted Armenia, which had previously been unilaterally and almost exclusively dependent on Russia, to reduce the military imbalance vis-à-vis Azerbaijan by diversifying its arms purchases, particularly in India and France. This, in turn, has caused great suspicion in Baku, prompting statements about Azerbaijan responding with "serious measures" in the event of a "serious threat".5

So a new arms race is emerging in the South Caucasus between two countries that are already among the most militarised states in the world.⁶ At the same time, Baku and Yerevan have been trying to negotiate a peace treaty for months, with some recent progress on issues such as the exchange of territory and border demarcation. However, this does not mean that an agreement will soon be ready to be signed. The dynamics of the negotiations between Armenia and Azerbaijan resemble a rollercoaster ride⁷, with Russia invariably causing the downward spiral. Aliyev in particular seems to be urged by Moscow not to sign a peace agreement or to delay

this process for as long as possible.⁸ There is even speculation that Russia is trying to pressure Azerbaijan into further military action against Armenia so as to give Moscow and Baku control over transport routes in southern Armenia, while also weakening the Armenian government and allowing Russia to regain more domestic political influence in Armenia.⁹ Moscow does not hide the fact that it is unhappy about Armenia turning to other partners, and openly and repeatedly threatens the government in Yerevan with a Ukrainian scenario.¹⁰

Currently, Armenia and Azerbaijan are conducting bilateral negotiations for the most part and, above all, with little publicity, which is favourable to the process. Should an agreement between Armenia and Azerbaijan be reached in the near future, this would not yet guarantee lasting peace. However, depending on how comprehensive it is, an agreement could be an important basis for normalising political, economic and interpersonal relations and carefully building trust. Still, in light of the decades-long hostility between the two countries, it is hard to imagine that the practical implementation of that peace treaty or a reconciliation process based on it can be successful in the long term without external guarantors or a mediator, which cannot be Russia.

The "Spoiler"

Compared to the unpredictable dynamics between Armenia and Azerbaijan, the conflicts in Georgia seem less complicated at first glance. What is more, a pattern that has characterised the South Caucasus since the early 1990s is more apparent here: following the collapse of the Soviet Union, Russia has directly or indirectly played a destructive role in virtually all wars and crises in the region. This happened openly, as in the war with Georgia in 2008, semi-openly, as in the support for the Abkhazian separatists in 1992/1993, or covertly, as in the conflict between Armenia and Azerbaijan, in which Russia not only systematically armed both sides for 30 years, but time and again tried to actively prevent the parties from reaching an agreement.



Consistently destructive: Russia has been involved in almost every conflict in the South Caucasus since the collapse of the Soviet Union, having also strongly fuelled the conflict between Armenia and Azerbaijan. The picture shows Vladimir Putin with Azerbaijani head of state Aliyev. Photo: © Grigory Sysoyev, dpa, picture alliance.

The logic behind it was simple: if Armenia and Azerbaijan come to terms or if Georgia gains control over its entire territory, Russia will lose its "lever of influence" in the region.

The conflicts in Georgia date back to the Georgian-Abkhazian war in 1992/1993 and the subsequent civil war in other parts of the country, as a result of which the central government in Tbilisi originally lost control over three regions (Abkhazia, South Ossetia and Adjara). In 2004, President Mikheil Saakashvili succeeded in reintegrating Adjara into the Georgian state, which was prevented by Russia in the case of South Ossetia and Abkhazia. Although the two conflicts are considered frozen, there are repeated incidents, most recently in November 2023, when Russian security forces killed a Georgian at the line of contact with South Ossetia.

While it is easy for the Kremlin to pour oil on the fire in the ethnically motivated conflict between Armenia and Azerbaijan, the situation in Georgia was and continues to be more complicated. Already under President Eduard Shevardnadze (1992 to 2003), who consistently pursued Georgia's integration with the West, Russia had gradually lost influence over the direction of the country's foreign policy. This process accelerated during the term of office of the decidedly pro-Western President Saakashvili (2004 to 2012), who also limited the role of the Russian language in Georgian schools and the broadcasting of Russian media. In response, Russia imposed embargoes on its southern neighbour, cut off the gas supply, invaded in August 2008 and has since effectively occupied 20 per cent of Georgia's territory. In addition, Moscow created another instrument to regain influence over

the situation in Georgia from 2012 onwards with the figure of billionaire Bidzina Ivanishvili. Ivanishvili is an oligarch who made his fortune of currently around seven billion euros in Russia in the 1990s, and still has economic interests there despite claims to the contrary.11 The Georgian Dream (GD) party that he founded won the 2012 parliamentary elections against Saakashvili and has been ruling Georgia ever since. Ivanishvili spoke out in favour of normalising relations with Russia from the outset, but it was initially difficult for his government to pursue an openly pro-Russian policy in the face of stable pro-European and pro-transatlantic public sentiment in Georgia. Still, Russia's influence in Georgia gradually increased, above all through opaque economic interests.12 In the "Foreign Agent Law"13, initially introduced in March 2023 and reintroduced in April 2024, numerous Russia-friendly political decisions taken by the government in recent years culminated, such as the appointment of a General State Prosecutor

working for Russia, the resumption of direct flights with Russia and entry bans for Russian regime critics.

There are attempts to create an economic hub controlled by Russia, Iran and China.

The "Foreign Agent Law" sharpened a domestic political crisis that had been simmering in Georgia for a long time and which was further deepened by the parliamentary elections in October. Given the extensive and systematic falsification of the elections, the government has failed a basic democratic test. The events also suggest that the Russian infiltration of key state institutions in Georgia is much more extensive than previously assumed. This was already indicated by an election campaign in which the



Fig. 1: Conflict Regions in the South Caucasus

Source: own illustration, map: Natural Earth ®.

government pursued a narrative that it has been using to stir up sentiment in the country since Russia's invasion of Ukraine. According to this narrative, the West wants to drag Georgia into a war with Russia and the election in October was a choice between war (opposition) and peace (GD).

Ivanishvili himself has been stoking fears of an obscure "Global War Party" and radicalising the already irreconcilable tone in a manipulative and unobjective debate. A multi-pronged assault on electoral integrity, including unprecedented vote-buying, mass intimidation and direct manipulation led then to an election result that does not reflect the will of the Georgian people and that lacks legitimacy, as will any future Georgian government built on it.

Owing to active Russian influence via the compliant government of a dependent oligarch, Georgia is currently experiencing one of the deepest domestic political crises since its independence, which also has regional implications: if, for example, the EU were to impose sanctions on the country due to the massively rigged elections, this would also have a negative impact on the rapprochement between the EU and isolated Armenia, for which Georgia is an important "bridge" to Europe.

Axis of Upheaval or "Great Game" in the South Caucasus

In addition to the immediate conflicts, global fault lines run through the South Caucasus that indicate potential long-term crises. At the heart of this lies a systemic rivalry between repressive authoritarian and liberal-democratic states, which manifests itself in the region and sounds like a distant echo of the conflicts in Ukraine and the Middle East. At the centre is an autocratic axis¹⁴ that runs from Russia via Iran to China and North Korea and is challenging Western democracies and the liberal order in an increasingly aggressive way. In the South Caucasus, these four players are geographically closer to each other than perhaps anywhere else except Central Asia. In any case, they are

actively trying to strengthen their cooperation here, especially in terms of infrastructure. This is not just about circumventing sanctions or breaking through political isolation, but about creating value chains, controlling transport routes and establishing new regulatory agreements (monetary systems, energy markets) over the long term.¹⁵

The clear goal is to create an economic hub in the South Caucasus that is comprehensively controlled by Russia, Iran and China, making it impossible for the West to track or prevent the movement of goods. This is particularly important in the case of the transport of military goods, as shown by the delivery of Iranian drones to Russia via the Caspian Sea since 2022. Against this backdrop, there is already some talk of a new "Great Game" in the South Caucasus, which entails the control of economic, logistical and military dynamics in the region that could help shape global conflicts in the future. ¹⁶

The strategic alliance between Israel and Azerbaijan leads to tensions between Tehran and Baku.

Two specific examples illustrate the challenges for the West posed by the increased geo-economic cooperation of the autocratic axis in the South Caucasus:

• The International North-South Transport Corridor (INSTC)¹⁷ is advertised as a historic connectivity project that organises the movement of goods and people along an efficient transport route from Asia to Northern Europe. Despite there being talk of Central Asia's access to Western markets, it is primarily about control over transport routes, as the corridor essentially runs through Russia and Iran. The South Caucasus is a crucial bottleneck, and the integration of Armenia and Azerbaijan into the project is essential.

A further strengthening of the Russian-Iranian alliance, which is working in a coordinated manner against the West in both Ukraine and Gaza, would be unfavourable for Europe.

 Another major infrastructure project in the region is the construction of a deep-sea port in Anaklia on the Georgian Black Sea coast. The port is seen as a key element for more efficient goods transport from Asia to Europe. Developed by private investors with the help of a Western consortium until 2018, it was halted by Georgian Dream and put on ice for several years. In 2023, the Georgian government tendered out the contract again, and it was awarded in a non-transparent process to a Chinese consortium of state-owned companies that are sanctioned by the US because they belong to the "military-industrial complex" in China. As in the case of the INSTC, a port built by China would imply



Promised land or nightmare: Many Georgians have repeatedly taken to the streets to defend their country's European integration. However, for men who run the country like Soviet "thieves in law", the associated transparency and rule of law standards would be a serious business risk. Photo: © Davit Kachkachishvili, AA, picture alliance.

Beijing's control over a transport bottleneck of supra-regional importance and would also be a gateway for Russia, which occupies Georgian territory a few kilometres north of Anaklia in Abkhazia.¹⁸

The authoritarian protagonists' attempts to reshape the region are being disrupted by the complex network of relationships in the South Caucasus and a rivalry that certainly harbours short-term potential for conflict: at the centre of this is the strategic alliance between Israel and Azerbaijan, which was able to win the second Nagorno-Karabakh war in part thanks to modern Israeli weapons. In return, Israel obtains 40 per cent of its oil from Azerbaijan and probably uses the country as an operational base for actions against Iran. Time and again this leads to tensions between Tehran and Baku, which are further exacerbated by the fact that a large Azerbaijani minority lives in northern Iran. Iranian-Azerbaijani relations are also like a rollercoaster ride: both sides are adept at fuelling secessionist aspirations among Iranian Azerbaijanis or questioning Azerbaijan's right to exist, but then revert back to Realpolitik. And so bilateral relations oscillate between largescale threatening gestures in the form of military manoeuvres on the Arax border river, like in autumn 2022, and the joint inauguration of a hydroelectric power plant on the same river in May 2024.

In this complex network of relationships, it is obvious that Armenia is seeking a close alliance with Iran and, in the event of a conflict, may not be hoping for military assistance, but at least open political support from Tehran. In contrast, the relationship between Azerbaijan and Turkey is less clear. Turkey contributed significantly towards the outcome of the second Nagorno-Karabakh war by training the Azerbaijani military and supplying modern weapons, while also being diametrically opposed to Israel. Turkey - and this is certainly causing headaches in Brussels - will be the player to fill the vacuum that would emerge from a potentially diminishing Russian role in the South Caucasus.

"Thieves in Law"

In the post-Soviet space, many inter-state and intra-state conflicts are influenced by a little-noticed phenomenon that was and is particularly pronounced in the South Caucasus. The 1950s saw the emergence of the "Soviet criminal" based on the world of the Gulag camps and shaped by the camp system's brutal prisoner hierarchy. These so-called thieves in law (Russian: "Vory v zakone") regulated everyday life in the camps and established their own laws in a kind of parallel reality, which also extended to Soviet society outside the camps following Stalin's death. The "thieves' law" was accompanied by a rejection of state structures and a refusal to co-operate with state authorities. In this parallel world, strict codes of honour prevailed, money was earned primarily through robberies and extortion, and criminal authorities were blindly obeyed. The more the communist ideology clearly mutated into a farce, the more the state lost respect and prestige, and the more Soviet officials seemed to be exposed as liars, exploiters and manipulators, the more relentlessly the "thieves' law" moved into the centre of society. 19

The "thieves in law" perceive European integration of their countries as a threat.

The golden era of the "thieves in law" was the 1970s under Brezhnev, but they also shaped Armenia and Georgia in the first years of independence and are still part of the public or political sphere in both countries to this day. Although the phenomenon is generally associated with the "underworld" or the mafia milieu, "thieves in law" have de facto been active in high-ranking political positions in many former Soviet republics over the past 20 years. Be it Viktor Yanukovych as President of Ukraine from 2010 to 2014, Vladimir Plahotniuc as shadow man in the Republic of Moldova from 2010 to 2019 or Bidzina Ivanishvili in Georgia since 2012. Ivanishvili (nickname in Russia: anaconda), is

probably the clearest copy of the Soviet pattern with his informal rule and pronounced aversion to state office.

What these 21st century "thieves in law" have in common is their resolute rejection of a European understanding of democracy, which is based on the rule of law and accountability and provides for the sharing of power or a change of power. They therefore perceive European integration of their states as a threat, and the "Foreign Agent Law" in Georgia is intended to avert precisely this. As in the Soviet Union, some "thieves in law", as represented by figures such as Aliyev, Lukashenka and Putin, have their alliance of politics and organised economic crime secured by secret services. Since they cannot abolish the state, they try to appropriate it and introduce laws that only they themselves define. In terms of foreign policy - and this seems even more serious - they reject international norms, treaties and institutions and instead strive for a world in which they try to impose their selfmade, ruthless "thieves' law 2.0". In order to categorise the crises in the South Caucasus and, more broadly, in the post-Soviet space, it is important to understand the political mentality of these "thieves in law", especially in authoritarian states.

Europe's Strategic Interests in the South Caucasus

The EU has good instruments for making a sustainable contribution towards crisis prevention or conflict transformation in the region, but these are often not used consistently. The establishment of a civilian observer mission in Armenia to stabilise the situation at the borders in 2023 is a positive example of the influence the EU can actually exert on the ground when there is political will. In particular, Europe's economic engagement in the South Caucasus could be further expanded and ought to be accompanied by greater political influence.

It is important that the EU demonstrates its willingness to fully define and pursue its interest in stability and democratic development in the South Caucasus. As a study by Clingendael recommends, the focus should be on security, the economy and geopolitical as well as normative dimensions.²⁰ The work of EU delegations on the ground, instruments such as the European Peace Facility and the commitment of financial institutions such as the European Bank for Reconstruction and Development play a vital role here.

Wedged between Russia, Turkey and Iran and between the Black and Caspian Seas, the supposedly peripheral region of the South Caucasus is in fact of central interest to Europe. This calls for a long-term and strategic view of the region as a whole. The formulation of an up-to-date South Caucasus strategy that clearly exceeds declarations of intent seems long overdue.

- translated from German -

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- 1 The first Nagorno-Karabakh war lasted from 1992 to 1994 and ended with a military success for Armenia. Between 20,000 and 30,000 people lost their lives and more than one million people were displaced.
- 2 This goal is to be achieved in three components with measures at the political-civil society level, the cultural-academic level and with project funding for local players. The first component, which brings together state and non-state parties across conflict lines for thematic dialogues, is being implemented by a consortium led by the Konrad-Adenauer-Stiftung.
- The Geneva International Discussions on resolving the conflicts over Abkhazia and South Ossetia, which were set up in 2008 under the aegis of the OSCE, the EU and the UN, are just as meaningless. They took place in December 2023 for the 59th time and also have no results to show.
- 4 "Aliyev is unwilling to tone down the antagonistic rhetoric and move on confidence building and regional cooperation in the South Caucasus. Now, Azerbaijan claims that the entire Republic of Armenia is 'Western Azerbaijan' and Aliyev was on the record claiming Yerevan as 'historically' Azerbaijani land, and, therefore, preparing the ground for future antagonism." Cheterian, Vicken 2023: Crisis to Watch 2024: Armenia-Azerbaijan, Italian Institute for International Political Studies (ISPI), 21 Dec 2023, in: https://ogy.de/j7c7 [8 Oct 2024].
- 5 Teslova, Elena 2024: Azerbaijani president says in case of 'serious threat' his country will take 'serious measures', Anadolu Agency, 23 Apr 2024, in: https://ogy.de/2gip [8 Oct 2024].
- 6 In the 2022 Global Militarisation Index, Armenia is ranked 3rd and Azerbaijan 12th among the most militarised countries. Bayer, Markus/Rohleder, Paul 2022: Global Militarisation Index 2022, Bonn International Centre for Conflict Studies (BICC), 31 Oct 2024, in: https://ogy.de/6kdr [8 Oct 2024].
- Poghosyan, Benyamin 2024: Opinion: What drives Azerbaijani obsession with the Armenian Constitution?, commonspace.eu, 24 Jul 2024, in: https://ogy.de/apyx [8 Oct 2024].
- 8 "Political scientist Areg Kochinyan [...] thinks that Azerbaijan has a commitment to Russia 'not to sign or to delay the signing of the peace treaty as long as possible." JAMnews 2024: "Baku promised Moscow to delay signing the agreement with Armenia" Opinion from Yerevan, 16 Aug 2024, in: https://ogy.de/vcxi [8 Oct 2024].
- 9 For example, the American political scientist Nerses Kopalyan: "It is in Russia's strategic interest for Azerbaijan to undertake attacks against Armenia, as this will make the security situation untenable for Armenia while leading, the Kremlin hopes, to the collapse of Armenia's democratic system." The Insider 2024: Russia pushes Azerbaijan to attack Armenia, but Aliyev fears full-scale war due to Western sanctions threat, experts say, 14 Mar 2024, in: https://ogy.de/slml [8 Oct 2024].
- 10 For example, after Pashinyan's speech in the European Parliament in October 2023: "'We see how

- Armenia is being turned into Ukraine 3.0, if we consider Moldova as Ukraine 2.0, and Pashinyan is following Vladimir Zelensky's path with huge steps,' a 'high-ranking source in Moscow' who wished to remain anonymous told the TASS news agency." JAMnews 2023: "Armenia is openly threatened with the Ukrainian scenario". Opinion from Yerevan, 18 Oct 2023, in: https://ogy.de/q230 [8 Oct 2024].
- 11 Civil Georgia 2024: Investigation Reveals Bidzina Ivanishvili's Family's Large Real Estate Holdings in Moscow, 9 Aug 2024, in: https://ogy.de/3kvp [8 Oct 2024]; Transparency International 2022: Russian Businesses of Bidzina Ivanishvili and His Relatives, 27 Apr 2022, in: https://ogy.de/5tef [8 Oct 2024].
- 12 A Policy Letter from November 2023 provides a good overview: "Russia's business and political interests are closely intertwined, making it challenging to differentiate their respective motives. This interconnectedness can act as a channel for exerting political influence in Georgia." Papava, Giorgi/Tevdoradze, Levan 2023: Risks of Russian Business Ownership in Georgia, The Forum for Research on Eastern Europe and Emerging Economies (FREE Network), 27 Nov 2023, in: https://ogy.de/e6o5 [8 Oct 2024].
- 13 The law stipulates that non-governmental organisations and media that receive at least 20 per cent of their funding from abroad must register with the Ministry of Justice as "organisations that pursue the interests of a foreign power".
- 14 Also referred to as the "Axis of upheaval". Kendall-Taylor, Andrea 2024: The Axis of Upheaval: How the Convergence of Russia, China, Iran, and North Korea Will Challenge the US and Europe, The International Centre for Defence and Security (ICDS), 29 May 2024, in: https://ogy.de/22n0 [8 Oct 2024].
- 15 Roubanis, Ilya 2024: How Syria, Ukraine and Gaza are transforming power dynamics in the South Caucasus, CRU Policy Brief, Clingendael, 19 Feb 2024, in: https://ogy.de/6yh7 [8 Oct 2024].
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- 17 ClearIAS 2024: International North-South Transport Corridor (INSTC), 24 Jul 2024, in: https://ogy.de/ pvh8 [8 Oct 2024].
- 18 Burduli, Ana/Solomnishvili, Salome/Papava, Giorigi 2024: Anaklia port development: China's financing and its implications for Georgia, Policy Paper N2024/07, ISET Policy Institute, 11 Jul 2024, in: https://ogy.de/6tb9 [8 Oct 2024].
- 19 The phenomenon of "thief in law" is vividly described by Nino Haratischwili, for example. Haratischwili, Nino 2022: Das mangelnde Licht, Frankfurt am Main, pp. 141-144.
- 20 Deen, Bob/Wouter, Zweer/Linder, Camille 2023: The EU in the South Caucasus. Navigating a geopolitical labyrinth in turmoil, Clingendael, Mar 2023, in: https://ogy.de/vew0 [8 Oct 2024].