

Regional Report  
Eastern Europe, the Caucasus and Central Asia

**Transformation in the shadow of war**

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DOI 10.11586/2024035

# Regional Report BTI 2024

## Eastern Europe, the Caucasus and Central Asia

### Transformation in the shadow of war

by Hans-Joachim Spanger\*

Overview of the transformation processes in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine und Uzbekistan



This regional report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2022 in the re-view period from February 1, 2021, to January 31, 2023. Further information can be found at [www.bti-project.org](http://www.bti-project.org).

Please quote as follows:

Hans-Joachim Spanger | Transformation in the Shadow of War – Regional Report Eastern Europe, the Caucasus and Central Asia. Gütersloh: Bertelsmann Stiftung 2024

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## Introduction

In the region of Eastern Europe, the Caucasus and Central Asia, scores across all BTI indices – from democratic transformation and market transformation to governance – are showing a downward trend in the 2024 edition, aligning with a global pattern that has persisted for several years. This marks a break in the moderately upward trend that saw the region manage to defy global developments in both the BTI 2020 and, to a lesser extent, the BTI 2018. Reform efforts across the region are losing steam, as individual countries are recording everything from stark declines to stagnation to consolidation in various aspects of transformation, most of which can largely be attributed to a single factor: Russia's full-scale war against Ukraine. Since February 24, 2022, Russia has clearly sought to subjugate Ukraine, if not wipe the country off the map entirely.

During the period under review, the Status Index score for political and economic transformation decreased on regional average by 0.12 points, as it did in the BTI 2022, dropping to its lowest value since 2006 (4.99 points). Similarly, this edition's democracy status score fell even further (-0.16 points), surpassing the decline seen in the BTI 2022 (-0.12), as well as the global trend in the BTI 2024 (-0.15). The market economy status score also recorded a moderate loss (-0.07 points), though this is still higher than the global average (-0.01 points). The Governance Index recorded a somewhat sharper decline (-0.08 points), which is roughly in line with the global downward trend (-0.09 points).

This perpetuation of negative trends reinforces the region's entrenched position at the lower end of the global spectrum. The regional average for the democracy status underscores this reality. The Eurasian region achieved only 4.73 points, thus barely outpacing the Arab region (3.47 points) and trailing behind other regions like Western and Central Africa (4.76 points), Southern and Eastern Africa (4.81 points), Asia (5.00 points), and Latin America (6.24 points), all of which have faced their own challenges.

Similarly, the Governance Index paints a bleak picture for Eastern Europe, the Caucasus, and Central Asia, which maintains its second-to-last position with an index score of 4.16, just ahead of the Middle East and North Africa region (3.76 points). Meanwhile, average scores in other regions range from 5.85 (East-Central and Southeast Europe) to 4.36 (Southern and Eastern Africa). The status score for economic transformation (5.24 points) is the only one that places the region not only on par with the global average (5.29 points), but also above the region of the Middle East and North Africa (4.70 points), sub-Saharan Africa (4.23/4.40 points) and close to the score registered by Asia and Oceania (5.34 points), but, as with political transformation, leaves the region lagging well behind Latin America and the Caribbean (5.80 points) and East-Central and Southeast Europe (7.83 points).

However, these regional averages mask significant differences at the national level, both in absolute values and in changes over the reporting period.

In all three indices, Russia, in conjunction with its military aggression against Ukraine since 2022, accounts in large part for the overall decline in regional scores. The country has recorded the largest losses in terms of democratic transformation (-0.97), economic transformation (-1.21), and governance (-0.93) and now classifies as a “hard-line” autocracy (featuring “failed” governance), just ahead of the established laggards Tajikistan and Turkmenistan. In parallel with developments in Russia, Belarus has continued its downward trajectory since 2020, marked by further decreases in its democracy score (-0.50), Governance Index (-0.55), and market economic status (-0.21). Despite Belarus’s attempts to portray itself as non-belligerent in the Ukrainian conflict, the nation has openly facilitated Russia by offering its territory for the military incursion. In contrast to these developments, we see the target of this orchestrated aggression – Ukraine – demonstrating remarkable resilience and not only in military terms. Despite enduring significant war-related economic setbacks (index score: -0.75), Ukraine has made substantial gains in its democracy status (+0.25) and, even more remarkably, in its Governance Index score (+0.73). Given the imposition of martial law in February 2022 and the mobilization of Ukrainians in resisting Russia’s attack, these accomplishments, which continue to hold, impress all the more.

Similarly to Ukraine, two other democracies in the region, Moldova and Armenia, recorded improvements in terms of democratic transformation (+0.55 and +0.15, respectively) and governance (+0.70 and +0.10, respectively). In contrast, the region’s other two democracies, Georgia and Kyrgyzstan, suffered an acceleration of the downward trends observed in both countries in the BTI 2022. Georgia has experienced a significant drop in its democracy score (-0.45), resulting in its reclassification as a “highly defective” democracy (-0.35 in the Governance Index). Meanwhile, Kyrgyzstan faced an even steeper decline, with its democracy status dropping by 0.98 points, leading to its reclassification as a “moderate autocracy” in the BTI 2024. This change can be attributed in part to the constitutional amendments introduced in May 2021 that have resulted in a significant restriction of checks and balances. In addition, the country’s most recent elections, held in November 2021 after several delays, were marred by several irregularities. A corresponding 0.36 decline in the country’s Governance Index score means that it is now, unlike Georgia, classified as featuring weak governance.

The region now features only five democracies and eight autocracies, of which the Central Asian states show only marginal and mostly negative changes in terms of political transformation and governance. Notably, Ukraine, Armenia and Moldova, all of which face massive external pressure, managed to either consolidate their democratic gains (Moldova) or even improve their position (Armenia, Ukraine), thereby reversing the negative trend recorded in the BTI 2022. While Ukraine continues to withstand the ravages of war, Armenia must navigate constant diplomatic and military pressures from neighboring Azerbaijan. Moldova, reeling from the fallout of the Ukrainian conflict, grapples with a myriad of challenges, including everything from an influx of Ukrainian refugees to disruptions in energy supplies to Russian support for separatists in Transnistria and the opposition within the country. In contrast, Georgia and Kyrgyzstan find themselves in a different position. Unencumbered by external pressures, both countries are able to capitalize on unexpected market opportunities arising from Western sanctions against Russia as well as Moscow’s overtures toward them, which are part of its strategy to bolster its influence among its perceived allies, or what it refers to as the “world majority.” As a result, both countries are developing stronger ties with Russia, despite the fact that Georgia, for example, must grapple with Russian-backed separatists.

The modest drop in the region’s economic transformation status (-0.07) reflects the varied effects of the war. While certain countries have suffered considerably, others have benefited economically. Countries like Uzbekistan (+0.21), Azerbaijan (+0.18), and Kazakhstan (+0.11), as well as Armenia and Mongolia (both +0.21), have benefited from increased commodity prices and Russian emigration, which occurred in two waves – at the beginning of the full-scale war against Ukraine and again during the mobilization in fall of 2022 – which has thus far totaled upwards of one million people, a significant portion of whom have remained in neighboring countries. Other relevant factors include Russian efforts to circumvent Western sanctions through “parallel” (i.e., gray market) imports and to fill the gaps left by the withdrawal of about 1,000 Western companies from the Russian market. Alongside countries like Türkiye, China or Serbia, Russia’s partners in the Eurasian Economic Union – unless subjected to sanctions themselves like Belarus – naturally play a prominent role in this context.

## Political transformation

While the region recorded only moderate changes in political transformation for the BTI 2022, the 2024 edition shows much more significant shifts underway, even though the actual score change was relatively limited (-0.16). Three countries have lost enough ground in this area to warrant a reclassification within a lower category: Georgia, which had already lost 0.50 points in the BTI 2022 as a result of the government’s bureaucratic-paternalistic authoritarianism, has lost another 0.45 points (down to 5.65) and now ranks only as a “highly defective” democracy. Kyrgyzstan, which also lost considerable ground in the BTI 2022 (-0.55), now numbers among the “moderate autocracies” following another decline of 0.98 points to 4.57 amid the consolidation of authoritarian structures under President Sadyr Japarov (NB: the magnitude of this score decline is due in part to the fact that the country can no longer exceed democracy-specific thresholds for individual BTI scores once it has been classified as an autocracy, which means there is a multiplier effect).

Tab. 1: State of political transformation

consolidating democracies Score 10 to 8	defective democracies Score < 8 to 6	highly defective democracies Score < 6	moderate autocracies Score ≥ 4	hard-line autocracies Score < 4
	Mongolia	Georgia ▼	Kyrgyzstan ▼	Kazakhstan
	Ukraine			Uzbekistan
	Armenia			Azerbaijan
	Moldova			Belarus
				Russia ▼
				Tajikistan
				Turkmenistan

The table follows the BTI 2024 index scores. Countries are ranked according to their system categorization and respective score in political transformation status assessment. Arrows mark a change of category compared with the BTI 2022.

Russia has recorded the most dramatic decline of any country in the region: Once the region's only "moderate" autocracy, it now numbers among the "hard-line" autocracies with a score of 3.43, narrowly ahead of Tajikistan (-0.10 to 2.82) and Turkmenistan (unchanged at 2.70), which are also traditional laggards on a global scale. This marks the culmination of a trend of increasingly repressive governance underway since 2012. The war accounts only in part for this trend, as Moscow – unlike Kyiv – has so far refrained from imposing martial law in an effort to cultivate a facade of normality. Russia thus finds itself at the same level as Belarus, which, after another decline of 0.50 points, is now at 3.47. Its leader, Aleksandr Lukashenko, is not only closely aligned with Russia, but is also waging a de facto war against his own population with his continued repression after stealing the (presidential) election in 2020.

While the region's democracies, with the exception of Moldova, recorded negative developments in the BTI 2022, these states are now the only countries in the region that have made any progress – even though they face considerable existential pressure. Three countries were able to consolidate their status as "defective" democracies: Ukraine with a +0.25 (at 7.05), Armenia with +0.15 (at 6.90), and Moldova with +0.55 (at 6.70), while Mongolia, leading the group with 7.25, shows no change.

Armenia's relatively modest gain can be attributed to the fact that while there have been no further setbacks recorded since the initial euphoria of the Velvet Revolution in 2018, the country has also achieved only limited improvements. Since Armenia's military defeat in the 44-day war over Nagorno-Karabakh in 2020 and its aftermath, Armenian domestic politics have been entirely subordinate to foreign policy and are characterized by the existential threat posed by neighboring Azerbaijan (and its ally, Türkiye).

Bucking all expectations, Prime Minister Pashinyan achieved a clear victory in the parliamentary elections held on June 20, 2021 with 53.9% (49% voter turnout) and thus received a renewed mandate for his reform agenda. The electoral alliances of his two main opponents and predecessors as representatives of the autocratic-hybrid regime (and the Kremlin), Robert Kocharyan and Serzh Sargsyan, achieved modest results of 21% and 5%, respectively. However, this did little to change the tense domestic political climate under which the elections took place. Pashinyan faced concerted pressure from the president (who favored the old regime), the military leadership and the Catholicos. In addition, he had to contend with fierce demonstrations that involved road blockades and the storming of parliament and government buildings. Despite the ongoing military pressure from Azerbaijan and Pashinyan's repeated signals to compromise on disputed territorial issues – especially regarding Nagorno-Karabakh – resistance from the opposition has persisted in Armenia, at times erupting into militant demonstrations. During the review period, this included the two opposition factions – "Armenia's Alliance" and "I Have Honor" – boycotting parliamentary activity between July and November of 2022 with their 35 deputies (out of a total of 107).

As much of the attention within Yerevan's political class was absorbed by these events, many of the reform initiatives renewed by Pashinyan during the election campaign either failed to materialize or simply fizzled out in the parliamentary proceedings. This is particularly evident in the case of judicial reform, where, for example, the announced lustration still awaits a legal framework, and in the media sector, which, like the judiciary, remains significantly influenced by forces from the old regime. However, greater progress was made in Pashinyan's most significant electoral promise: combating corruption, even though the measures primarily targeted the

highly corrupt old elite. After years of preparation, the newly established Anti-Corruption Court began its work in the summer of 2022, and the first confiscations were made under the law on illegally acquired assets passed in 2020. By mid-2022, there were 13 prosecutions out of 574 investigated cases, which, given the complex procedures and fierce resistance from those affected, represents a significant number.

In Moldova, domestic political tensions (once again) intensified significantly following Russia's full-scale invasion of Ukraine in 2022. However, it should be noted that, unlike in Armenia, the polarization of politics in Moldova has always followed an external logic shaped by the two poles of Moscow and Brussels, even if this often only provided a veil behind which certain activities could be pursued during the period of oligarchic rule. In Moldova, early parliamentary elections were held on July 11, 2021, which ended the unedifying cohabitation of a liberal president and a socialist (i.e., pro-Russian) controlled government with a singular electoral victory of the liberal (i.e., pro-European) Action and Solidarity (PAS) coalition, which won 52.8% of the vote with a turnout of 48%. This gave Moldova the opportunity, along with Ukraine, to be granted candidate status for EU accession on June 23, 2022. Within Moldova, this triggered a wave of protests, directed and financed by the Șor Party, in which Moscow also played an active role. Ilan Șor, a convicted ex-oligarch who fled to Israel, formed with Vlad Plahotniuc the second pillar of oligarchic rule and was instrumental in diverting more than \$750 million from the Moldovan banking system in 2014. Despite the influence of external forces and the state of emergency imposed in February 2022, the demonstrations took place without any significant restrictions, though on June 19, 2023, the Șor party was banned by the Constitutional Court at the request of the government.

And although the Constitutional Court's decision was in line with the government's wishes, it no longer serves as an extended arm of oligarchic interests or the political executive. In fact, since 2021, the government has sought to ensure the independence of the judiciary and, above all, to eliminate its susceptibility to corruption. For example, legislation passed in February 2022 provides for the review of all judges and prosecutors by six-member commissions, to be completed by 2025, with half of the members appointed by parliament and the other half by Moldova's "development partners." These efforts, which are much more far-reaching than any pursued in Armenia, promise to effectively curb the practice of mutual protection among judges and prosecutors.

The media in Moldova has been subjected to severe restrictions since the outbreak of Russia's war full-scale war of aggression. Russian broadcasters have been banned since March 2022, and since November of the same year, six Moldovan TV channels broadcasting Russian content have been banned as long as the state of emergency is in effect. However, these efforts have had only a limited effect, as in at least one region, the traditional stronghold of Russophilia – Gagauzia – all Russian channels can be easily received – and are evidently avidly consumed. In the gubernatorial elections held there in April and May 2023, the candidate of the Șor Party won the runoff against her opponent from the Socialist Party, both of whom ran on a decidedly pro-Russian platform. Among various promises made during the campaign, she pledged to establish a Gagauz outpost in Moscow and, in return, a Russian university in the region.

Pro-Russian sympathies are hard to find in Ukraine since Russia's full-scale invasion of the country on February 24, 2022. Ostensibly aiming to "denazify" and "demilitarize" the country, Russia's war aims have been to bring about regime change and strip Ukraine of its sovereignty while providing a pretext for the annexation of supposedly historically Russian territories. All



other declared objectives, from preventing an imagined “genocide” against ethnic Russians in Ukraine (illustratively reduced to their use of language) to combating the global hegemony of the United States and its “satellites” in Europe and Asia, are intended merely to detract from the spectacular failure of the Russian government’s military and political planning. Indeed, Russia has achieved precisely the opposite, particularly within Ukraine. According to a December 2022 survey, 95% of the country’s residents now identify as Ukrainians, compared to 88% in 2017. Furthermore, an April 2022 survey indicated that 80% of respondents were involved in defending the country, either as volunteers in military service or civil defense, or through donations. Ninety-three percent stated that they anticipate a victory for Ukraine.

Ukraine’s achievements in political transformation amid massively challenging external circumstances are thus owed to a combination of existential threat, a mobilized society and comprehensive external support. At the same time, the traditional power of the oligarchy has suffered as a result of the statutory restrictions on their media influence and war-induced material losses amounting to up to 60% of their assets. While certain restrictions have been introduced under martial law, such as the ban on 16 parties, including those with intimate connections to Moscow like the “Opposition Platform – For Life” party, there have also been noticeable advances in both judicial reform and anti-corruption efforts, which had been consistently stymied in the past and are now strongly urged by the EU in the context of the accession process. For example, the position of the prosecutor general for handling corruption cases remained unfilled from August 2020 until July 2022. It wasn’t until the restriction on filling the position was lifted that investigations commenced, ultimately uncovering numerous high-profile cases involving both military and civil administration in the latter half of 2022. While the European Commission noted deficiencies in its interim report on the initiation of accession negotiations in early 2023, particularly regarding the reform of the Constitutional Court (it sees two out of seven requirements fulfilled overall), it viewed the judicial reform more positively. A procedure for the review and appointment of judges and prosecutors similar to that observed in Moldova is now being implemented: following the adoption of the relevant law in July 2021, commissions were established with equal representation of foreign experts and scheduled to begin their work in the course of 2023. The country’s democratic institutions, including parliament, thus continue to function, even as the war rages on, supported by unprecedented levels of external assistance in both military and economic terms. However, in contrast to the past, this support is accompanied by appropriate control mechanisms. Without these, Ukraine would be neither reformable nor viable as a country.

Georgia, which also applied for EU candidate status on March 3, 2022, received instead a list of twelve “recommendations” from Brussels promising an elevation in status upon their implementation. It includes the familiar demands for judicial reform, anti-corruption efforts, the strengthening of media and civil society and, specifically for Georgia, the demand for “de-oligarchization,” targeting the (not so) shadowy figure of the ruling party Georgian Dream, Bidzina Ivanishvili, and the “de-politicization” of domestic politics, which includes Mikheil Saakashvili’s political faction. Of these 12 demands, the country currently meets at most three, none of which are politically salient: gender equality, the office of an ombudsperson, and compliance with decisions of the European Court of Justice. Instead, however, the government undertook efforts at the beginning of 2023 to exercise control over the NGO landscape by introducing a law on “foreign agents” that was based on the Russian model. Although the government has not lost

sight of this objective, the legislative initiative was shelved for the time being in the face of vigorous protests. The lifting of the visa requirement for Georgians by Russia on May 15, 2023, along with the reinstatement of direct flight connections – suspended in 2019 – paints a picture that President Salome Zurbishvili (a former Georgian Dream nominee) perceived as a deliberate “provocation,” while the opposition regarded it as a move toward Georgian subjugation under Russian influence.

While the remaining five democracies in the region present a largely encouraging picture, the autocracies are in a political downward spiral that has, in the case of Belarus and Russia, significantly accelerated. In 2022, a structural problem emerged, revealing significant conflict potential and exposing an inherent instability: autocratic succession. This problem has affected almost all of the region’s autocracies, whether they are committed to a dynastic rule model or an autocratic-Bonapartist one. It reveals the structural dilemma of autocracies, where power is highly personalized, and the fate of autocrats is thus closely tied to the clan networks forming around them.

The first to face the consequences of this dilemma was Kazakhstan, which saw protests on January 2, 2022, ignited by a rise in gasoline prices quickly escalate into violent attacks on government buildings and widespread arson attacks that engulfed almost the entire country. These protests were brutally suppressed after a few days with the assistance of roughly 3,000 predominantly Russian soldiers flown in at the request of Astana by the Collective Security Treaty Organization (CSTO) and resulted in up to 160 fatalities. It remains unclear whether the protests were directed against the regime shaped by Nursultan Nazarbayev and him personally or whether actors from his circle mobilized against his successor. In any case, President Kassym-Jomart Tokayev seized the opportunity to strip his predecessor Nursultan Nazarbayev of his last vestiges of power, through which he continued to exert influence from behind the scenes. Shortly after the outbreak of the unrest, Nazarbayev lost his chairmanship of the National Security Council and the head of the secret service he had installed. He was also compelled to relinquish the chairmanship of the ruling party Nur Otan and, ultimately, the immunity-guaranteeing title of “Leader of the Nation” (Elbasy). In addition, the country’s capital was renamed from “Nursultan” to “Astana.” The Kazakh succession model, portrayed by some autocrats in the region as a role model, had clearly failed – and Tokayev secured comfortable election results in early presidential elections in November 2022 and parliamentary elections in March 2023, using familiar methods from the Nazarbayev era to replace the Nazarbayev networks with his own.

In Uzbekistan, a similar approach was taken when Shavkat Mirziyoyev, who had served as the long-time prime minister under Karimov, assumed office – though he did so only after Karimov had passed – which initially disrupted the influence of the family clan and his economic interests. In 2022, Mirziyoyev opted to follow the Putin model of extending his term to the maximum limit. In July 2022, Uzbekistan’s initial endeavor to amend its constitution encountered a significant setback when protests erupted in Karakalpakstan. These demonstrations were sparked by concerns over the removal of the region’s right to secession, a prerogative established during the nation’s emergence as an independent entity. The response to these protests was harsh, with reports indicating a substantial loss of life ranging from official figures of 21 to unofficial estimates of up to 300 casualties. Consequently, the constitutional referendum scheduled for April 30, 2023, was postponed. Upon rescheduling, the revised constitution extended the presidential term to seven years but capped it at two consecutive terms. With the incumbent president’s term

reset to zero President Mirziyoyev, keen to maximize his allotted tenure, swiftly called for new elections on July 9, 2023, an event yielding predictable results with over 90% approval in his favor. This move effectively secures Mirziyoyev's leadership until 2037, a strategic maneuver for the 65-year-old president.<sup>1</sup>

Meanwhile, in Turkmenistan, President Gurbanguly Berdymukhamedov chose a seemingly stable path of dynastic succession by nominating his son Serdar as his successor in March 2022. He himself assumed a more ceremonial role as speaker of the upper house. However, it quickly became apparent that Serdar had his own ideas about how to govern and assumed a much more visible role in domestic and international matters than his father had intended. He swiftly enacted significant changes, including a cabinet reshuffle and the dismissal of his father's close associates, notably the attorney general. Ultimately, these actions created uncertainty within the government hierarchy as to the pecking order. To reaffirm his authority, Gurbanguly initiated another parliamentary reform: In March 2023, Turkmenistan transitioned from a two-chamber to a single-chamber parliament, consolidating considerable authority, including surveillance powers, under the leadership of Gurbanguly himself as chair.

Similar dynastic models are evidently being pursued in Azerbaijan and Tajikistan. In Azerbaijan, Ilham Aliyev's consolidation of power involved appointing his wife, Mehriban, as vice president through constitutional reform in 2017. Meanwhile, in Tajikistan, Emomali Rahmon, who has been in office since 1994 and is now 70 years old, continues to groom his son for political leadership. His son assumed the mayorship of Dushanbe in 2017 and later took on the chair of the Senate in 2020, following a stint leading the country's anti-corruption agency to bolster his experience. This dynastic trend is not new to Azerbaijan, as Ilham himself succeeded his father, Heydar, in 2003. However, there's no assurance that this succession strategy will safeguard the interests of the ruling clans, such as the Aliyevs and the Pashayevs in Azerbaijan. The stability of these regimes depends too heavily on the individuals who establish them.

This trend is also notable in Russia, where Vladimir Putin's current presidential term concludes in 2024. Complicating matters is the uncertainty surrounding Putin's personal safety, particularly given his controversial decisions in ongoing military conflicts. Signs of dissent, such as Yevgeny Prigozhin's open rebellion and escalated insubordination, are ominous indicators. Despite – or rather because of – these risks, Putin had decided to run in the upcoming election. Whether the election will be held on schedule is less clear at the time of the writing of this report and depends on the trajectory of the ongoing war. If current regulations hold, 2024 will mark the beginning of Putin's first of two potential six-year terms, which he secured for himself through a last-minute constitutional amendment in 2020, at the age of (almost) 72.

In any case, Putin has implemented a raft of domestic measures to secure his power. This includes having established the National Guard in 2016, which is comprised of over 300,000 personnel and commanded by his former bodyguard and close confidant, Viktor Zolotov. The repression apparatus is also operating at full throttle, with draconian penalties imposed on dissenters, notably, prominent opposition figures like Aleksey Navalny have faced relentless legal proceedings, while others, such as Vladimir Kara-Murza and Ilya Yashin, have also been tar-

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<sup>1</sup> Aleksandr Lukashenko appears to take a similar view, as evidenced by his constitutional referendum on February 27, 2022. In this referendum, he also reset the terms of office to zero and secured himself lifetime immunity. However, he linked this step with the reinstatement of term limits, which had been abolished in 2004. This ensures that the currently 68-year-old president will remain in office until 2035.

geted. Kara-Murza was sentenced to 25 years in prison in April 2023 on charges of “high treason” for his criticism of the Ukraine war, despite surviving two poisoning attempts in 2015 and 2017. Yashin received an 8.5-year sentence in December 2022 for “discrediting the reputation of the armed forces.” Even one-person protests with white signs are deemed discrediting and lead, at a minimum, to an arrest. According to counts by the NGO OVD-Info, since the beginning of the full-scale war, approximately 20,000 Russians have been convicted for such criticisms and have thus faced fines, short-term detentions, or lengthy prison terms.

Any form of open expression of opinion contrary to the official narrative is strictly prohibited and often labeled as unpatriotic. Independent media outlets have been silenced, forcing them to operate from abroad. Internet access is increasingly restricted, with users relying on VPN tunnels to circumvent government censorship. The list of “undesirable organizations” continues to expand rapidly, and any contact with these groups is punishable by law. Since its inception in 2012, the stigmatization of being labeled a “foreign agent” has extended to encompass over 550 organizations and, through multiple expansions, individuals deemed to be “under foreign influence.” Illustrating the extent of the government’s paranoia, a legislative proposal was introduced in the State Duma during the spring of 2023, seeking to criminalize “Russophobia” both domestically and internationally, with offenders facing up to a five-year prison sentence. This broad definition encompasses actions as severe as arrest warrants issued by the International Criminal Court, even targeting individuals such as the Court’s chief prosecutor, Karim Khan, who found himself on Russia’s wanted list as a result.

## Economic transformation

There has been only one category change in the region with regard to economic transformation. Following its invasion of Ukraine, Russia has slipped into what is now the three-member group of countries with very limited economic transformation, with a decline of 1.21 points (to 4.93). Above this is the nine-member group of countries with limited economic transformation.

Tab. 2: State of economic transformation

highly advanced Score 10 to 8	advanced Score < 8 to 7	limited Score < 7 to 5	very limited Score < 5 to 3	rudimentary Score < 3
		Armenia	Russia ▼	Turkmenistan
		Kazakhstan	Uzbekistan	
		Moldova	Tajikistan	
		Ukraine		
		Georgia		
		Mongolia		
		Azerbaijan		
		Kyrgyzstan		
		Belarus		

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in economic transformation status assessment. Arrows mark a change of category compared with the BTI 2022.

As in the political transformation dimension, three democracies have shown improvements here, in some cases significantly so. Armenia has gained 0.21 points (reaching an overall score of 6.32), while Moldova has gained 0.36 points (to 6.04) and Mongolia 0.21 (to 5.86). Georgia stands out here given that its improvement of only 0.04 points (to 5.93) is no more than marginal. Ukraine, by contrast, suffered a drastic overall decline. Due to the Russian military's deliberate destruction of Ukrainian industrial, energy and transport infrastructure, the country saw its overall economic transformation score fall by 0.75 points (to 5.96). Belarus, which like Russia has been the subject of (escalating) Western economic sanctions during the war, saw a decline of 0.21 points – just as in the BTI 2022 – to a new overall level of 5.04. Tajikistan and Turkmenistan, which have historically trailed most of the region's other countries in this area, showed no change. Kyrgyzstan recorded a marginal decline of 0.04 points (to 5.39). The remaining autocracies boasted overall increases, largely thanks to the recovery of international commodity markets following the COVID-19 pandemic. This includes Uzbekistan, which continued its gradual improvement under Mirziyoyev's presidency with a gain of 0.21 points (to 4.79); Azerbaijan, whose gain of 0.18 (to 5.54) allowed it to reach a level last seen during the resource boom of the mid-teens; and Kazakhstan, which showed a gain of 0.11 points (to 6.14). Kazakhstan, after several years of stagnation, was thus the only autocracy to consolidate its position among the leading countries within the category of limited economic transformation.

These findings correspond, if somewhat imperfectly, with data focusing purely on economic growth. This is because the BTI status more comprehensively reflects the countries' overall economic policies, which generally aim for GDP growth but cannot control it at will. External shocks, for example, represent an intervening factor that is rarely foreseeable. The COVID-19 pandemic

was one such shock and was clearly reflected in the 2020 data for nearly all of the region's countries (the deviations in Tajikistan's results, for example, are the result of notoriously unreliable data collection). The following table for the years 2020–2022 is based on IMF data, with groups formed according to 2022 GDP growth rates.

Tab. 3: Real GDP growth (in %)

	2022	2021	2020
Armenia	+12.6	+5.7	-7.4
Georgia	+10.1	+10.4	-6.8
Tajikistan	+8.0	+9.2	+4.4
Kyrgyzstan	+7.0	+3.7	-8.6
Uzbekistan	+5.7	+7.4	+1.9
Mongolia	+4.8	+1.4	-4.6
Azerbaijan	+4.6	+5.6	-4.3
Kazakhstan	+3.2	+4.0	-2.6
Turkmenistan	+1.8	+4.9	-3.0
Russia	-2.1	+4.7	-2.7
Belarus	-4.7	+2.3	-0.7
Moldova	-5.6	+14.0	-8.3
Ukraine	-30.3	+3.4	-3.8

Source: IMF

Following periods of recovery in 2021 that ranged from effervescent (as in Moldova and Georgia) to sluggish (as in Mongolia and Belarus), most countries experienced another external shock in 2022, this time produced by Russia's war against Ukraine with all of its destructive and economically deleterious consequences. Four countries were particularly negatively affected by this, with Ukraine experiencing by far the greatest impact. However, unlike with the COVID-19 shock, a number of countries in the region in fact benefited directly or indirectly from the war. For example, Armenia and Georgia (and to a lesser extent Kyrgyzstan and Kazakhstan) have benefited from Russian emigration, as well as from Russia's "parallel imports," a practice used to circumvent Western sanction barriers. This latter factor played a significant role in softening Russia's own economic slump despite the impact of the sanctions. Both Azerbaijan and Turkmenistan also benefited from this boom. In Turkmenistan's vital gas sector, sales to the country's most important customer, China, rose by 51% in 2022 after COVID-19 restrictions were lifted, generating revenue of \$10.3 billion. Nevertheless, the domestic effects of this windfall remained limited due to structural barriers, with only a few economic sectors and the political elite benefiting. Meanwhile, the population continues to live at a subsistence level, with the true inflation rate well beyond the IMF's estimates of 15%, and an unemployment rate estimated by independent observers at 60% (though officially it is only 5%).

Kazakhstan also stood to benefit from this energy-price boom, as it sought to expand its market share in the EU during the war. However, the country is dependent on the Russian Black Sea port of Novorossiysk for its oil exports – where, as luck would have it, loading was restricted or stopped altogether on three occasions by the Russian authorities after the start of the war, in each case for weeks at a time. Officials attributed these interruptions to storms, a search for mines in the port and finally to a court ruling citing environmental issues.

In contrast, Georgia – like Armenia – has benefited directly from the war and is engaged in a delicate balancing act that is gradually deepening the country's dependence on Russia. For example, on the one hand, Georgia has taken in tens of thousands of Russian war emigrants. Yet it has also refused to comply with Western sanctions and has established itself as a transit country for Russian “parallel imports” – much to the delight of Russia's foreign minister, who appreciates it when countries refuse to bow to “Western pressure.” At the same time, Georgia has strategically exploited the void left by the departure of Western companies and suppliers from the Russian market. For example, Georgia became Russia's largest wine supplier in 2023, with an increase in export volumes of 63% in the first half of the year, following an increase of 23% in 2022 (to a total value of \$161 million, comprising 64% of Georgia's total wine exports). The combined capital inflows from Russian emigration, remittances from Georgian labor migrants in Russia, and revenues from Russian tourism and Russia-bound exports together accounted for 15% of Georgia's GDP in 2022 (an increase from only 6% in 2021).

A very different picture is evident in Moldova. Here, rather than benefiting from the influx of financially well-off Russian migrants, the country took in large numbers of Ukrainian war refugees in need of protection and assistance (only some of whom have traveled on to the EU; in May 2023, 109,000 were still officially registered in Moldova). The country has also stayed out of the “parallel export” business, even though Moldova did not officially join the EU sanctions regime until spring 2023. While Georgia's trade with Russia increased dramatically as a result of the war, Moldova's corresponding trade volumes fell by around a third in 2022. Today, only about 25% of Moldova's foreign trade is with the countries of the CIS, compared to 60% with the EU. A significant part of this has been due to the country's decoupling from Russian gas supplies, a step Chişinău was forced to take due to persistent supply cuts and Gazprom's erratic pricing policy. This was linked to an interruption of electricity supplies in Moldova, both from the main supplier in Transnistria (to which Gazprom also cut gas supplies) and from Ukraine following Russian airstrikes on its energy infrastructure in the fall of 2022. Energy purchases from the EU had to be organized at short notice, which only exacerbated the upward pressure on prices. As a result, the country's inflation rate peaked at over 30% in late 2022, and the budget deficit rose to 3.3% of GDP that same year (up from 2.6% in the previous year, but still lower than the 5.3% mark hit in 2020, the first pandemic year). This increase was partially due to subsidies provided to private households. The state's deficit was partly offset by Western aid loans amounting to \$671 million, while the central bank muted the inflationary pressures with a drastic increase in interest rates from 5.5% in October 2021 to 12.5% in March 2022 and 21.5% in August 2022. Especially in the fall of 2022, Moldova's opposition, aligned with Russia, sought to exploit this delicate economic situation as a means of further destabilizing the government. The authorities in Chişinău would likely have had far more difficulties in countering these activities without assistance from the international community.

For Ukraine, the direct victim of Russia's aggression, this kind of financial support has been just as vital as military assistance. Ukraine had emerged from its pandemic-era depression only slowly over the course of 2021, after which the Russian attack hit it with full force. The country's economic output fell by more than 30% in 2022, with the result that the unemployment rate (unofficially) rose to 36%, while the poverty rate exceeded 24%. By the beginning of 2023, the country counted more than 5.3 million internally displaced persons, and about 8.25 million Ukrainians had been registered as refugees in Europe. According to World Bank estimates, nearly \$411 billion in reconstruction funds would have been needed to address the damage inflicted after only one year of war.

Given the devastating scale of this situation, Ukraine has shown astonishing resilience. While the government initially introduced a number of restrictive measures such as price caps for private household gas supplies, capital controls, a fixed exchange rate (following a 25% devaluation of the hryvnia), and a series of trade restrictions on both goods and services, some of these were lifted after a few months. The central bank also raised its key interest rate to 25% in mid-2022 as a response to rising inflation, which reached a rate of 27% at the end of 2022. The state budget deficit jumped dramatically from 3.8% of GDP in 2021 (when the COVID-19 crisis was still having an effect) to 17.5% in 2022, pushing public debt to 74% of GDP.

Bilateral and multilateral support for Ukraine has soared. Adjusted for inflation, it has reached levels comparable to the Marshall Plan aid provided after World War II. The World Bank alone pledged \$35 billion, of which \$21 billion had already been disbursed by 2023. The country's export volumes slumped dramatically, as did foreign direct investment, which fell from \$7.5 billion in 2021 to just \$600 million in 2022. However, the strong international support meant that Ukraine's balance of payments in 2022 was positive for the first time in years, showing a surplus totaling 5.8% of GDP. The state was also able to keep currency reserves relatively stable at around \$28.5 billion. Even privatizations continued despite the hostile environment, albeit on a reduced scale of UAH 1.7 billion.

While Ukraine has received unprecedented levels of support from the West, Russia has been subject to unprecedented punitive measures. However, the West's sanctions have failed to achieve their aims in several respects. The threat of sanctions in the run-up to the invasion did not act as a deterrent, and the 13,000 sanctions that have been imposed to date have not brought about a political change of heart in Moscow. And in both the short and medium term, they have failed in their goal of causing significant damage to the Russian economy. This is partially due to the fact that there are clear gaps in the sanctions regime. Moreover, with regard to the most important sector – oil and gas purchases – the restrictions were implemented only after considerable delay – and then no more than half-heartedly. Nevertheless, Russia continues to grapple with serious economic problems. Thanks to the technocrats in government, these have been contained in the short and medium term, but in the long term are likely to cloud the country's development prospects severely.

Official economic statistics have been published only sporadically since spring 2022, meaning that the information available should be evaluated with caution. Contrary to the optimistic overall economic data, it is clear that individual sectors are experiencing dramatic downturns. This is true of the automotive industry, for example, where production fell by almost 70% in 2022, as well as of the aviation industry, which is increasingly running out of critical machines and spare parts due to insufficient domestic production. Only the arms industry is experiencing a boom,



although even there, the production of modern weapons is suffering due to a lack of electronic components, or the fact that these can be procured only in a roundabout way. According to Russia's central bank, the country's banks also suffered profit losses of around 90% (\$2.9 billion) in 2022 as a result of being cut off from Western financial markets. Moreover, despite restrictions on capital movements, the volume of capital flight amounted to an unprecedented \$253 billion between February 2022 and June 2023, according to the central bank. And according to the country's tourism association, the number of visits in 2022 fell to an abysmal 4% (210,000 visitors) of their pre-pandemic level.

The most important stabilizing factor was the energy sector, whose overall economic importance significantly increased. It accounted for two-thirds of all exports in 2022, with revenues rising by 43% to more than \$380 billion. Revenues began falling only at the end of 2022, when the EU finally significantly reduced its gas and oil purchases. As a result, the state's budget also ran a deficit of 2.3% of GDP, with this gap expected to widen significantly in 2023.

While the government's economic managers sought to contain the damage caused by the sanctions, others among the political elite – especially the so-called siloviki in Putin's inner circle – have seen the decoupling from the West predominantly as an opportunity for the country to unleash its own productive forces through import substitution policies, as in the famously successful Soviet era. As Nikolai Patrushev, secretary of the National Security Council, Putin's politburo 2.0, put it in 2023: Russia must “revive a real cult of the scientist, the engineer, of the hard worker,” rather than “sitting back in the offices of Western corporations.” The country's policymakers appear sanguine about the fact that this is taking place alongside a growing dependence on China, with which they imagine themselves in a joint battle against the (500-year-old) hegemony of the West, and specifically the United States and its “satellites.” The volume of Russia's trade with China reached the \$240 billion mark in 2023. As a result of these factors, the Russian economy is increasingly being shaped by geostrategic factors, reduced to relations with the “friendly” camp of the supposed “world majority” and based on the two pillars of raw materials exports and the military-industrial complex.

After the first shock in February 2022, central bank head Elvira Nabiullina was able to stop and even temporarily reverse the decline of the ruble by drastically increasing the key interest rate to 20% and introducing capital controls. However, at the St. Petersburg Economic Forum in June 2023, she publicly warned against a “restructuring” of the economy that would not only “suppress private initiative” but also “risk restoring a planned economy.”

Some of this restructuring is already visible among the thinned ranks of Western companies in the country. Around 1,000 such firms left the country over the course of 2022 to avoid reputational damage or because their proceeds were blocked. After a long hesitation in which the government retained its market-economic procedures, the patriots in the Kremlin obviously prevailed over the course of 2022. Since December of that year, companies wishing to withdraw from the Russian market have been required to sell their assets to (exclusively) Russian buyers at a discount of 50%, and on top of that also pay an exit fee equal to 10% of the proceeds in order to obtain the state approval that has been required for some time. There has also been increasing talk of even more draconian policies, such as outright expropriation. In fact, measures of this kind were already applied to the Russian operations of the German company Uniper and its Finnish parent company Fortum in April 2023, as well as to the local Danone and Carlsberg branches the following July, the latter of which were taken over by Putin cronies. Since March 2022, a decree

has been in force that sets fees normally paid to license holders from “unfriendly” countries to zero, and also officially allows the “parallel import” of Western goods without the producers’ permission. In sum, these measures offer a picture of flagrant violation of the WTO rules that Russia is still nominally committed to follow.

The fact Russia experienced only a temporary macroeconomic downturn had positive repercussions for the Central Asian countries, even beyond their role in helping Moscow circumvent sanctions. This has been very different than the situation during the COVID-19 crisis, which triggered a negative multiplier effect. Contrary to initial forecasts, income from the transfers of migrant workers (primarily) employed in Russia remained at a record-breaking level in 2022, with their GDP share in Central Asian countries remaining stable at 32% (Tajikistan), 31% (Kyrgyzstan) and 18% (Uzbekistan). However, Russian efforts to recruit war volunteers from within the migrant worker population have generated considerable irritation. At the CIS states’ Astana summit in October 2022, Tajik President Rahmon publicly attacked Putin, accusing him of treating Central Asia in the same way as during Soviet times. In return, some Central Asian countries – such as Uzbekistan with its TashRush program – have actively sought to recruit Russian emigrants with IT skills. These migrants have contributed to the establishment of flourishing startup hubs across the region, such as the High-Tech Park in Kyrgyzstan, the Astana Hub in Kazakhstan and the IT Park in Uzbekistan, which attracted a total of 3,000 specialists in 2022.

## Governance

When it comes to the quality of governance in the region, we see similar declines observed in both dimensions of the Status Index. Russia, for instance, has suffered a loss of 0.93 points to 2.55 – its worst score since 2006 – and now numbers among those states classified as featuring “failed” governance. The one area in which the Russian government consistently demonstrates efficiency is in managing internal security, as evinced by the repressive tactics it has employed since the beginning of its full-scale war of aggression. The government has also proved to be resolute and efficient in its response to Western sanctions, even though it struggled with addressing the root cause of sanctions: its decision to engage in war. In hindsight, it is apparent that Vladimir Putin, particularly from the spring of 2021 onwards, was actively gearing up for war both materially and ideologically. Nonetheless, his decision to go to war in February 2022 took nearly all decision-makers in Moscow, including the government, by surprise. In spring 2021, troops were first deployed to the border with Ukraine. This was followed by a notable article from Putin in July, where he questioned Ukraine’s sovereignty as an independent nation. Throughout December, Russia escalated troop deployments while presenting ultimatums within draft treaties to the United States and NATO, with the objective of halting – and rolling back – NATO expansion. Subsequently, intensive talks were held involving President Macron, Chancellor Scholz, and Prime Minister Orban. Finally, after the declaration of independence by the two Donbas “people’s republics” on February 21, 2022, the full-scale invasion commenced.

Tab. 4: Quality of governance

very good	good	moderate	weak	failed
Score 10 to 7	Score < 7 to 5.6	Score < 5.6 to 4.3	Score < 4.3 to 3	Score < 3
	Ukraine ▲	Georgia	Kyrgyzstan ▼	Russia ▼
	Mongolia	Armenia	Uzbekistan	Belarus
	Moldova ▲	Kazakhstan	Azerbaijan	Turkmenistan
			Tajikistan	

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in the Governance Index. Arrows mark a change of category compared with the BTI 2022.

Kyrgyzstan, registering a loss of 0.36 points to attain a score of 4.06, has also been downgraded. As was the case in 2006 and 2010, it once again numbers among the countries characterized by “weak” governance. President Japarov’s distinctly populist governance style, marked by his opportunistic decision-making, is evident here. Constitutional reform has centralized decision-making in the president’s office but failed to deliver the promised efficiency and coherence. Instead, it has resulted in diminished transparency and accountability, and has exacerbated wastefulness and corruption. Tenders for public contracts were abolished, as were public declarations of senior civil servants’ incomes. At the same time, the government escalated repression. This included, for example, the government introducing in 2022 a facial recognition system incorporating data on all Russians wanted by Moscow, including many war refugees facing persecution for various reasons.

The two downgrades in the Governance Index are offset by two upgrades from “moderate” to “good” governance (each achieving their highest scores since 2006): Ukraine with an increase of 0.73 points (reaching 6.04) and Moldova with 0.70 points (rising to 5.69). Moldova’s improvement is significant, marking its second consecutive gain, while Ukraine has managed to reverse the downward trend observed in 2022.

The situation varies in the region’s other countries, with democracies generally faring better than autocracies, which mostly exhibit negative trends. The region’s democracies, for the most part, managed to halt or even reverse their COVID-related decline from 2022. Armenia, for example, recorded a slight improvement of 0.10 points (reaching 5.03), while Mongolia’s decline of 0.07 points (to 5.83) remained marginal. Georgia stands out once again with a decrease of 0.35 points, recording its lowest score since 2006 of 5.21.

The region’s autocracies, on the other hand, are either stagnating or on a downward trajectory. This is most obvious in the case of Belarus which, mirroring the trend observed in Russia for the second consecutive time, recorded a loss of 0.55 points to 2.22, marking its lowest score since 2006 and ranking it at the global bottom (127th out of 137). Along with Turkmenistan (dropping by 0.01 to 2.18, ranking at 128), Belarus remains entrenched in the category of “failed” governance. This is largely attributed to Lukashenko’s persistent focus on his political survival, evident in both domestic and international endeavors. Moreover, alongside his resolute cadre of hardliners, he heavily relies on the nation’s security apparatus and military discipline to further entrench his authority within the country. He has at the same time maintained close ties to Russia, which has involved pushing forward integration within the “Union State” agreement from 1999, which had been effectively frozen. Since the spring of 2023, there have been reports of the stationing of tactical nuclear weapons on Belarusian territory. Among the group of countries characterized by “weak” governance, Tajikistan lost 0.18 points (to 3.02) and Azerbaijan 0.15 points (to 3.83). Uzbekistan, the region’s only autocracy recording a slight gain of 0.09 points (reaching 3.92), signals a continuous albeit slowed progress in governance, reaching its best score since 2006. Kazakhstan, the only autocracy with “moderate” governance, remains unchanged at 4.56. President Tokayev’s distancing from his predecessor Nazarbayev appears to have been primarily a rhetorical maneuver.

The positive trajectories observed in Moldova and Ukraine can be attributed to the prospect of EU accession granted in mid-2022, which has injected a clear sense of purpose, goals and coherence into their transformation processes. However, the granting of Ukraine’s accession prospects wasn’t solely based on the (limited) progress achieved under the EU Association Agreement of 2014; rather, it was driven by solidarity with the war-torn nation and the acknowledgment that Europe, faced with the looming threat of a renewed division, must adopt a decisive stance. Such a constellation rules out gray areas and it already presents significant challenges for Georgia, which must balance its foreign policy between Russia and the West and thus face growing internal polarization.

The Ukrainian government’s “Ukraine-EU Agreement Pulse” website to monitor adjustments under the Association Agreement’s Action Plan shows mostly “progress on schedule.” Yet the most notable successes have been observed in market-oriented adjustments, such as product safety regulations, which are vital for trade with the EU. The accession process is expected to harness this momentum in politics and the (thus far) blocked areas of public administration. This is evident when it comes to judicial reform, but less so in combating corruption as the European Commission observed.

Russia's war of aggression has placed immense strain on Ukraine's human and material resources, rendering foreign support absolutely necessary for the country's survival. Consequently, relationships that were fraught with conflict in previous years, such as those with the IMF, have markedly improved during the war, as unprecedented aid packages have been mobilized. Rebuilding the country in a post-ceasefire context is unlikely to succeed without this assistance. At the same time, the war has brought unforeseen consequences to the country's political landscape. It propelled President Zelensky into the role of a charismatic leader, elevating his popularity from near-zero levels to unparalleled heights. While this is immensely beneficial, if not essential, for rallying and directing the country, it also poses significant risks for institutional stability and functionality. This stands in stark contrast to Putin's bureaucratic ruling style, characterized by meticulously orchestrated public events. His paranoia, which became evident during the COVID-19 pandemic, also meant that it took him months to visit the front lines of the war he had initiated. His first visit to the military occurred in October 2022 at a barracks in Ryazan, barely 200 km southeast of Moscow. This was followed by a nocturnal visit to occupied and devastated Mariupol in March 2023 and another in April to a command post in the occupied part of the Kherson Oblast. The criticisms leveled by Yevgeny Prigozhin against the military leadership and, ultimately, against Putin himself, struck a collective nerve across Russian society.

Similar to Ukraine, Moldova's track record in fulfilling the obligations set forth in the EU Association Agreement, concluded in 2014, has been somewhat uneven. The war in Ukraine certainly also accounts for Chişinău's status as a potential accession candidate. But even more crucial is the fact that for the first time the country's political leadership, that is the president, government and parliament – in office since the fall of 2021 – aligned in prioritizing reform efforts. In a break from the past, this has enabled close and effective operational coordination with external partners. However, since 2022, Moldova has been in a state of continuous crisis, which complicates the achievement of strategic reform goals as much as the fact that a significant portion of the administration's staff lacks substantial experience with working in government. In addition, persistent internal resistance, fueled by Moscow in terms of resources and propaganda, adds another layer of challenges.

A key focus of propaganda is the country's move to strengthen ties with Romania, a connection that dates back to the period between 1918 and 1940 (i.e., the Soviet annexation of the country under the Hitler-Stalin Pact), when Moldova was a part of Romania. Today, Romania is not only Moldova's gateway to the EU but has also issued Romanian passports to at least half of the Moldovan population. Although the Moldovan parliament, with its majority from the Party of Action and Solidarity, declared Romanian as the official language of the Republic of Moldova in mid-March 2023, this bears more symbolic than substantive significance. But it reinforced the sense of distrust felt among those parts of the Moldovan population with an eye on Moscow, as it seemed that, similar to the early 1990s, unification with the larger neighboring state could once again be brought onto the agenda.

In this year's edition of the BTI, we see major losses in the scores for international cooperation and international credibility. Owing to the war, Russia and Belarus rank lowest on these issues, with Turkmenistan demonstrating only slightly better performance. However, Azerbaijan, as seen in 2022, has proved to be less than reliable, impacting the governance of its neighbor and

adversary, Armenia. The primary concern here lies with Nagorno-Karabakh, yet the conflict between the two states extends beyond this particular issue. In the fall of 2020, during a 44-day war, Baku achieved substantial territorial gains by reclaiming areas previously occupied by Armenia between 1991 and 1994. However, Russia intervened at the last moment by enforcing a ceasefire, which prevented Baku from taking control of more than one-third of Nagorno-Karabakh. Since then, Azerbaijan has leveraged its military superiority over Armenia to achieve further gains, both militarily and diplomatically. “Coercive diplomacy” is the rather blunt expression for this in Baku. This involves securing a land corridor, preferably extraterritorial, to the Azerbaijani exclave of Nakhchivan; finalizing a border with Armenia that is based preferably not on official Soviet-era but “historical” maps, which includes territorial claims in southern Armenia (the Syunik province) that have been strengthened by Baku through its military advance in September 2022;<sup>2</sup> and determining the fate of the remaining 120,000 Armenians in Nagorno-Karabakh.

Despite the ceasefire agreement mandating a Russian peacekeeping force of 1,900 soldiers to ensure Nagorno-Karabakh’s security and unrestricted access to the region, Baku has repeatedly tested this assurance with provocative violations of the agreement. This comes as no surprise given the toothlessness of the agreement since Russia’s invasion of Ukraine. For example, Azerbaijani “eco-protesters” were able to block the corridor for over 90 days without opposition in mid-December 2022. Subsequently, Baku illegally erected a border control post in April 2023 and completely halted access for 10 days in mid-June, rendering even emergency aid from the Red Cross impossible. Azerbaijan’s evident aim is to “ethnically cleanse” the territory.

Armenia finds itself in dire circumstances, with not much foreign support on the horizon. Prime Minister Pashinyan has accepted Azerbaijan’s territorial sovereignty since April 2022, despite fierce opposition, particularly from his opponent Robert Kocharyan, who typically receives his instructions directly from Moscow. But Pashinyan insists on international negotiations regarding the status of the population there. Aliyev consistently refuses this, considering it an “internal matter” for Azerbaijan. Intensified negotiations in Moscow, Washington, Brussels, Prague and Moldova since fall of 2022 have not changed this state of affairs. The passive position taken by Russia as well as that of the Collective Security Treaty Organization (CSTO) led by Russia, has severely shaken Armenia’s trust in its protector, but there is no alternative on the horizon. Although an EU observation mission has been patrolling the border with Azerbaijan since the fall of 2022, its level of activity is even lower than that of the Russian forces. Furthermore, the credibility of the EU mission is compromised as Brussels is also courting Baku and its energy resources. The standoff between autocracy and democracy is yielding worrisome benefits to Azerbaijan.

In another part of the region, in Central Asia, another autocratic power, the People’s Republic of China, is increasingly asserting its potential under the banner of its Belt and Road Initiative (BRI) initiated in 2013. Kazakhstan and Uzbekistan were the first countries Xi Jinping visited after the lifting of the Chinese COVID restrictions in September 2022. And in May 2023, the first 5+1 China-Central Asia Summit was held in Xian with unusual pomp. This highlights the emergence of a second autocratic power that can serve not only as a counterweight to Russia in the region

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<sup>2</sup> Problems have arisen also along the established border demarcation between Kyrgyzstan and Tajikistan, with recurring outbreaks of fighting occurring in September 2022. These clashes have resulted in a toll of at least 400 deaths and over 130,000 evacuations on the Kyrgyz side: Only 664 kilometers of the 972-kilometer-long border have been determined, and negotiations have been ongoing since 2002.

but also as an economically potent alternative to the West for the Central Asian autocracies. In the context of this power dynamic, there is a diminishing chance that the transformation agendas associated with the Enhanced Partnership and Cooperation Agreements that the EU has signed with Kazakhstan in July 2019, with Kyrgyzstan in July 2022, and with Uzbekistan in June 2022 will ever be implemented.

## Outlook

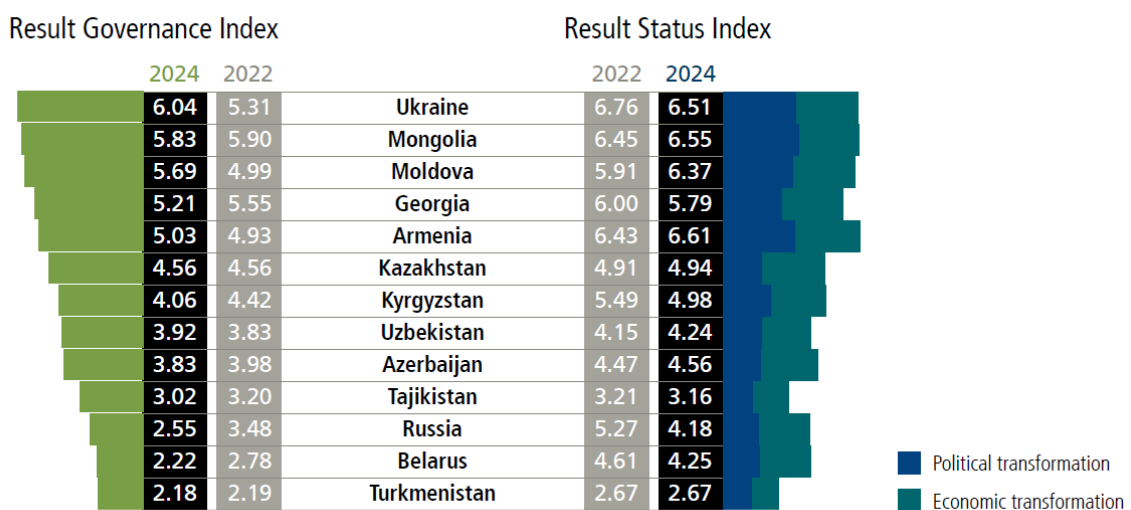
Since 2020, the region stretching from Eastern Europe through the Caucasus to Central Asia has weathered two significant shocks. The first, the COVID-19 pandemic, was an exogenous shock impacting all countries similarly but provoking varied responses. Democracies in the region mirrored those in the European Union, while the region's autocratic regimes exhibited a wide range of failures, from neglect to political manipulation. By 2022, the pandemic's repercussions faded from the forefront of politics and economics across all states.

The second shock emanated from within the region itself, specifically from its central axis in Moscow, which Russia likes to imagine itself to be. This was the war Russia initiated on February 24, 2022, in Ukraine, causing massive repercussions across the region, albeit in very different ways. Unlike localized conflicts on the periphery, such as those between Azerbaijan and Armenia, which erupted repeatedly in 2021 and 2022, or the periodic skirmishes between Tajikistan and Kyrgyzstan, this war continues to reverberate throughout the entire region.

The rationale behind the fateful decision made in Moscow, including the degree to which Putin's extravagant interpretation of Ukrainian and Russian history has influenced it, remains a subject awaiting clarification by historians. What is clear, however, is that this decision was made by the one man in the Kremlin, and that it was based on fundamentally flawed assumptions of achieving a swift and straightforward victory. This once again underscores the inherent vulnerabilities of personalistic autocracies, which are characterized by a selective grasp of reality. In this particular case, such shortcomings are amplified by Putin's well-documented and widely publicized paranoia concerning COVID-19. Furthermore, since 2014, Russia's political elite have become increasingly enveloped by collective anti-Western paranoia. This includes the perception that the United States and the EU have denied Russia of its rightful status as a global power while simultaneously plotting regime change in Moscow through the so-called color revolutions. This perception has been underpinned by a curious paradox: the belief that the West is in decline and in fear of losing its global dominance, while an ascendant Russia acts as an advocate for a multipolar world order.

This pattern was identified by Umberto Eco in his 1995 essay on "Ur-fascism" as one of the essential elements of fascism: the paradox that "by a continuous shifting of rhetorical focus, the enemies are at the same time too strong and too weak." While accusations of fascism are currently invoked by both sides to denounce the other – "Nazis" and "Banderovtsy" in Ukraine versus "Ruscism" in Russia – it is worth noting that in recent years, other elements highlighted by Eco have equally gained prominence in Russia, with anti-Western sentiments serving as a central reference point. With the war pushing the country ever deeper into an existential crisis, Russia's autocratic shift toward fascism appears complete.

The war that Russia has launched in Ukraine, which has intensified over 2023, is already shaping the politics and economies of the entire region. And its outcome will shape the face of the region for a long time. While countries like Armenia, Georgia, Kazakhstan, Kyrgyzstan, and Uzbekistan have reaped economic benefits from Moscow's efforts to bypass Western sanctions and the emigration of numerous citizens due to war, mobilization and repression, this contrasts starkly with the severe losses suffered by Ukraine and, indirectly, Moldova. Politically, the picture is even less balanced. This is particularly evident in Armenia, where any economic gains from the war are overshadowed by political costs, as Russia's weakening influence due to the war coincides with Azerbaijan having strengthened its hand through its militarized diplomacy vis-a-vis Armenia. Only Ukraine and Moldova have seen political dividends, with their prospects for EU membership significantly brightening in the wake of the war.



The war thus poses a serious risk of entrenching a regional division. What began as a competition for integration through the EU Association Agreements and the establishment of the Eurasian Economic Union has morphed into a confrontational dynamic demanding strict loyalties. The concurrent military assurances through mutual deterrence from NATO on one side and Russia on the other will shape the political options available to states in the region and thus increasingly hem in their choices in terms of foreign and domestic policy.

For Russia, the war has already sealed its fate, according to official statements and prominent commentaries: The Western-oriented path pursued since Peter the Great has allegedly reached its end, at least for the foreseeable future, if not permanently. As articulated in the new Foreign Policy Doctrine of March 2023, Russia now embodies a distinct Eurasian and Euro-Pacific “state civilization.” However, the ambit extends further, with the doctrine advocating for the “creation of a common humanitarian space encompassing the Russian Federation and the Commonwealth of Independent States (CIS) that is aimed at preserving centuries-old civilizational and spiritual ties between the people of Russia and those of its CIS counterparts”. The repercussions of such assertions are palpable in Ukraine, where the revival of Russia's purported uniqueness has sparked the resurgence of a civilizational mission once rooted in Marxism-Leninism.



Whether other countries in the region can – or want to – escape these advances remains uncertain. This uncertainty is amplified by the fact that an even more potent autocracy, China, is making its presence felt in the region and promoting a concept of transformation more or less aligned with that of Russia. Under these circumstances, countries aiming to resist any pressures require a level of support that the EU and NATO have provided only cautiously to date. If Russia prevails and polarization becomes entrenched, the gray zone navigated thus far by Armenia, Georgia, Kyrgyzstan, Kazakhstan, Moldova and Ukraine may vanish. The external influence on internal transformation trajectories will intensify. Hence, much hinges on the outcome of the struggle between Ukraine and Russia.

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### Transformation Index BTI 2024

ISBN

978-3-86793-974-4

EDITION

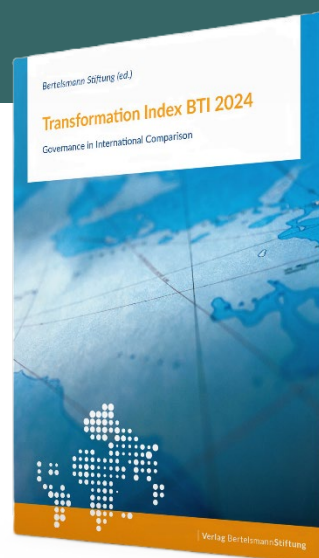
First edition

VOLUME/FORMAT

80 pages, soft cover

PRICE **18,00 €**

ADDITIONAL SHIPPING COSTS  
SHIPMENT WITHIN 3-5 DAYS



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