

Reformatting the South Caucasus

The World Around

The multitude of conflicts around the globe since the beginning of the 21st century has not fundamentally altered the international system established after World War II or during the post-Cold War era. However, in the last couple of years, we have witnessed conflicts likely to have profound implications for global and regional affairs, institutions, and fundamental perceptions of security and development.

While warfare in the early 21st century often involved disproportionately larger forces against terror networks or militarily inferior adversaries like ISIS or Houthi forces, as well as smaller infighting groups in Africa, today we are witnessing major full-scale confrontations such as the conflict in Ukraine involving nuclear power. Additionally, there is the possibility of a larger-scale confrontation between Israel and Iran. These conflicts are not only altering existing military strategies and

servicing as a test ground for a new generation of weaponry but are also likely to reshape the world order and determine a new one. While it is premature to predict precisely how the world or global institutions will look after these conflicts come to some resolution, we can already speculate about their impact and the options available on regional and local levels.

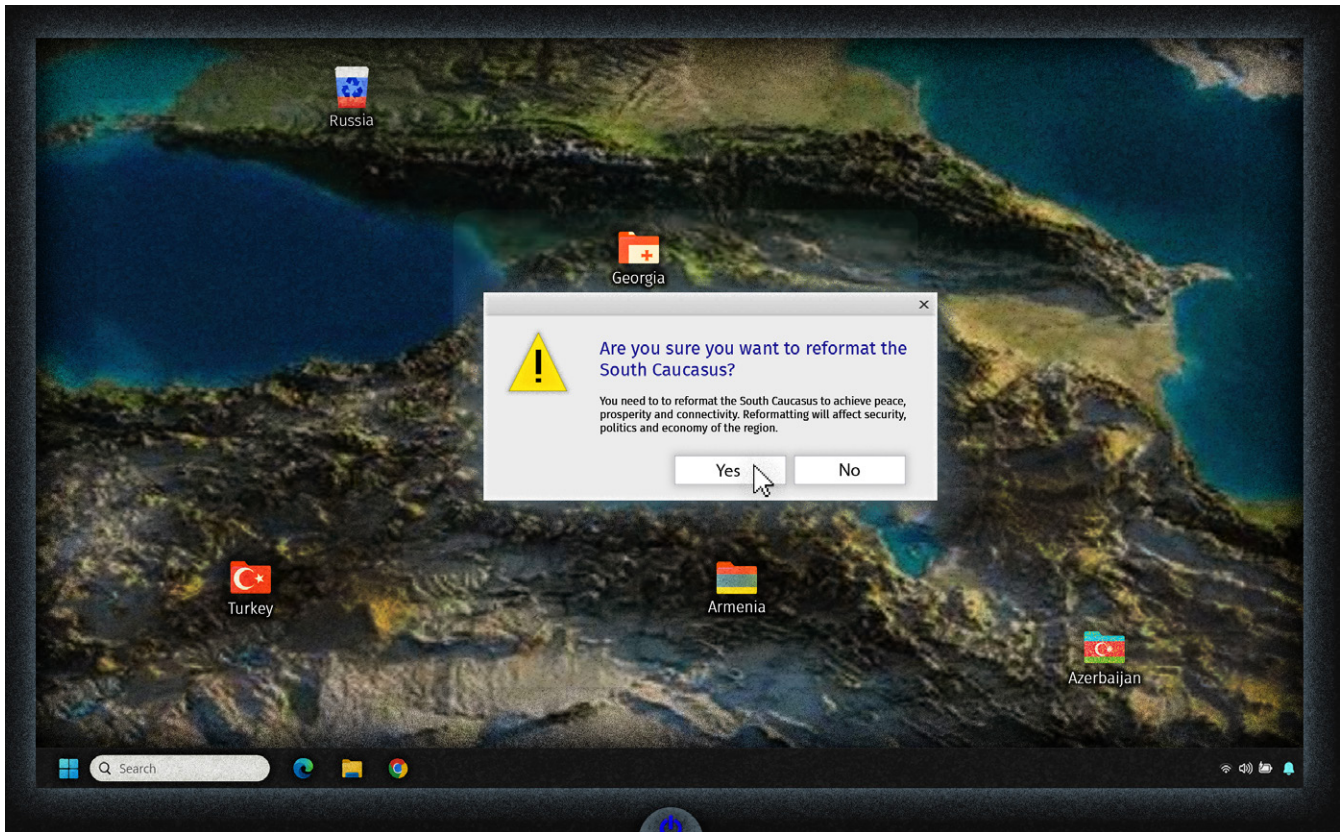
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The forceful regaining of Nagorno-Karabakh by Azerbaijan has profoundly affected the South Caucasus region, exposing the invalidity of seemingly established perceptions of statehood, security, and development priorities. The war in Ukraine is also expected to significantly impact the South Caucasus region, necessitating further adjustments and calibrations by regional decision-makers and ruling classes.



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How Many Are They?

After the collapse of the Soviet Union, Armenia, Azerbaijan, and Georgia emerged as independent states and rightful participants in the international system. However, on the ground, these states soon began to exhibit multiple “personalities.” For instance, Armenia comprises the Armenian state, The Republic of Nagorno-Karabakh (NKR or “Artsakh”), and the Armenian diaspora. Similarly, Azerbaijan is composed of de facto Azerbaijan without the occupied Nagorno-Karabakh and adjacent territories, de jure Azerbaijan within internationally recognized borders, and an Ethnic Azerbaijan (including ethnic Azerbaijani minorities in Iran as well as the Pan Turkic family). Georgia, on the other hand, was fragmented from the beginning by losing effective control of most parts of the Abkhazia and Tskhinvali (South Ossetia) regions.

At first glance, this division may seem artificial, but in reality, all these elements were integral parts of the statehood of these countries. For example, in

Armenia, all three elements were interlinked and greatly intertwined, to the extent that two previous presidents of Armenia used to be “Presidents of Artsakh.” Dominant priorities for the influential diaspora were heavily focused on issues beyond but in parallel with the Armenian state, such as the recognition of the Armenian genocide of 1915 and the Artsakh issue. Similarly, the agenda of regaining NKR and other territories served as a major defining factor for the Azerbaijani state, with relations with the “metropolis of the Turkic world” – the Turkish Republic – becoming a decisive element for military victory.

Before the Russian Federation fully occupied Abkhazia and the Tskhinvali region, Georgia used to control (directly or indirectly) some parts of these provinces. This profoundly affected the functioning of the Georgian state, even negatively in some cases, such as when the Tskhinvali region served as a major hub for smuggling goods, heavily affecting the Georgian economy.

Current realities, such as Azerbaijan's accomplishment of restoring its territorial integrity, Russia's recognition of the Georgian provinces of Abkhazia and the Tskhinvali Region as independent states, and Armenia's loss of Artsakh, require new thinking and probably new approaches from the political, intellectual, and business elites of all the South Caucasus countries. A comprehensive overhaul must address three main areas: politics, security, and the economy.

Security

Amid the ongoing Russo-Ukrainian war, it is challenging to provide definitive answers, but it is essential to evaluate major trends in the field of security. Conflicts in Georgia, Nagorno-Karabakh, Ukraine, and Israel underscore two crucial aspects of any country's security arrangements: resilience and technology. Resilience not only refers to the population's ability to withstand adversity but also to the state's capacity to procure and produce sufficient and relevant military equipment and ammunition to avoid attrition risks. A technological edge can be invaluable when facing adversaries with superior numbers or equipment. While we may not yet witness a new arms race, there is undoubtedly a widespread race for technologically advanced weaponry.

Azerbaijan was likely the first country to fully leverage the capabilities of precise intelligence integrated with firepower, particularly through the use of UAVs (unmanned aerial vehicles) during large-scale kinetic warfare. It successfully employed "kamikaze" drones and other loitering ammunition. While many of these technologies were acquired through direct military procurement from Türkiye and Israel, Azerbaijan has also developed a formidable military industry domestically. However, Ukraine has become a testing ground for all new technologies, and what Azerbaijan discovered as useful several years ago is now widely

known, diversified, and actively used on the battlefield, albeit with advanced countermeasures such as better electronic warfare equipment and new military tactics. Currently, Azerbaijan enjoys a close alliance with Türkiye, a country with the largest army in Europe, but maintaining such a balance may change, and Azerbaijan should seek less dependence on a single ally.

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Armenia's recent actions regarding security arrangements indicate that it has learned valuable lessons from its recent defeat. Armenia is not only questioning the effectiveness of its overreliance on Russia and Russo-centric military institutions like the Collective Security Treaty Organization (CSTO) but is actively pursuing policies to distance itself from both. Military procurements have shifted from Russia to India and, more recently, to France, which can offer cutting-edge technologies. Armenia has signed agreements with French companies like *Thales*, a leader in the military industry, and these steps are likely just the beginning. The powerful Armenian diaspora can play a crucial role not only in opening doors but also in providing funds for such purchases. If this trend continues, we can expect to see a much more technologically advanced and combat-capable military in the next five to ten years.

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Georgia's lessons learned have perhaps been better applied by other countries, including Russia,

but the “Westernization” of the Georgian armed forces appears to be an irreversible trend. Simultaneously, nearly 2,000 Georgians have gained first-hand knowledge of modern warfare by fighting on Ukraine’s side. Geopolitical shifts make Georgia’s bid for The North Atlantic Treaty Organization (NATO) membership more realistic than ever. With proper policies and actions from the Georgian side, this national aspiration may become a reality sooner rather than later. Georgia in NATO (and the EU) would have much better chances of restoring its territorial integrity and focusing on its political and economic development under the most potent security umbrella.

Economy

Given global economic trends, data-related technologies are undeniably dominant factors. None of the three South Caucasian states has the capacity to host their own “Silicon Valley” or become a “Startup Nation,” but this doesn’t diminish the importance of other factors for their economic growth. Energy is as crucial as data.

Despite doomsday scenarios predicting the “death of hydrocarbons,” oil and gas remain essential factors in the global energy balance and will continue to be so with some modifications. Natural gas is particularly desirable, and with existing pipeline systems, Azerbaijan has a secure position in this regard. As for oil, history reminds us of the invention of benzene when the proliferation of electricity drastically decreased kerosene consumption. It remains to be seen what is next for the oil business, but byproducts of refineries, such as petrochemicals or lubricants, remain in high demand. Additionally, Azerbaijan has begun exploring the production of hydrogen, allegedly the “fuel of the future,” derived from natural gas. Therefore, with relevant modifications, the oil and gas industries will remain significant sources of income for Azerbaijan.

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Armenia is still in the process of revamping its post-war economy, but the entrepreneurial spirit of the Armenian nation is well recognized. Once a lasting peace agreement with Azerbaijan and normalization with Türkiye are achieved, two additional factors could significantly boost the Armenian economy: an attractive business environment and access to funds and investments. Armenia hosts the only nuclear power plant in the region and should not face energy shortages, which is crucial for the development of new industries. A combination of these factors could unleash entrepreneurship to its full capacity, leading to an Armenian economic miracle.

Georgia’s economic development has vast room for improvement and great potential. Rapid economic growth achieved after the Rose Revolution was slowed down by the war with Russia and the one-man-centric economy of the current government. Significant projects, such as the Anaklia Port on the Black Sea, hold promise for significant transportation infrastructure, not only for Georgia but for the entire Caucasus and Central Asia. Additionally, Georgia has profound potential to generate cheap electricity through hydroelectric power plants. Manufacturing facilities of the future are predicted to thrive where energy is cheap, infrastructure is developed, and access to maritime routes is guaranteed – conditions that Georgia can provide with the right leadership and motivation.

Meanwhile, traditional industries such as agriculture, tourism, and transportation will remain relevant for the South Caucasian states for decades to come. The suggested innovations will leverage existing potential and bring additional income and prosperity to the region.

Politics

Initially, all three South Caucasian states began as presidential republics, but Armenia and Georgia have since transitioned to parliamentary democracies, where prime ministers wield greater power than presidents. Despite exhibiting tendencies of semi-authoritarianism, this is symptomatic of countries in transition.

For Georgia to integrate properly into European and Euro-Atlantic institutions, it must inevitably shed these tendencies. The current situation suggests that if upcoming elections are conducted freely and fairly, no major political force can form a new government without a coalition with other parties. This trend is likely to remain relevant for decades.

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Armenia has a vibrant opposition, but much of its political discourse is overshadowed by military defeat and historical glories. Achieving peace with Azerbaijan and Türkiye could shift the discourse towards more pragmatic and forward-looking discussions on Armenian state development, leading to increased democracy and a more sustainable political system.

Azerbaijan's current leadership is still in the process of what could be termed "social entrepreneurship," which involves developing social cohesion, resisting the influence of radical Islam, and crafting new narratives for national unity. Quick strides towards fully functioning democracy are still a work in progress for Azerbaijan. Never-

theless, the sustainability of the political process will require workable plans for the succession of power. Currently, the overwhelming popularity of President Ilham Aliyev gives him carte blanche to lead this process in a manner that mirrors the changing world around Azerbaijan.

Bright Future?

The thoughts presented here reflect on opportunities and are just one of many scenarios that could unfold. None of them is automatic, inevitable, or guaranteed. Much will depend on the outcome of the war in Ukraine, the aggressiveness of the West in pursuing its declared foreign policy objectives, and the reaction from the "global south."

It is probable that we will see attempts to reorganize and adjust existing global and regional institutions to accommodate emerging realities, which will be projected onto the South Caucasus. Humanity is entering a new era, also necessitating a recalibration of attitudes from all three republics of the South Caucasus.

At this moment, all three states are experiencing the need to "reinvent" their statehood, discard the phantoms of the past, and adapt to the rapidly changing world around them. The new, globalized generation will eventually engage in discussions about their future, and this article serves as a "teaser" for them as well as for current political, intellectual, and business elites. As my aviator friend always claims, "Airplanes fly not only because of the rules of physics but also because of the rules of commerce." In the same vein, the republics of the South Caucasus should be aware that their viability and functioning are influenced not only by their mere membership in the international system but also by the role and function they play within this system ■