

FUTURE SCENARIOS

INTO AN UNCERTAIN FUTURE? THE EU AND THE CAUCASUS IN 2040

Thomas Diez Elmar Mustafayev Iris Rehklau Sebastian Schäffer

March

2020

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Introduction

Thomas Diez, Elmar Mustafayev, Iris Rehklau, Sebastian Schäffer

The relations between the EU and the South Caucasus are a laboratory for EU foreign policy at large. They are an indicator for the degree to which the Union may affect conflict resolution in its near abroad, a model for how the EU engages with other great powers such as Russia, a test case for the unity of EU foreign policy; and an indication of how the EU is treating smaller countries in its neighbourhood, and how these countries see the EU and its role on the global stage. Envisioning the future of EU-Caucasus relations is therefore an important exercise in thinking about the future not only of the interaction of the two sides, but of the development of a broader geopolitical order.

In this context, we were fortunate that after 2018 in Armenia and 2019 in Georgia, we were able in early March 2020 to implement our series of future scenarios for EU-Caucasus relations with students from Germany and the South Caucasus in Azerbaijan — and fortunate in many senses. For one, we are grateful that the German Academic Exchange Service (DAAD) once more provided us with the funding necessary to run the workshop. Secondly, Khazar University in Baku, founded as a private university even before the breakup of the then Soviet Union, turned out to be a congenial host with excellent facilities. Thirdly, once again we were able to work with an outstanding group of students.

Moreover, however, theory and reality this time combined in unexpected ways. In developing scenarios, we pay particular attention to the possibility of a so-called black swan event: an incident that is both unexpected and disruptive. Such events allow us to think about the possibility of change and open up space for creativity. While our participants have used this to build their narrative in various occasions, we had our very own black swan event, as Covid-19 began to rear its ugly head exactly while we were heading towards Baku. Amidst the spread of the coronavirus pandemic, we had to deal with unforeseen developments, which gave us a far too early reality check, and we were thus also fortunate in the sense that we could complete the workshop at all, with only minor amendments to the programme, and everyone in the end being able to return home in good shape.

Following our approach in previous seminars, the participants from Azerbaijan, Germany, and Georgia got to know each other and their various backgrounds in an intercultural workshop. Lectures on the EU and the Caucasus provided the basis for the development of the scenarios. The task was then to think about how the world will look like from four different angles:

- The future is what I expect
- The future is better than I expect
- The future is worse than I expect
- The future is weirder than I expect

Before being randomly assigned to one of these worlds in mixed groups that always consisted of participants from all three countries, the students determined so-called "drivers", which would determine the framework for analysis in each scenario. Out of more than 20 initially suggested drivers, the group eventually agreed on the following four:

- Domestic Politics
- International Dynamics
- Regional Security
- Economic and Social Development

Despite all the real challenges, we were able to implement most of our programme and the participants developed four very different scenarios for EU-Caucasus relations in 2040. We would like to thank all our partners and students involved for their flexibility, dedication and determination to implement this workshop, despite the difficult situation. On the following pages you will get a glimpse at what the world might look like in 2040. Spoiler: all of them, perhaps surprisingly, are virus-free. And while we certainly prefer several predictions over others, this is one aspect that we all hope will become reality.

The editors

Mehraj Aliyev, Lana Bambetova, Irakli Gabidzashvili, Sina Giesemann, Lali Putkaradze

Scenario 1: The future is what I expect

Peacemiss:

Old wine in new glasses

The South Caucasus in 2040 will be shaped by a stagnation in its European membership aspirations which implies a positive and negative impact on the domestic development of all three countries. Initially started reforms are not as actively pushed, leading to an economic downfall. Still, membership perspective will always be a topic of discussion for Georgia and Armenia, which will have an impetus on the development of their foreign and domestic policies. For Azerbaijan, their dependency on their major commodity oil remains strong.

In 2040, Armenia, Azerbaijan as well as Georgia will deal well with a new domestic political landscape, shaped by an improved civil society. The European Union reinforced its engagement in the conflict resolution in the South Caucasus, especially in the occupied territories in Georgia.



South Caucasus satelite photography.

The international dynamics will be dominated by bilateral cooperation with member states of the European Union. The countries will on the one side try to continue finding partnerships with the EU, but equally imply a strategy of bilateral approaches to countries such as China and Russia. The emerging role of China will be a new shaping factor in terms of trade and economy in the South Caucasus. The opposite will be suitable for Russia, as it will face reduced influence and support in the whole region. In terms of the economic development, for Azerbaijan's domestic and external policy the major shaping factor remains its natural resources, as the country's national economy is mainly dependent on them, even though a diversification of the economy will grow in the non-oil sector. Georgia's and Armenia's economic dependency on tourism and Foreign Direct Investment (FDI) will rise, as there will be an increase in newly signed trade agreements.

Domestic Politics

Today, domestic policies of the South Caucasus countries are based on the principle of independence and serve to the protection of national interests. That is why the international position of all three countries, which have already become an independent power within the Caucasus region, is steadily strengthening, and the countries are constantly positioning themselves in the system of international relations. It stands for an independent strategic course based on strong political will.

Countries that currently pursue an independent policy as a sovereign country carry out their foreign policy relations. Furthermore, their allies in political, economic, military, humanitarian and other areas are based on the public interest and the principles of mutual benefit. The countries have also provided stable growth of the population's income and socio-political stability. For this reason, attempts by certain foreign forces to exert pressure on the South Caucasus countries and destabilize their internal stability are always unsuccessful.

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While the civil society in 2040 is well embedded in the political landscape of

democratic bright spots in the region, over the last decade.

Armenia and Georgia, in Azerbaijan a political environment that promotes a strong civil society is still needed. While Armenia, Azerbaijan, and Georgia are

Scenario 1: PEACEMISS: OLD WINE IN NEW GLASSES

Mehraj Aliyev, Lana Bambetova, Irakli Gabidzashvili, Sina Giesemann, Lali Putkaradze

Democratization Processes

The three states of the South Caucasus – Armenia, Azerbaijan, and Georgia, gained their independence from the Soviet Union in 1991, seemingly to embrace new freedoms and democratization. During the 2030s, all three countries already consolidated their respective democratic transitions. They have already adopted the principles of the rule of law and all activities on the democratization of the societies led to popular protest movements that brought younger people together. Compared with Azerbaijan, Georgia's and Armenia's democratic institutions are more stable, while Azerbaijan's democratic transition still faces formidable challenges, despite efforts by the President's government to strengthen democratic institutions. All three countries already conducted free and fair parliamentary elections in 2030.

As stated in the case of all three countries, all of them have committed to its independent policy. This policy puts the national interests of the people above all else.

Civil Society

The current realities are shaped by the establishment of social and political stability, the strengthening of the international position of the country and the provision of sustainable economic development. But the main point here is that the political course of the government is in line with national and state interests and that the right strategic course is implemented. In terms of civil society, recent changes in the South Caucasus region are related to the legislation of the Agenda 2040 and resulting in an increased civil society performance, which had a huge impact on the formulation of decision-making processes within all three countries.

The governments will fulfill their international commitments to civil society, not to use international organizations to act in the name of civil society, to promote greater cooperation with international organizations and to agree to a dialogue with the government for mutual coexistence.



Armenia, Azerbaijan, and Georgia's area satelite photography.

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Scenario 1: PEACEMISS: OLD WINE IN NEW GLASSES

Regional Security

In today's globalization, the development and security of each country depend on a number of factors. Regarding the current conflict dynamics, all three South Caucasus countries still dealing with territorial conflicts.

Even though the political landscape in Georgia differs from 2020 and Russian's influence on Georgia's political institutions is declining, unsolved conflicts in Abkhazia and South Ossetia are still taking place. As Georgia's and Russian's negotiations failed to find a solution in regard to these conflicts and newly emerging clashes at the "buffer zones" near the occupied territories, the European Union reinforced its engagement in both territories.

Moreover, the EU as a non-state actor takes the responsibility to mediate between the opposite interests of the two major actors. Even though the EU's mediator role is limited through its diverse interests and positions of its member states, the EU has the ambition to play an influential

role to resolve these territorial conflicts, since Georgia's adoption as a candidate country in 2030 as well as its motivation to ensure stability in its eastern neighborhood. With the admission of Georgia as a possible candidate country to the EU, efforts to effectively combat security risks within the country are growing. Any risks or another Georgian-Russian war would lead to a withdrawal of newly created economic and political cooperation with member states of the European Union.

However, solving the territorial conflicts in South Ossetia and Abkhazia is equally important for each actor involved. As Abkhazia and South Ossetia are non-self-sufficient states, they are not able to provide essential goods and services to their citizens without Russian support.

While Georgia's integration in the European Union progresses steadily and democracy as well as minority rights are widespread, Georgia offers the population of Abkhazia and South Ossetia an alternative future besides Russia.

Simultaneously, Russia's ongoing occupation of these territories led to further isolation from Europe. Russia's energy supply is no longer an effective force since Europe diversified its energy resources. In 2040, even though no final solution is in sight, the EU is acting as a mediator between Georgia and Russia to support a peaceful resolution.

With regard to the territory conflicts in Nagorno-Karabakh, the mediator role of the EU was not able to be implemented. During the last decade, no effective progress could be made for the solution to the ongoing tensions. Even though the political landscape and new political leaderships, as well as an active civil society, especially in Armenia, forced the government for a peaceful resolution, no remarkable step towards a shared solution is made. At the same time, there were no further violent riots recorded, since Armenia and Azerbaijan are part of several international associations.

Through the Eastern Partnership (EaP), political rapprochement and further economic integration, not only between the European Union and the eastern countries could be recorded, but also led to an intensified relation between the members of the EaP. Even if the EU has not taken such measures as in Georgia since 2030 the EU institutions and its member states are called upon to develop a common Nagorno-Karabakh policy.

To sum up, nevertheless, Nagorno-Karabakh, as well as Abkhazia and South Ossetia, remain de facto states in Europe. While in the case of Abkhazia and South Ossetia significant progress has been made towards a conflict resolution, a resolution in terms of Nagorno-Karabakh is not seen in 2040.

Mehraj Aliyev, Lana Bambetova, Irakli Gabidzashvili, Sina Giesemann, Lali Putkaradze

Scenario 1: PEACEMISS: OLD WINE IN NEW GLASSES

International Dynamics

This chapter seeks to outline in how far the international dynamics will influence the further development of the Southern Caucasus region and what role the European Union will play. Both regions are finding themselves faced with numerous foreign policy challenges due to their location, wealth in resources, neighbors and internal or surrounding conflicts. From the current constellation, a major uncertainty that could evolve into a "game-changer" is the influence of Russia and China as third-party players. Furthermore, due to geostrategic considerations, Turkey should also be considered for having an impact on the region.



Photography by Freepik.

European Union

The further negotiation of a possible EU membership will be depending on how open or closed the EU position is in relation to Georgia and also the better or worse Georgia's future economic position, as well as political and demographic situation, will be (e.g. export-oriented economy). But uncertainty will remain in this sphere also in 2040, as it stems from the current nationalist domestic and foreign policy tendencies in nearly all European countries, which can be observed in terms of the election results in Germany, France or Poland, favoring right-winged parties, who promote an end of new country inclusions. Another trigger for changing dynamics in foreign policies will be the trend of the EU to invest in countries that are willing to diversify their energy market. Armenia by then thought about a way to switch to renewable energy, as it has no natural resources or domestic productions to offer for export, but still aspires closer EU partnership.

Armenia (similar to the German Low Carbon Ukraine Program from 2018) will start cooperating with the German or French governments in order to introduce electricity or hydro energy as alternative energy sources. Furthermore, it can be seen that Europe will continue to support "Green Projects", such as the Green Central Asia initiative which was launched on the 27th January 2019 from the German government.

In terms of visa regimes, there will be a step by step visa facilitation process for Azerbaijan, as Georgia and Armenia already have visafree regimes. First, Azerbaijan will introduce a one-sided visa regime for the Azeris aspiring to enter the European Union. _

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Scenario 1: PEACEMISS: OLD WINE IN NEW GLASSES

Russia

Concerning Georgian and Russian inter-dynamics, Georgia has a long history of mistrust in the Russian government. This trend will dominate the coming decades even if Russia dramatically changes its internal policy due to new parliamentary elections but most probably, there won't be major changes in leadership direction. Concerning Armenia, the reform in 2018 sparks some light for positive development in the sphere of rule of law and economic performance, indicating a lesser influence of Russian power on institutions and state officials.

Armenia will not be able to drastically change its interactions with Russia and the EU, due to their huge lack of judicial reforms, but in 2030, inequalities and standard of life will be improved significantly. The fruits of the whole reform process started in 2018 and true effects become visible after 10 years and for this reason, also the work towards an intensified cooperation with the European Union will be more realistic.

Russia and Azerbaijan will continue their balancing act of competition and cooperation on different spheres of their economies and policies. Differing from Armenia, Azerbaijan will not be a member of the Eurasian Economic Union, instead, it will intensify its economic ties with member states of the Eastern Partnership Program.

Given all these circumstances, Russia will still attempt to hold and exercise some political pressure in the South Caucasus. Whenever its interests are threatened, at least in the upcoming years.

Turkey

All three countries in the region have been expanding their ties with neighboring states such as Turkey in order to develop a counterweight to Europe. Armenia is limited in that regard because of its lack of diplomatic ties with Turkey, but it can rely on its diaspora, due to high remittances sent from abroad to Armenia).

Azerbaijan, in contrast, seeks military ties and economic ties with Turkey, in order to have a strategic partner for their conflict region Nagorno-Karabakh.

Armenia will stay isolated towards Turkey and Azerbaijan. Out of the three Southern Caucasus countries, Georgia will remain in its position as a prime importing country of Turkish goods.

To conclude, the International dynamics will be shaped by an ongoing balancing act of maintaining own interests and pursuing a path of multipolarity, without however forfeiting a strong stance towards governments that threaten the status quo of either the European Union as an entity or the status quo of either Azerbaijan Georgia or Armenia.

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Scenario 1: PEACEMISS: OLD WINE IN NEW GLASSES

Economy

2040 marks the 48th anniversary of the partnership between the World Bank (WB) and the three countries of the South Caucasus. According to WB, Armenia, Azerbaijan, and Georgia have been experiencing a slowdown in economic growth, though the countries managed to grow from poor, centrally-planned economies to middle-income countries today. From 2015 to 2030, poverty was cut down to around 20% in Armenia and Georgia and less than 10% in Azerbaijan.

Georgia enjoys Free Trade Agreements with the EU, the U.S., and China, but still, the economic development is driven by Tourism, FDIs and exporting agricultural products, mostly wine, nuts, and citrus. In order to increase the share of the agricultural sector in GDP, Georgia started introducing new branches in the agricultural sector, together with livestock and plant growth. For instance, in 2038 the Parliament of Georgia changed the bill on the production and export of agricultural products and allowing marijuana production for medical purposes. By exporting cannabis, the government of Georgia estimates to

export 12 tons of products annually, with the cumulative value of USD 120 million. The country's top priorities for rapid economic development are innovation, good governance, and fewer regulations. As Georgia does not have natural resources like Azerbaijan, the country offers the best environment for economic projects and investments and it has experienced a widespread improvement in Doing Business ranks and corruption index. The economy of Azerbaijan has been long dominated by the export of natural resources, primarily gas and oil. After becoming a member of the World Trade Organization in 2030, the government of Azerbaijan fostered the development of the non-oil sector. Tourism boosted during the last decade and became the backbone of providing jobs while the share of stateowned enterprises (SOEs) remains very high in Azerbaijan. In the post-oil period, Azerbaijan is trying to include itself in the new map of transportation by being a landlocked country and transforming itself into a regional hub.

The biggest diversification problems are associated with the restrictions with access to markets and financial resources, the lack of a complete competitive environment and serious challenges with the protection of property rights.

Armenia is still without natural resources that have no favorable geopolitical location and weak economic relations with Turkey and Azerbaijan. The country's economic development is driven by the agricultural sector and remittances. Almost 40% of jobs are created by the agricultural businesses which are critically dependent on the Russian market while the main destination for workers migrating abroad in Russia as well. This makes Armenia vulnerable to any economic shocks that hit the Russian economy. Armenia's poor relations with Turkey and Azerbaijan excluded the country from significant infrastructure projects. Since 2025, entrepreneurship and innovation have been top priorities for creating a sustainable business environment in Armenia. The country's foreign policy remains detrimental to economic development. Recently, due to the tense relations with Azerbaijan, the government of Armenia refused to join the project "Tribus Liquidus" initiated by Georgia to establish the consortium for fostering export of wine, mineral water and tea from the three countries of the South Caucasus.

The status of a leading economic actor in the South Caucasus has been overtaken by China with the One Belt One Road Initiative, along with economic stagnation in the economies surrounding the region (Iran, Russia, and Turkey). Since 2025, Armenia and Azerbaijan have been following Georgia's track and signed Free Trade Agreements with China. The most needed sector for Chinese investments is transportation. Armenia tries to break its isolation from the major transportation projects in the South Caucasus by joining China's BRI project and promoting transregional projects like the "Persian Gulf - the Black Sea" transport and transit corridor to connect Iran with Europe via Armenia and Georgia Black Sea Ports. The South Caucasus countries

remain dependent on particular economic sectors and have already begun diversifying their economies. Developing the agricultural sector in the region is a priority to sustain an income for the rural population.

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Outlook

The next few decades will distance the Southern Caucasus from its current challenges and make it a region of still-existing conflicts, with stronger economies and advanced democracies.

The region will be shaped by a combination of ongoing reforms and stagnations in the sphere of regional security. Thus, these dynamics equally influence economic growth and cooperation in regional and external relations.

Similar to the concept of Europe of different speeds, also in the Southern Caucasus, the countries will evolve depending on each other's economic strength and ability to diversify their markets. Furthermore, a higher degree of civil society engagement and freedom will be achieved in all countries by 2040 but again maintaining their country-specific and individual time rate.

In general, the idiom 'old wine in new glasses' implies changes but no remarkable changes in term of the regional conflicts, even though the peace mediating engagement of the European Union might seem like a new bright and shiny glass.

Armenia and Azerbaijan, but also Georgia won't be able to solve their conflicts even after 20 years, due to recurring lines of conflict and the historical dynamic to the disputes.

The region faces challenges and no easy nor holistic solution will be achieved for major territorial concerns, but new cooperation options in Green Energy and Chinese engagement as well as investments create a more optimistic perspective.

To conclude, stagnation will remain a keyword in the upcoming decades if the current foreign policy direction of each region is further pursued. 20 years is a long time, but from a realistic point of few, proactive engagement or action taking is necessary, in order to introduce remarkable changes. Indeed, the European Union with shiny glasses meaning for instance new trade corporations and reforms, will not change the aged taste of the Southern Caucasus wine.



Photography by Freepik.

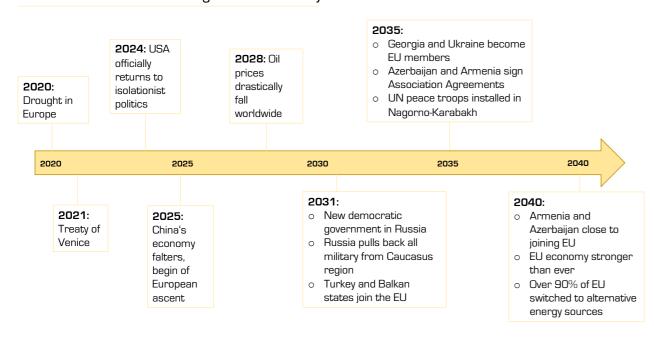
Scenario 2: The future is better than I expect

Turan Abdullayeva, Marie Moissl, Guranda Goliadze, Elnur Naghiyev, Tamar Tkemaladze

The Golden Age of Democracy

The world has never been as peaceful and prosperous as in 2040. The democratic transformation trend was strongly intertwined with strengthening alternative energy sources in Europe to combat climate change. The progressive drop of oil prices starting in 2028 had severe political implications in oil-rich countries. Russia's economy, mostly profiting from energy exports, collapsed which initiated social uprisings against the Kremlin. The new democratic government established in 2031 initiated socio-economic reforms and pro-European politics. The European Union (EU) is stronger than ever through democratic reforms and flourishing economic developments in technologies and innovations. All candidate countries, such as Turkey and the Balkan states, have become members. Occupied by internal problems, Russia's focus on the Caucasus region diminished over time, opening up new opportunities for Georgia, Azerbaijan and Armenia. After the revolutionary changes in Russia, Georgia is accepted as a member of the EU and Armenia and Azerbaijan are following a similar path as candidate countries. By 2040, both countries already have strong economic relations and are currently implementing democratic reforms. Restoring territorial integrity in Georgia has been largely successful and the situation in Nagorno-Karabakh has improved immensely.

The Road to the Golden Age of Democracy



International Dynamics

The European Union

By 2020, it had become obvious that climate change posed the greatest threat to human development. The same year, the drought in Europe caused by the high concentration of carbon dioxide severely affected agriculture and the ecosystem. Large forest fires led to the displacement of several thousand inhabitants in Scandinavia. As the environment was damaged the EU had problems in the agricultural sector for years and stayed dependent on imports. But this was the warning signal for Europe and the rest of the world to reduce carbon-dioxide emissions for a better future. Although Europe was able to handle the crises, it was an alarming signal for the population.

The strong environmental movements in every EU member country pushed decision-makers to invest in alternative energy sources in order to prevent further damage to the environment. The Treaty of Venice, signed in 2021, reconsidered the previous strategy and set the goal to achieve emission neutrality by 2040. The fight against climate change unified the EU, strengthened cooperation and solidarity and boosted the economy.

The construction of Nord Stream 2 was terminated. As the wages of European countries were gradually increased, the governments made an objective to invest in the valueadded chain of production. The coherent and stable macroeconomic policies led to enormous development in infrastructure, technologies, the bank sector, and biotechnologies. High-qualified entrepreneurs fostered innovations in the production-consumption cycle reaching the sustainable economic model. By 2040 all the materials are 80% recyclable.

After the United States of America (USA) overcame the recession caused by ineffective high spending, it became the major economic partner for the European countries. In 2024, new political forces from the Democratic Party, leaving American Exceptionalism doctrine, backing to 20th-century isolationist politics. A decade ago, the disastrous fires in California, Oregon and Washington as well as floods in the Midwest, totally shifted the public opinion in favor of a sustainable economic development model. environmentalists Technocratic obtained the majority of voters.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

International Dynamics

The European Union

They decided to follow the EU model of development. Starting from the 2030s, American companies are ploughing money in European technological and industrial corporations. Alongside economic development, the European Union made structural changes to make its institutions more democratic.

European Parliament, given more power, elected representatives proportionally to members' population. In the late 2020s, technological advancement and digitalization made it possible to conduct pan-European referendums about the major issues. Today the trust in the EU and its institutions is vastly enhanced.

In contrast to the economic success of the European Union, the United Kingdom (UK) plunged into recession due to a lack of access to the bigger European market. The citizens, asking for sustainable economic development, were disappointed that the parliament could not offer an effective model. As the refugee crisis was no longer a threat and

the EU institutions were improved immensely, diminishing the critique of Eurosceptics, the UK held the referendum to join the European Union. "Brenter" - re-joining the UK to the EU - took place in 2027.

By the same year, Turkish people looking at the economic prosperity of Europe were already frustrated by their authoritarian type of government. As a result, the Justice and Development Party was defeated in the election by the pro-European democratic coalition which won 80% of seats in the parliament. The rise of powerful democratic forces led to the democratization of Turkey. Over the next few years, Turkey managed to significantly upgrade its place in the rankings in the judiciary, freedom of speech and rule of law. At the beginning of 2029, Turkey joined the Treaty of Venice and the government started to switch to alternative energy sources that were accompanied by the large-scale modernization program. The above-mentioned had a positive impact on economic growth.

With this political and economic background, Turkey was almost at the point of joining the EU. To fasten the process it began active negotiations with Greece about the Cyprus conflict to resolve the dispute.

After two rounds of negotiations, Greece, Turkey and Cyprus agreed on the common model of governance in Cyprus. In 2031 Turkey and all Balkan states were integrated into the EU. Now economically stronger Turkey is one of the biggest partners of Caucasian countries and it is actively contributing to the post-war reconstruction in Syria which has already managed to take back many of its refugees back.

The EU established a Mediterranean Partnership framework to cooperate with Morocco, Algeria, Tunisia, Libya and Egypt. After closer integration of former Eastern Partnership (EaP) countries, the EU southern neighborhood which experienced many economic problems in the last decade became the main recipient of foreign aid from European countries. Now the EU is successfully promoting the rule of law and civil society sector in southern neighboring states which, along with the joint European defense system prevents illegal migrants from entering the EU. New security issues are emerging at the Caucasus border.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

International Dynamics

Russia

Despite the obvious environmental the Kremlin threats. kept spreading myths about a "Western global warming hoax" through disinformation and fake news. After the Treaty of Venice, Russia was undertaking constant efforts to separate the actors and undermine the new energy project. Now it is officially confirmed that Russian affiliated companies funded Eurosceptic nationalist groups in France, Italy, Germany and Hungary in order to foster anti-EU sentiments and terminate the undergoing process of energy diversification.

Major changes in geopolitics began when Russia lost its largest markets for oil and gas export. May 29, 2025 was marked as a historical day when the Chinese construction bubble burst, leading to a startling fall of stock market prices. The trend of deflation, derived from low consumption and accelerated by the trade war with the United States, was culminated by deep economic stagnation in 2028.

The advancement of alternative energy sources first in Europe and then in the rest of the world was followed by the drastic fall in oil prices over the next years, damaging the economy of oil-rich Russia. The sudden drop in exports along with ensuing corruption and western sanctions turned annual economic growth to below zero. Looking back at the end of the previous decade, it seems the structural economic reforms to save the economy from collapsing were already late. In the 2030s, Russia verged toward bankruptcy.

By the time of economic stagnation, the country had already been divided into pro-Western democratic opposition, mostly consisting of young people, and hardline nationalists who wanted to protect values of Russkiy Mir. The latter was well-represented by the Russian Orthodox Church, which along with oil magnets, was eager to maintain the political system Putin left behind.

But since Putin left the political scene, liberal democrats, who were no longer repressed, gained massive approval in the society. In 2031, the seizure of several opposition leaders triggered widespread protests throughout the country. After a clash between the protestors and the government, democratic forces succeeded to achieve the change of power in Russia. A new democratic Russian government came to power. Elections were held as democratically as never before. The constitutional changes caused the court to become more independent from the government. The quality of the rule of law and freedom of speech was improved. The number of Non-Governmental Organizations (NGOs) has increased and enhanced the involvement of civil society in the decision-making process.

As the Kremlin could only offer the public humiliation and ineffective policies, society started to believe in Russia's European future.

Economically fragile Russia acknowledged the importance of closely cooperating with the EU and the US. In 2032, all the Russian military in Eastern Europe and the Middle East was already withdrawn and a new democratic government announced Russia's new direction to integrate into Greater Europe, welcoming the membership of Georgia, Ukraine and Moldova in the succeeding years. Since then, the relations with the European Union and Russia started deepening, regarding Russia to be a close political and economic partner. However, Crimea still stays a hardline topic that needs to be settled in the upcoming future.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

Domestic Politics

Loss of Russian influence

Climate disasters had a negative impact not only on Russia's power on global politics but it also led to uprisings, coups and protests against the ruling elites. In the case of the South Caucasus, Russia lost its influence as it was busy with internal issues. Russia did not have enough economic power anymore to support groups in South Ossetia, Abkhazia and in Nagorno-Karabakh. After Russian representatives left the conflict territories, communication between citizens from occupied and unoccupied parts of the countries improved, raising some common educational and economic interests. Citizens from unoccupied territories in the Caucasus region now have better living conditions and are living in a stronger economic, political and social environment. They also use various opportunities from the EU such as visa-free traveling, business funding fonds and other kinds of programs.

The situation was successfully used by Azerbaijan, Georgia and Armenia in getting more EU oriented in their external policy and realize development of social issues, reforms and strengthen governmental institutions. The situation in Russia opened new opportunities for Armenia and Azerbaijan to come together to rethink the common problem of Nagorno-Karabakh.

Democratic reforms in all three countries

Georgia successfully reformed its judiciary system and judges gained full independence from the government. A newly created anti-corruption strategy detects, prevents and addresses corruption effectively. An anti-discrimination law ensures that no one leaves the country for discrimination reasons. An increasing number of independent media have caused media-pluralism. The Index of Economic Freedom changed from 79 to 96.

The private sectors had a fruitful contribution to the democratization process. The role of civil sectors raised in the decision-making process. Changes implemented in the sentence execution buildings ensured wider and lighter cells. With investments from Switzerland and Norway three Hospitals + were opened in Batumi, Kutaisi and Gurjaani for the equal treatment of children and elderly people. The Hospital + is equipped with the newest techniques and combines Georgian, Turkish and German

doctors. 50% of the medical services are covered by the government of Georgia. The political election process has become more open and visible and raised the number of electorates. The electoral system changed from a majoritarian to proportional electoral system. In the parliament of Georgia all minorities are now represented, including South Ossetia and Abkhazia. After the successful passage of the Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA), Georgia became part of the EU.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

Democratic reforms in all three countries

Georgia's acceptance into the EU in 2035 had a positive impact on the politics of Azerbaijan and Armenia. Azerbaijan's government decided to discontinue its balancing politics between Russia and the West and instead direct its external policies towards Europe.

People in Azerbaijan finally realized what significant role they play in politics. This was caused thanks to the reforms by the newly renamed Ministry of Enlightenment of Azerbaijan in cooperation with EU to implement high standards in the educational system. The government started to pay more attention to the education of people on political topics.

The result of these courses is the active participation of citizens in the presidential elections of 2032. Unraveling the complex knots of political and socio-economic problems, the new government, having embarked on integration into the Euro-Atlantic space, began to build a completely different sociopolitical and economic structure. Constitutional changes also played a huge role in the country's

democratization. Therefore, presidency was reduced to 5 years, limited to two consecutive terms. All political prisoners were freed by the year 2040, the right to freely express one's opinion was enforced as well as the critical evaluation of actions of politicians and entrepreneurs. It is also possible to conduct unhindered investigations, as well as publish the information received. As a result of successful parliamentary elections in 2035, the composition of the new parliament was completely changed and the new liberal, politically active people are successfully represented at the legislative level.

After the changes in Russia, Armenia was left alone without a superpower behind it. In this situation, Armenia had to change its course towards Europe. It was unimaginable to keep positions in Nagorno-Karabakh territory without Russian support, which is why Armenia paid more attention to the EU and its neighborhood policy.

As a condition to become EU members. Armenia and Azerbaijan were asked to solve their conflict in the Nagorno-Karabakh region. For the first time Armenia and Azerbaijan started communication with each other about the conflict territory, as well as, the cooperation in common problematic issues such as preventing systematic corruption and bribery. In the beginning, they did not succeed, but afterwards they signed the Free Movement Agreement and the conflict area got a neutral status. After Nagorno-Karabakh got a neutral status Azerbaijani people who used to live there before the conflict were allowed to move back. By 2040, Nagorno-Karabakh is governed by a parliament representing both countries.

Through EU initiative, civil educational training centers with youth participation opened in Armenia. Armenia started close relations with the EU in the field of democracy, rule of law, human rights, and freedom of speech. It is also worth noting the success in preventing systemic corruption and bribery.

Azerbaijan and Armenia both signed an Association Agreement with the EU and entered a visa-free regime. After these democratic reforms they became candidate countries of the EU. Due to the successful democratic reforms in domestic politics in all three countries, the region of the South Caucasus has become more connected and intertwined.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

Regional Security

With Russia occupied by internal problems and busy rebuilding its economy, the Caucasus region finally had the opportunity to work on regional conflicts without interference from other countries.

Russia's interest in South Ossetia and Abkhazia decreased substantially, which led to the abandonment of Russian military bases in these regions in 2031. This gave Georgia the opportunity to develop new methods to peacefully solve these conflicts. Without military, financial and political aid from Russia, both regions were left to turn to cooperation with Georgia. Confidence-building and reconciliation measures as well as economic partnership laid the groundwork for the reintegration of South Ossetia and Abkhazia into Georgia.

By 2040, South Ossetia has been fully integrated and is furthermore permanently represented in the Georgian parliament. Abkhazia is following in the same path and should be fully reintegrated in the

next few years. Through solving these conflicts and also stabilizing its relationship with Russia, Georgia has finally managed to become a country free of disputes with safe and stable borders.

Diminishing Russian interference also helped improve the situation in the Nagorno-Karabakh region. Similar to the regions in Georgia, Russia stepped back from supporting Armenia with weaponry, which extremely weakened Armenia's However, Azerbaijan position. refrained from taking advantage of this situation and instead proposed finding a peaceful solution. Both countries were additionally spurred on by the prospect of becoming EU candidate countries if they should be able to resolve the conflict. UN peace troops were sent to overlook the conflict resolution in 2035. Armenia and Azerbaijan opened their borders for the first time in over forty years, which began the process of bringing together two countries that had been at war for a long time.

Solving these conflicts has extremely improved regional security in the Caucasus and brought all three countries together. Russia is currently not seen as a threat anymore, but rather as a new partner. Turkey, as a member of the EU, has turned into a close ally for not just Azerbaijan and Georgia, but also Armenia. To strengthen the EU defense and security policy, Georgia has advanced and modernized its military capabilities, especially considering it is currently protecting the EU's external borders. This specifically includes developing new technologies to protect the EU from cyberattacks. Armenia and Azerbaijan are following this example as they will be taking on this task when they become EU members.

With stable borders in the West and North and the Caspian Sea in the East, the security of the Caucasus region is currently only challenged by problems in the South. After the collapse of the oil industry, Iran and other Middle Eastern countries have suffered immensely, causing many to migrate to Azerbaijan in hopes of finding work in Azerbaijan's new flourishing economy. Migration brings risks of spreading religious extremism and terrorism and could potentially become a new security factor in the Caucasus region. In future, Azerbaijan will need to further strengthen its borders to Iran to ensure it can protect external EU borders.

Due to the progress in cooperation in defense matters within the EU and the removal of Russia as a common threat, North Atlantic Treaty Organization (NATO) does not play a significant role anymore. None of the countries of the Caucasus region are therefore still actively pursuing NATO membership. Overall, due to a stable and prosperous EU and a democratized Russia, by 2040 the Caucasus region is as secure and peaceful as it has never been before.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

Economic and Social Development

The economies of all three countries took their toll from the impact of environmental problems starting from 2021 although they were not big emissioners themselves. As non-members of the EU, none of them signed the Treaty of Venice against climate change, but Georgia signed and ratified the Treaty when it became a full member in 2035. The economies of all three countries had ups and downs throughout the decade (2020-2030) and have become more stable in the 2030s.

Georgia

After democratic reforms were implemented after the elections in 2024, Georgia created one of the best investment climates in the region. Liberal reforms and its access to the largest and the richest European market, have attracted global investors and inward flow of Foreign Direct Investments (FDI) jumped from 1.5 billion in 2020 to 18 billion in 2030. After joining the EU, Georgia took active steps to train its workforce and encouraged entrepreneurship in highly competitive fields. Last year, the parliament announced its goal to transform Tbilisi into a technological hub in order to offer the qualified workforcetothegianttech companies. The Anaklia port project, terminated by the government several times, has finally been accomplished in 2028. Since then, the port of Anaklia plays a strategic role in the trade between regional economic powers. Over the next ten years, it has created many working places and has become one of the biggest ports in Europe. Georgia has set three production

Georgia has set three production priorities in regions, funded by the state and the German and French investors.

Priorities are: 1. Production of new and ecological technologies, which opened in the city of Chiatura, and creating new products which are powered by the sun. 2. Production of fresh vegetables and fruits in three seasons of the year and exporting them to EU and Chinese markets. It opened in the city of Telavi and connected other manufacturer cities of Georgia. Production of a Georgian tea and water were boosted in the cities of Sairme and Ozurgeti.

Georgian society has positively transformed since 2020. Similar to the other countries in the Caucasus region, the younger generation holds very pro-European views and strongly advocated joining the EU before Georgia became a member. Moreover, Georgia has successfully removed all influence of the Orthodox church on the government and established a secularized society. This extremely bettered the situation for the LGBTQ+ community in Georgia. In general, minorities are accepted by a large part of the Georgian society and well integrated.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

Azerbaijan

When Azerbaijan had its first administrative changes in 2025, the new political system influenced socio-economic life positively as they embraced political and economic reforms. They accepted to join the World Trade Organization (WTO) in 2026, supported privatization in many sectors and began combating corruption. However, this was not enough to decrease the dependency of Azerbaijan's economy on the oil and gas industry. When the oil and gas prices commenced to fall in 2028, in a short period of time the economy of Azerbaijan was paralyzed and their currency Manat was devalued. Similar to many other oil exporters, Azerbaijan had to request loans from the World Bank in order to stabilize its economy and currency, however long-term economic plans and total changes in economic life of the country were needed in order to revive the economy. Until 2030 they successfully renewed their economy by boosting tourism and the agricultural sector, which decreased the amount of imported food.

Northern parts of Azerbaijan have become a touristic center and tourism has been prioritized by the government in their action plan for the next decade. Azerbaijan also strengthened alternative energy sources such as wind and solar energy. newly-elected Azerbaijani government aimed at developing tighter relations with the European Union after 2030. After the shock wave of the economic crisis of 2028, Azerbaijan intensified trade relations with the EU by starting some initiatives and incentives to draw the attention of European investors to the region. 68% of investments coming to Azerbaijan were from the EU in 2037. Overall, the whole orientation of Azerbaijan's economy started to shift from the oil industry to service sectors and agriculture. Membership in the EU is the priority of Azerbaijan to further boost their economy as they witnessed Georgia's prosperity and welfare after becoming a member in 2035.

New social programs were also implemented in Azerbaijan. The issue of child money was again raised in Azerbaijan. Although this issue has been widely discussed in the public for many years, the government rediscovered this phenomenon in 2037. Along with this the problem of unemployment benefits has found a solution and the monthly minimum wage was raised to 900 Manat.

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Scenario 2: THE GOLDEN AGE OF DEMOCRACY

Armenia

Armenia's economy was not influenced by the oil crisis as much as Azerbaijan was, but they still needed great reforms in their economy as well. After losing Russian investments in the beginning of the 2030s, Armenia turned to the EU as a prioritized partner in economic relations. Just like Azerbaijan, joining the EU has become Armenia's number one foreign policy and economic goal. Relations with Azerbaijan slowly began to get better. Opening the borders to Azerbaijan and Turkey gave Armenia many new opportunities to diversify their economy and also turned Armenia into a transit country. Similar to Azerbaijan, Armenia began strengthening tourism, using its numerous UNESCO World Heritage sites to attract tourists from all over the world, especially the EU. Agricultural subsidies of the Armenian government boosted the agricultural production in wheat, barley, fruits and vegetables.

Furthermore, Armenia began investing more in communication technologies and advanced its export

of technological goods. Overall, Armenia's GDP is still not as high as in Georgia or Azerbaijan, but foreign investments, especially from the EU, are slowly helping to transform the economy. When Armenia becomes a full member of the EU and accepts the Euro as the new currency, it has a promising economic future.

Armenia's society has also changed enormously in the last 20 years. The EU's main demand from Azerbaijan and Armenia was the resolution of the conflict between them, therefore they initiated many joint programs in order to increase people-topeople contact and ignite economic relations. Younger generations in both countries were much less interested in the conflict because they saw the EU as the only scapegoat for their future. Due to the programs funded by both the Armenian and Azerbaijani governments, the populations of both countries slowly started to drop their hostility against one another.

Outlook

The environmental threat triggered the positive changes throughout Europe. The obvious climate problems and environmental awareness led the European union members to unite around the common goal to transform to a sustainable economy. Switching to alternative energy sources and developing innovative technologies led to a boost in the economy as well as structural reforms that made the EU stronger than ever before. Losing the European and Chinese market for oil and export, along with corruption and severe sanctions, caused the collapse of Russian economy. It triggered the uprising of pro-democratic, pro-Western political forces in the country which drastically changed the political situation in Caucasus.

Russia, no more able or willing to sustain its presence in the region, withdrew military from Abkhazia and South Ossetia and stopped its military aid to Armenia in the Nagorno-Karabakh conflict. Absence of the actors, undermining democratic political system in Caucasus countries, strengthened pro-European community which strived for integration into the European Union. Georgia, Azerbaijan and Armenia managed to successfully implement democratic reforms, to diversify the economy and to make a huge step ahead in

solving regional conflicts. A new security issue for the region is to defend borders and keep illegal migration from Iran and the Middle East caused by the drastic cuts in oil prices. In the upcoming 2040s, the EU needs to reinforce the security system in all dimensions. Besides, it should increase its foreign aid to Iran, the Middle East, and North African countries.

By 2040, we live in the golden age of democracy. The success story of our decade shows that democracy is the most effective political model which brings economic prosperity and good governance. In the future, economically strong countries should carry on investing in education, innovation and research in order to ensure a creative and open society. A highly educated community is able to allocate wealth without being dependent on natural resources. It can promote democracy and liberal values across the globe.

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Scenario 3: The future is worse than I expect

Disorder, disintegration and disillusionment: Doomsday in 2040

By 2040, the Caucasus and the European Union have undergone tremendous changes in their foreign policy directions. On the one hand, the countries of the Southern Caucasus are riddled with conflicts. Most notably, an escalation in the Nagorno Karabakh conflict has drawn the interest of third parties that aim to exploit the turmoil. On the other hand, the EU has largely withdrawn from global politics and is focusing on its domestic conflicts to avoid territorial disintegration.

Democratisation processes backslid in Georgia. Societal polarisation changed the countries' political orientation from the EU towards the Russian Federation. Societies are deeply divided and pro-Russian parties have gained influence that have also aggravated the conflicts in South Ossetia and Abkhazia. In Azerbaijan, the economic situation has dramatically worsened as its oil reserves are being exhausted.

Azerbaijan might pursue hawkish foreign policy strategy with respect to Nagorno-Karabakh. In 2035 Azerbaijan will start military operations in an attempt to reinstall sovereignty over occupied territories. Armenia's military reaction lead to the escalation full scale-war, which is still raging in the subsequent year and that has caused a high number of displaced persons.

The international community condemned the escalatin but does neither have a mandate nor the political will to get further involved in the conflict. Answering the call for help, Russia stepped in support of Armenia, whereas Turkey is sending military forces to support Azerbaijan.

Domestic Politics

The political changes will bring societal hopes in improvement rule of law, respect for human rights, and fight in corruption in Azerbaijan. Yet, these hopes quickly dashed and the country further slid into authoritarianism. It first became evident after the presidential election when the newly elected president refused to divulge information after allegations of massive interference and election fraud in the election process became public. The country dropped multiple ranks in the Transparency International CPI and the Transformation Index BTI.

As it was forecasted, the amount of Azerbaijan's natural resources reached it limits to a point where the regime had to decrease its exports. In order to fill the state budget, the government was forced to increase taxation triggering a public outcry from large parts of society and new protests arose all over the country. In contrast to previous protests, the government was not able to suppress these. This period also presented a great opportunity for Iran-oriented Muslim minorities in the country to raise their voices, that is, to get more involvement in policy-making and push for re-Islamisation. For the survival of the regime, authorities had to come up with ways to regain the public support. In 2035, the Azerbaijani government started military operations at the border to Nagorno-Karabakh in order to

reinstall its sovereignty on the seven occupied territories. Within the country, this led to a decline of antigovernment protests and shifted the population's focus towards the war and questions of national survival. Overall tension in the Nagorno-Karabakh conflict zones allowed for a greater influence of populist and nationalist movement, which became actively engaged in the decision-making processes further supporting the country's military engagement.

Georgia also experienced great societal polarisation into the pro-Russia and anti-Russia camps. Large parts of society pivoted towards Russia and pro-Russian policies gained popularity in the country. In the past years, various small pro-Russian parties joined forces (they are allegedly financed by Russia). They are tolerated by the Georgian government due their effective public outreach activities.

Pro-Russian organisations help socially vulnerable citizens, organise exchange programmes at Russian educational institutions, and promise other benefits to Georgians in return for support. Georgians seek healthcare in Russia.

Likewise, more Russian tourists come to Georgia, and sports activities are held between Russia and Georgia. Russian television and radio station as well as popular press further influence public opinion.

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Scenario 3: Disorder, disintegration and disillusionment: Doomsday in 2040

Domestic Politics

The other side of the spectrum sees the rise of anti-Russian, nationalist parties. These parties make promises to the population to isolate Georgia in order to save its traditions and maintain national sovereignty as well as territorial integrity. Nationalist parties work for an ethnically homogeneous country without minorities.

Nationalist parties especially attract and influence the older generations that remember the horrors of the 2008 Georgian war. Therefore, societal conflicts between younger and older generations are rising. generations who Older have fought for a democratic Georgia are frustrated by the younger generations' aim to move the country closer to the Russian sphere and the EAEU. Younger generations do not perceive Abkhazia and South Ossetia as belonging to Georgia any longer. Moreover, these conservative parties are heavily influenced and supported by the church. Religion continues to play an important role. Secularist processes went down and

the Patriarchate of Georgia still has huge amount of the lands. They are still building the churches actively to diffuse their influence, thus people rely on the opinion of the church.

Georgia failed in improving its humans rights score. Police forces becoming more aggressive and disproportionately use force in demonstrations and pickets. Sexual minorities are systematically oppressed and because of the religious-conservative backlash, they are not welcome in Georgia. The process of Europeanisation is halted and, of course, liberal democratic priorities are reduced. For example, there still is a problem with freedom of speech and femicide, and most foreign NGOs are expelled. In 2040, except a few, most media companies are state-owned (besides the ones broadcasting from Russia), which further limits the objective information of the public as the government use the media for its own propaganda.

Georgia still has a problem with territorial integrity since Abkhazia and Samachablo are not part of the Georgian nation state. The Georgian national government struggles to keep xxx. Additionally, ethnical minorities in the south part of Georgia have their requirements. Because of this a separatism is rising. They are against Georgian schools, language and citizenship. They want to be independence or minimum autonomy. Also demarcation of the border causes so many problems, Georgia and Azerbaijan still dispute about some historical monuments. The EU in 2040 is also struggling with domestic challenges. The EU divides along the vectors of economics, social cohesion and thus the future direction of the EU became unclear. The Union has not been able to reach a consensus on the past refugee crises and has, thus, alienated various parts of member states' societies. Over the last years, new hardline agenda that were endorsed by several countries were pushed through, which led to isolationist policies and the restriction, and later

closure, of the EU's external borders. No working consensus could be achieved between the polarised positions and the EU pursues a lowest common denominator approach. Intergovernmental decision- making is the modus operandi and the EU parliament has been relegated to become the Union's technocratic appendix.

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Scenario 3: Disorder, disintegration and disillusionment: Doomsday in 2040

International Dynamics

Because of the outbreak of COVID virus in 2020, one might have thought that the decrease in world trade and world production had led to revival of the damaged global environment. In some sense, this was accurate. However, successful fight against the virus turned the ways around and the incentive for world trade had tripled. Major countries such as China, U.S, doubled their production in order to return to their place of being great economic powers again. Azerbaijan being one of the countries welcoming the One Belt One Road project of China played somehow a crucial role in strengthening the third power involvement in the region. EU on the other hand, seemed like it had less interest in the region due to the fact that there was a drop in oil production in Azerbaijan, non-EU oriented regime steps in the countries, ongoing war over Nagorno-Karabakh region and general security issues in South Caucasus. Turkey and Russia had shifted their playground from the Middle East to the vulnerable Transcaucasia.

Due to neo-Gaullists in France with the support of nationalist forces in Italy, Poland and Greece, "Fortress Europe" is being re-instated. The Union is not capable to speak with one voice. Liberalisation processes that have been dismissed in the previous years are now completely revoked. Funding to the European Neighbourhood Policy and the ENI decreased due to the EU's focus on its inside problems. The External Action Services has been completely shut down.

Trade relations between the Eastern European Countries and Asia, especially China, improved which led to further conflicts between competing interests in Central and Eastern Europe. The 17+1 initiative under the auspices of China led to further polarisation between East and West in Europe. The mutual energy dependence with Russia continues, whereas Russia itself focuses on its domestic problems as well as the war in Nagorno Karabakh. Therefore, the relationships were normalized but not developed further.

Support for Russia from Hungary, Italy and France and some Eastern European countries within the EU strengthen. EU-Turkey relations worsened due to the previous fallout of migration crises.

The war in Nagorno-Karabakh has been widely condemned but the EU was not able to find a common answer to the escalation. France leads a "coalition of the willing" and has deployed peacekeeping troops to the Nagorno-Karabakh conflict. Until now, however, they have not been able to end the fighting and loss of lives in Nagorno-Karabakh.

Georgia's integration in EU got down. Because of the reducing democratic institutions EU cancelled visa liberalisation.

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Scenario 3: Disorder, disintegration and disillusionment: Doomsday in 2040

Regional Security

AZ:

It seems like the South Caucasus have become a vulnerable place. After Azerbaijan decided to decrease its oil and gas exports, Georgia was the first country to face difficulties. As the war between Azerbaijan and Armenia broke out the security issues has been at its highest. It was another opportunity for the third powers to get involved in the region. Turkey supports its longterm partner Azerbaijan, while Russia supplies Armenia with military aid. Furthermore, Russia uses its propagandist power to intensify the situation which led to the clashes between Azerbaijanis and Armenians living in Russia.

Relations between Azerbaijan and Iran reached another level of alienation. After Azerbaijan got hit heavily by the decline of its natural resources, the government decided to explore the potential oil areas in vicinity to Iran in the Caspian Sea which ignited Iran to take harder stance against the exploration than it did at the beginning of the 21st century.

The aggressive reaction of Iran towards those explorers could be seen as an answer to the violent suppression of the Iran-oriented Muslims in Azerbaijan.

EU:

Themostgrievous development within the EU has been the disputes that have challenged the membership's own territorial integrity. Small skirmishes have progressively led to terrorist attacks by separatist groups. Separatist groups across the continent include the armed struggle in Northern Ireland, Northern Italy, Catalonia, Cyprus and Southern Germany. The EU's powerlessness to respond to these internal struggles makes it incapable to shift its focus to the 2040 Caucasus' war.

Economic and Social Development

AZ:

After years of stagnation caused by financial crisis in 2008, the economy of Azerbaijan maintained high rates of economic development during the 2020s. However, under the circumstances of decreasing oil and gas resources and the outbreak of the war in Nagorno-Karabakh in 2039, the growth rates of the Azerbaijani economy significantly decreased compared to the pre-crisis level. The changing dynamics of GDP growth rates were followed by the country's shift of its financing approaches to spend more money on defense and rearmement. In addition, military expenditure reached an all-time high of 3.1 billion USD of the overall budget, and expenditures of the state budget were increased fivefold and amounted to 35% of Azerbaijan's GDP.

After 2030, because of scarce oil and gas reserves, the inflow of FDI into the oil industry began to weaken.

The ethnic tensions still increases and negative economic changes that occurred in the Azerbaijan did not guarantee realization of normal living standard and equality. The minimum wage declined several times and still does not provide adequately for a worker and family. High level of unemployment had a huge impact on the rates of migration, and this tendency had a huge economic, social-cultural impact on the Azerbaijan causing higher prices and costs of services, such as health and social care. At the same time, the rapid devaluation of paper money and the volatile situation of the financial markets lead to dissatisfaction with the regime in Azerbaijan and people organized pickets in Baku.

Due to unemployment and the worsening political and economic situation, many people decide to leave the country. The "brain-drain" has large impact on the labor market and the country is lacking skilled labour.

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Scenario 3: Disorder, disintegration and disillusionment: Doomsday in 2040

EU:

The EU tries to implement the European Green Deal. However, it still relies on external energy resources mainly coming from Russia, the USA and Iran. Climate change led to economic and personal damages. The population of Rotterdam in the Netherlands and Norwich in Great Britain have been relocated. Spain, Portugal and France experienced droughts and desertification endangering the countries' agriculture domain. The last twenty years have witnessed a dramatic increase of storms, flooding as well as droughts. Development cooperation institutions drew back their focus to the EU region to offset the burden of environmental degradation.

France, Ukraine and Belarus have further invested in nuclear energy and promotes themselves as the only European military and energy superpower. Demographic changes and aging societies put a burden on the EU's social security systems. Coupled with weak economic growth rates, the dynamics lead to shrinking wages and diminishing retirement funds. As a consequence, the standard of living declines.

After years of ongoing pressure from civil society organizations, no real changes could be reached and after internal disagreement the movements fell apart into splinter groups. Social rights are suppressed of marginalized groups are sometimes depressed, sometimes relegated to the background which leads to a difficult, even dangerous, situation of LGBTIQ groups in some countries. Right-wing and left-wing extremism fueled by economic depression could gain further ground within the countries of the European Union.

Georgia:

In 2040, Georgia still faces the problem of unemployment. Large parts of society live below the poverty line. The Georgian government increased taxes and inflation is on the rise. Georgia now is more dependent on Russia and Turkey which puts the country's economic stability is in their hands. Because of rising the nationalism in Georgia, nationalist political parties joined the government which changed towards more conservative policies. The industry is handed over to the state. Georgia has nationalized pipelines of foreign companies. Europe doesn't accept the oil taken over the country and has imposed sanctions on Georgia. Unfortunately EU doesn't stop here, Georgian ports are in blockade because of the EU statement where it say that if any companies enter Georgian ports then they couldn't enter EU.

Another problem is connected with climate changes. Rising of sea level floods Batumi and Poti ports. Accordingly, these ports cannot be used for shipping oil or other supplies which can destroy Georgia's transit potential. Floods in western Georgia affect and railways that are used for transportation of people and goods.

Outlook

Looking at the current situation in the region, it is no surprise that the rebirth of the constructive relations between the countries will take longer time than expected. The lack of involvement of the EU in the region and growing third power influence puts the faith of the region at risk. This shows that political, economic and social changes will lead to damaged relations and abhorrence between the nations.

Scenario 4: The future is weirder than I expect

The Caucasus on its head

Until the 2040s, the old powers such as Russia, the US, and China turned isolationist. Meanwhile, North Korea used this power vacuum and became a world leader. US isolationist agenda leads to the dissolution of NATO. As a response, the debate of the EU as a military power came up again which split the union. Then the Commonwealth of Eastern and Southern European States (CESES) was established with Poland's initiative. After the quick enlargement of CESES, the scenery in the region completely changed. Although initially it was designed as an economic union, then it developed as a political project in a way that promotes democratic values throughout the region. As a result of that, Azerbaijan emerged as a new democratic leader of the region, while Georgia could not benefit from democratization and with the influence of North Korea, turned authoritarian. With regard to Armenia, the country continues to struggle with an oligarchic structure that was formed by the influence of the Armenian diaspora in the US. The conflicts in the post-Soviet countries have almost been solved. South Ossetia and Abkhazia have united with North Caucasus states and are now part of united Ossetia and Krasnodar respectively. Nagorno Karabakh issue was solved on the level of international actors. Tehran played a major role here. As a result, Karabakh became an independent state.

Domestic politics

Azerbaijan integrates into CESES 2029 as it recognizes that it can benefit economically from the union, but can remain non-aligned. As the economic situation of Azerbaijan becomes more difficult as prices for natural resources drop, the need to further integrate economically is recognized. However, the CESES demands political reforms before it helps Azerbaijan in its economic situation, which leads to bottom up movements demanding change in order to get CESES economic support. As a result Azerbaijan is pressured into implementing democratization reforms and giving more freedoms to citizens, starting with freedom of speech in 2030. Simultaneously, the CESES initiates a fund to strengthen civil society and fight corruption in Azerbaijan. The money is used to reform the judicial and police system strengthening the court system ensuring equal access to justice and fair trial. With the help of funding from CESES, a number of strong local NGOs emerge, which monitor the human rights situation in Azerbaijan.

As citizens feel empowered due to reforms, new political movements emerge and eventually form new parties, which are admitted to elections in 2035. The CESES monitoring mission declares these to be "free and fair elections" approving the new position of Azerbaijan as a democratic leader in the South Caucasus. The outcome of the parliamentary elections leds to a formation of a pro-CESES multi-party coalition, which pushes for further democratic reforms, in particular regarding transparency of government processes. They are pursuing a new "open government" strategy, which enables civil society to take part in every part of the policy-making process.

As the US continued to pursue its isolationist policy, it also withdrew its support from Georgia. Also, its EU dreams fail. Consequently, Georgia looked for a new strategic partner - as North Korea wants to establish closer relations with Europe, Georgia offers itself as a "stepstone" to Europe.

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Scenario 4: The Caucasus on its head

Domestic politics

At the same time, amidst economic crash, North Korea came with socialist model of economic development.

In 2036 North Korea actively supports Georgia's socialist party through various methods to repress dissents and spread disinformation. In advertisements they advocate for the benefits of the North Korean system. As a result of this widespread disinformation the Georgian socialist party wins a majority in the 2036 parliamentary election. After these elections radical reforms of the Georgian political system start with the prohibition of other political parties and the creation of a new socialist constitution. These reforms are met with protest from civil society and the CESES, yet, the new government with North Korean support repress all protest. Following this the membership of Georgia in CESES is suspended. Georgia continues its transformation into a one-party-state. In a next wave of reforms civil society organizations are dismantled as well as private property expropriated.

The economy is transformed with help of North Korean investment. Furthermore, a new social credit system after the Chinese model is introduced in 2040 to ensure that citizens obey to the rule of the socialist party, it should be in full operation within a few years.

After the 2018 Velvet Revolution in Armenia and the rise of nationalism, some members of the diaspora are attracted to immigrate to Armenia from the US to invest in the country. As business men are competing for shares in the energy market. In order to secure their businesses, they seek political protection from competition. Through the support of political parties, business men start to capture parliament and the government, as a result of which oligarchic structures are beginning to form. The rule of the country is becoming increasingly informal and personalized with few influential businessmen competing against each other.

Civil society is weak with little influence as policy making happens mostly behind closed doors. Institutions are weakened through these structures leading to a gap between policies and implementation. To a large extent policies are not applied and constitutional rights not fully protected. Armenia's indicators for democracy are dropping and at the same time corruption is rising to gain political favours.

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Scenario 4: The Caucasus on its head

International Dynamics

Since 2025, the US has followed a non-interventionist approach to international relations. As the US took its support from NATO, which made it more and more powerless. Given the context of NATO ineffectiveness to respond to challenges, it was dissolved in 2026. Consequently, within the EU, the question of the EU's own military came up. This caused disagreement between member states and serves as a further push for disintegration. In countries in which unionists are dominant - mainly the Western part, such as France, Germany - a dream of a European army is pursued. Over disagreement on the project of a European army, the feeling that Western European countries continue to dominate the Union, and a Union already weakened by Brexit, other countries follow suit and and Poland, Slovakia, Romania, Bulgaria, Croatia, Estonia, Latvia, Lithuania, and Hungary exit the Union in 2027.

In the same year, in Warsaw, the Treaty for Commonwealth of Eastern European States was signed by the former EU member states, Ukraine,

and the countries of the Western Balkan as original members. As more and more countries exit the European Union only France, Germany, and the Benelux countries remain in the Union. With the membership of the southern states such as Spain, Italy, and Greece - which are swelling between West and East Europe, the organization changed its name into Commonwealth of Eastern and Southern European States (CESES) in 2028. CESES emerges as a new dominant economic project, which is dominated by Eastern Europe. This goes hand in hand with a growing dissatisfaction of France and Germany as the "motor" of European integration. Immediately after removing the obstacles for membership as conflicts have been resolved, the South Caucasus countries: Armenia, Azerbaijan, and Georgia also became members of CESES in 2029. Although the organization was initially designed as an economic project, then it developed to be a political one in line with Poland's strategy to become the leader of Eastern Europe after

the democratic party took power in Poland in 2023. By the initiative of Poland, democracy, rule of law, human rights are integrated into the charter of CESES.

In the 2020s the protests, which began in Hong Kong spread across China. As China is dealing with its domestic problems. At the same time, Chinese-led projects abroad are deemed to fail because of rising anti-Chinese sentiments. As a result, Hong Kong, the surrounding area and Taiwan become independent, form a federation and democratize, while the rest of China is under dominance of North Korea. Amidst rising concerns over Chinese people's aspiration toward democracy, North Korea emerged as the savior of the communist regime.

Meanwhile, Third Chechen War broke out in 2023 inspired by the success of the independence movement in China. The strive for independence by Chechens inspired other regions in Russia, in particular in the North Caucasus and pro-Western protests in Sankt Petersburg start. Kremlin lost its control over domestic politics resulting in decentralization of the federation. All the above-mentioned developments led China and Russia to focus on internal issues and isolate from international politics.

Inspired by the Chinese path of development of previous decades and new openings in the global order from 2032, North Korea abandoned protectionist economic policy. Its interest shifts to South Caucasus to complete Chinese projects building on the free trade agreement with Georgia and various other cooperation agreements with the countries. Furthermore, as the countries are members of CESES, they are an entry point into the European market for North Korea. According to its ambitious agenda, it also seeks political support in the region as a standpoint for its plans to become a leading global power. Among the three South Caucasus countries, only Georgia is willing to cooperate with North Korea.

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Scenario 4: The Caucasus on its head

Regional Security

The conflicts in post-Soviet countries are almost solved. South Ossetia and Abkhazia have united with North Caucasus states and are now parts of united Ossetia and Krasnodar respectively. In the beginning, Georgia was against unification. Since 2020s, the government has been involved in the international framework for solution of the Abkhazian and Ossetian conflicts.

CESES has played a major role in these negotiations. One of the main preconditions for Georgia to be accepted in the CESES was territorial integrity, which meant no outstanding conflicts within its borders. Internal turmoil in Russia forced it to withdraw its supports from Abkhazia and South Ossetia which, in turn, open the way for referendum to be held in 2028. As a result, people made their choices in favor of unification. Georgian nationals choosed to let go South Ossetia and Abkhazia in exchange of CESES membership (that was the major question of the Referendum). The final agreements on Abkhazia and South Ossetia conflicts were signed by several parties including

the governments of the newly created states, Georgia, and international mediators such as Iran and the CESES. After the conclusions of these agreements, Georgia became a full member of the CESES even though some bigger states of this organization were initially against this decision citing democratic and economic issues of the country. By 2035 Georgia became a full member of the CESES. North Caucasus countries are also aspiring to join the CESES in the future. However, they have still a long way to go to carry out reforms and meet the membership criteria.

Similar to Georgia, the conflicts prevented Azerbaijan and Armenia from membership in the CESES. As Russia has withdrawn from the region, Iran has become the leading power in the region. With the request from both states, Tehran has played a major mediating role in solving the Nagorno Karabakh issue. Iran managed to assist Azerbaijan and Armenia with finding common interests (first of them was the ability to join CESES which was not possible without solved Nagorno Karabakh

issue) and agree on the independence of a Karabakh state (the official name became Karabakh instead of Nagorno Karabakh). Karabakh is now a close ally of both Armenia and Azerbaijan. The newly created state pursues CESES membership. In its efforts to become a member, the government has already signed an Association Agreement with the organization. Karabakh citizens can now travel to CESES countries without a visa.

In exchange for the mediation in the Karabakh conflict, Iran has gotten the chance to become the main supplier of the CESES countries through Karabakh territories. The Iranian government has agreed with the leaders of Azerbaijan and Armenia that they would not hinder Tehran's plans (and support economic the idea of build transit corridor through Karabakh). Since there are no international sanctions against Iran as US is not involved in global politics anymore, Tehran has already elaborated specific plans in order to export goods towards Europe.

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AYNUR ABBASSOY, JAVID ALIZADE, AMELIE BUCHWALD, NATA GARAKANIDZE, GIORGI MAMULASHVILI

Scenario 4: The Caucasus on its head

Economic and Social Development

Beginning from 2020s, Azerbaijan economy was struggling with low oil prices as the demand for oil hit lowest point as a result of switching to renewable energy.

Decreased state budget makes it impossible to run projects to diversity the economy. In the search of foreign aid, Azerbaijan sought support from the EU to get investment to boost the agricultural sector. But it did not see the expected help from the EU. After years dealing with financial issues, Azerbaijan became a member of CESES and receive loans from it to boost its economy. Pressures international community especially CESES, also the ongoing protests in the country open way for economic reforms. In order to meet the conditions for joining the WTO, Azerbaijan formed a special group against corruption. Thanks to successful implementation of reforms, Azerbaijan managed to be member of WTO in 2032.

After the independence of Nagorno-Karabakh in 2037, both Armenia and Azerbaijan decrease their investments in the military sector. This makes a larger part of the budget available for subsidizing agriculture and tourism. Furthermore, after revenues from oil and gas drop, Azerbaijan refocused towards human resources and providing services for developed countries. Azerbaijan's economy is opening up and society is becoming more pluralistic with citizens actively engaging in politics. Thanks to the WTO membership, the Azerbaijan now opened up for investments. Subsequently, it decided to create "Aran" Free Trade Zone, what turned investors from other countries to dominant shareholder level in local monopolies. As technological progress was enhanced incredibly fast by 2035, Azerbaijan had no choice but to seek support in developed countries. By 2036, a number of agreements had already been signed to franchise new manufacturing and education systems with giants in this area such as Japan, South Korea.

All this was done with emphasis on the development of agriculture and the educational system.

Georgia's economy was completely transformed after the socialist party came into power. The economy is remodeled after the North Korean system. Before its transformation Georgia experienced growth in its tourism sector, which crashed after changes in the political system. As a result, it focuses on agricultural products. Due to climate change, potable water is becoming a rare resource - however, Georgia's economy benefits as it now exports its mineral water worldwide. Huge experience in metallurgy, as well as an abundance of natural resources for this allowed Georgia to try itself in the field of weapons production. The absence of Russia in the region, as well as its connection with North Korea, created perfect conditions for the development of production for the North Korean military.

Since the suspension of Georgia from CESES, social development has stagnated. Due to the backing of North Korea, the Georgian government introduces means of social control restricting citizens' fundamental freedoms, including the freedom of movement, freedom of belief, and freedom of speech. With new technology the Georgian government refines the social credit system which is able to control citizens' behaviour around the clock.

This system creates inequalities between "well-behaving" privileged citizens and citizens, who are fined if they misbehave.

In recent years, Armenia received huge flow of FDI which were mainly concentrated in renewable energy sector. Due to these investments GDP rose rapidly and the currency deflated. However, economic growth is hindered by a high level corruption and per capita income is not growing. Oligarchs expand their businesses leading to monopolies the energy sector. By 2040 a large part of the population is employed in the energy sector. Along with economic developments, economic inequality within Armenia is growing and the social security system and the state of public institutions is deteriorating. Due to the low level of medicinal service in Armenia, monopolists have taken over the medical services market. The monopoly control of medicine led to an artificial increase in prices for treatment and medicament. For this reason, it was decided to create medical insurance, which reduced the cost of treatment.

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Scenario 4: The Caucasus on its head

Outlook

As isolationism is a leading theme among big powers, global order is deemed to be restructured. Furthermore, the EU is split resulting from internal divisions, a new regional union emerges which comprises Eastern European countries. Following these shifts in global power, the political systems of the South Caucasus countries radically transform going into a different direction than previously. A reversal in roles can be observed as Georgia - the former democratic forerunner - turns authoritarian and Azerbaijan democratizes. Furthermore, resulting from ideological divisions and the resolution of conflicts borders shift and new states emerge, e.g. an independent Karabakh and a democratic Chinese federation with Hong Kong at its center. The South Caucasus countries will integrate into the newly established CESES, but as Georgia's political system transform it is suspended from the regional organization.



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DISCLAIMER

Responsibility for the information and views set out in this publication lies entirely with the authors of the respective scenarios. The groups were randomly distributed and consisted of participants from Azerbaijan, Germany, and Georgia.

Scenario 1: The future is what I expect. "Peacemiss: Old Wine In New Glasses" *Mehraj Aliyev, Lana Bambetova, Irakli Gabidzashvili, Sina Giesemann, Lali Putkaradze*

Scenario 2: The future is better than I expect.

"The Golden Age of Democracy"

Turan Abdullayeva, Marie Moissl, Guranda Goliadze, Elnur Naghiyev, Tamar Tkemaladze

Scenario 3: The future is worse than I expect. "Disorder, disintegration and disillusionment: doomsday in 2040"

Janna Articus, Ana Gogitidze, Daghlar Huseynli, Maryam Rzayeva, Tatiana Valyaeva

Scenario 4: Scenario 4: The future is weirder than I expect.

"The Caucasus on its head"

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This publication is the result of a project funded by the German Foreign Office (Auswärtiges Amt) and promoted by the German Academic Exchange Service (DAAD).



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Layout designed by María Miedes Serna.