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NEW POLITICAL AND ECONOMIC REALITIES IN THE POST-CONFLICT SOUTH CAUCASUS

Shafag Firudin Ahmadova,
*PhD in Political Science, Senior Lecturer,
Baku State University (Baku, Azerbaijan)
ORCID ID: 0000-0002-8671-5757
shafaqahmadova@bsu.edu.az*

Abstract. This article analyzes the political and economic transformations in the South Caucasus following the 2020 Karabakh conflict. It seeks to identify new regional dynamics and structural changes resulting from the shifting balance of power, particularly the growing influence of Azerbaijan and Turkey and the diminishing regional role of Russia. The study employs an interdisciplinary approach combining political realism and neo-institutional theory, as well as qualitative methods such as comparative analysis of official documents, event analysis, and content analysis. It examines the increasing polarization in Armenia's domestic politics, the strengthening of Azerbaijan's geopolitical position, and the growing importance of economic corridors and energy transit routes. Rather than viewing the region solely from a security studies perspective, the article aims to provide a comprehensive assessment of the political and economic aspects of the post-conflict order. This original contribution highlights the structural interdependence of political domestic changes and regional power realignments. The practical value of the study lies in its potential application for policy planning, the development of conflict resolution frameworks, and sustainable regional development strategies.

Key words: South Caucasus, post-conflict transformation, Karabakh, regional security, economic integration, political instability, geopolitical change.

Introduction. Even in the post-Soviet period, the South Caucasus remains an arena of acute conflicts, ethno-political contradictions, and the intersection of geopolitical interests of various global and regional players. The armed conflict that erupted in Nagorno-Karabakh in the fall of 2020 marked a turning point, changing not only the territorial and political landscape of the region but also triggering profound transformation processes within the participating states. These new realities require a comprehensive understanding, as they form the basis for future regional order, sustainability, and development.

The study utilizes comparative analysis, event analysis, content analysis of official documents, and elements of a systems approach to identify the interaction of external and internal factors. The main findings of the study include the identification of a new balance of power in the region, the strengthening of the role of Azerbaijan and Turkey, the weakening of Russia's position, and an analysis of socio-political instability in Armenia and Georgia's strategy of neutrality. The results of economic projects, such as the Zangezur Corridor, and the potential for energy transformation are also examined. The scientific novelty and originality of the article lies in its comprehensive assessment of the post-conflict situation not only in terms of military and political consequences but also through economic and institutional processes, enabling a more comprehensive scientific analysis of long-term risks and opportunities. The practical significance of the article lies in the potential application of the obtained results in the fields of foreign policy forecasting, regional security, conflict studies, and the development of international cooperation strategies.

The purpose of this study is to comprehensively analyze the political and economic changes in the South Caucasus in the post-conflict period, focusing on new configurations of regional and international relations, the internal transformation of the region's states, and prospects for sustainable development and integration.

The methodological framework incorporates a comprehensive approach based on the principles of political realism and neo-institutionalism.

Discussion and Results.

New Political Realities. Following the end of the armed conflict between Armenia and Azerbaijan in 2020, the South Caucasus found itself in a new political and economic dimension, where the traditional balance of power was disrupted and previous models of interaction between the countries of the region became ineffective. Azerbaijan's victory in the 44-day war and the subsequent signing of a trilateral agreement brokered by Russia marked a turning point in the region's history. For the first time since the early 1990s, control over a significant portion of Nagorno-Karabakh passed into the hands of Azerbaijan, which enjoyed full sovereign rights in the region. This, in addition to strengthening its position on the international stage, gave impetus to more active integration into regional and global economic processes.

The political situation in Armenia since the end of the conflict has been extremely unstable. The defeat led to an acute domestic political crisis, accompanied by mass protests, attempts to destabilize the situation, and a sharp decline in trust in the government. Although Nikol Pashinyan was re-elected in 2021, his legitimacy remains contested by a portion of society. Armenia's political landscape is characterized by growing polarization, complicating the implementation of foreign policy and economic reforms. Moreover, with Moscow's unstable support, dependence on Russia for security has led to a reconsideration of the Armenian elite's loyalty to the government.

Georgia, although not directly involved in the armed conflict, nonetheless felt its consequences. The growing influence of Turkey and Russia in the region, particularly amid escalating domestic political disputes and ongoing tensions in Abkhazia and South Ossetia, has also raised concerns in Tbilisi. Georgia's strategy toward the West has rapidly shifted, beginning to diverge from the West. Amid growing instability, its room for maneuver is shrinking, and relations with the West have entered a new phase of conflict.

The role of international actors has also changed significantly in the post-conflict period. Russia initially strengthened its presence in the region by brokering a ceasefire and deploying peacekeeping forces to Karabakh. However, subsequent developments, including Moscow's ambiguous stance in response to Azerbaijan's military operations, fueled discontent in Yerevan. This undermined traditional alliances and called into question Russia's role as a security guarantor. Following the Second Karabakh War, and especially with the withdrawal of Russian peacekeepers from Nagorno-Karabakh in 2025, Russia lost some of its traditional influence in the South Caucasus. Moscow has long been the hegemon in the region, operating within the framework of the theory of regional security complexes (Buzan and Waever, 2003), maintaining the status quo through its military-political presence, participation in conflict resolution, and institutional formats such as the CSTO and the EAEU. However, the transformation of the international situation, domestic challenges, and involvement in the conflict with Ukraine have led to a strategic redistribution of resources and a decrease in the flexibility of Russia's foreign policy behavior. From a scholarly perspective, this can be explained by the power-strain theory model proposed by Paul Kennedy (1987), according to which excessive external commitments, coupled with a weakening economic base, lead to a loss of influence on the periphery. This is precisely what is observed in the South Caucasus: domestic political and economic costs, sanctions pressure, and the need to maintain positions in other strategic regions (primarily Ukraine and Central Asia) have created a strategic burden for Russia. However, this does not mean that Russia is withdrawing from the region. Moscow is adapting its policy, shifting its emphasis from hard power to diplomatic maneuvering and economic intervention, particularly in its bilateral relations with Azerbaijan. Russia is attempting to maintain its balancing role by relying on the following levers:

- Energy cooperation (e.g., gas supplies, participation in infrastructure construction);
- Logistics corridors (North-South, Russian control of railways);

- Military-technical cooperation with Baku;
- Influencing Armenia's domestic politics through the pro-Russian elite and the information space.

Armenia, in turn, is reassessing its alliance commitments, questioning the effectiveness of the CSTO and intensifying engagement with the EU, France, and Iran. Russia perceives this as a challenge to the structure of post-Soviet loyalty, which can be interpreted in terms of the sociological legitimacy of alliances (Holsti, 1970): when an alliance ceases to meet basic security expectations, an ally naturally seeks an alternative. From a geopolitical realist perspective (Mearsheimer, 2001), Russia will seek to minimize losses and prevent the South Caucasus from shifting toward the West and China. However, given its limited resources, Moscow is unlikely to be able to restore its previous level of dominance. A transition to a fragmented model of influence is likely, in which Russia will act purposefully: economically in Azerbaijan, politically in Armenia, and strategically in Georgia. This influence is expected to be maintained through the containment and instrumentalization of separatist enclaves (Abkhazia, South Ossetia). Thus, Russia's position in the post-conflict architecture of the South Caucasus will be transformed: from a hegemon to one of the external players competing in a multipolar model. Moscow retains its influence, but no longer as a monopolistic security provider, but as an adaptive player in the face of external pressure and internal structural contraction.

Turkey, by contrast, has expanded its influence not only in Azerbaijan but also in the South Caucasus as a whole, demonstrating an active and effective foreign policy. Economic and military support for Baku has strengthened Ankara's position, transforming it into a full-fledged regional player. Following the Second Karabakh War and subsequent changes in the regional security architecture, the South Caucasus has become an area of growing influence for foreign players: Turkey, Iran, and the United States. Building on ethnocultural ties with Azerbaijan and seeking to establish a leading position in the region, Turkey is developing its military and economic presence in the region. Active participation in transport corridors such as the Baku-Tbilisi-Kars route contributes to strengthening its strategic influence, consistent with the concept of regional security complexes, in which Turkey acts as a key factor in the balance of power in the region (Buzan, Wäver, 2003). Iran, given its complex ethnic and religious relations with the peoples of the Caucasus, simultaneously seeks to avoid the growing influence of the United States and Turkey, maintaining its position as a balancing factor. Iran's policy is based on a pragmatic geopolitical approach and a combination of soft power - cultural and religious ties and economic cooperation - which serve as a means of preventing regional hegemony within the framework of balance-of-power theory (Mearsheimer, 2001). The United States views the South Caucasus as a strategically important region for controlling transportation routes and limiting the influence of rivals such as Russia and China. Promoting democracy, human rights, and economic reform through soft power instruments is consistent with the concept of the US national role as a global policeman (Holsti, 1970). Supporting the Euro-Atlantic aspirations of Georgia and Armenia, as well as strengthening defense ties with Azerbaijan, are part of America's preventive strategy. Thus, a multipolar regional security complex is emerging in the South Caucasus, where the interests of Turkey, Iran, and the United States are intertwined in a dynamic system of cooperation and competition. These processes demonstrate the region's transition to a new configuration of international relations, characterized by multiple centers of influence and the absence of the unambiguous dominance of a single power. A theoretical framework based on regional security complexes (Buzan, Wäver), balance-of-power theory (Mearsheimer), and the national role of states (Holsti) helps explain the complexity and multidimensionality of the interactions between external actors in the post-conflict South Caucasus.

In parallel, the European Union has stepped up diplomatic activity in the region, offering mediation in peace talks and assistance in rebuilding infrastructure. However, limited leverage and the lack of a military component prevent the EU from playing a decisive role in ensuring security. Azerbaijan is categorically dissatisfied with the activities of this observer mission and demands that monitoring

of Azerbaijani territories be coordinated with official Baku. In May 2025, the observer missions in Armenia and Georgia reached an agreement on joint cooperation. From an academic and analytical perspective, the signing of an administrative agreement between the EU missions in Armenia and Georgia can be viewed as an element of regional integration and institutional cooperation within the framework of the European Union's Common Security and Defense Policy (CSDP). The EU, as an international actor, sends civilian and military missions to stabilize peripheral zones, especially in the context of potential escalation or “frozen” conflicts, such as the Karabakh issue and tensions on the Russian-Georgian border. According to neo-institutionalist (Keohane, 1984) and regional security theory (Buzan and Wæver, 2003), such agreements represent mechanisms of sustainable coordination and trust. They help reduce transaction costs in interactions between international structures, especially in the context of the multi-layered security of the South Caucasus. Moreover, the agreement demonstrates the EU's attempt to strengthen “operational synergies” between the various missions. This is especially important given the limited mandate of each of them. Cooperation in emergency situations (emergency response) indicates an attempt to create early warning systems consistent with modern approaches to “preventive diplomacy” (Boutros-Ghali, 1992). The signing of the agreement should also be viewed in the context of intensifying competition between the West and Russia in the region. EU missions in the South Caucasus have become more active since the Second Karabakh War (2020), especially amid growing dissatisfaction in Yerevan with the actions of the CSTO and Russia. Therefore, the cooperation agreement between the EU missions in Armenia and Georgia is not only an administrative act but also a geopolitical signal: Brussels is attempting to strengthen its presence in a region traditionally considered Russia's sphere of influence.

New Economic Realities. Following the Second Karabakh War in 2020 and the subsequent withdrawal of Russian peacekeepers from Nagorno-Karabakh (2025), the South Caucasus is undergoing a systematic transition from a polar configuration dominated by Russia to a more multipolar model with an increasing role for players such as the European Union, Turkey, Iran, and China. Following the Second Karabakh War and the subsequent changes in the region's political architecture, the South Caucasus has found itself at the epicenter of both political and economic tectonic shifts. Russia's focus on Ukraine and the gradual weakening of its influence due to the declining prestige of the CSTO have led countries in the region to reorient their foreign policy and economic vectors. Against this backdrop, the role of foreign players not directly involved in regional conflicts but capable of offering significant resources and alternative development paths is increasing. One such player is the People's Republic of China. China operates in the region with restraint, without overt political pressure, preferring a strategy of economic growth through infrastructure projects, trade initiatives, and long-term investments. In the context of post-conflict restructuring, as Azerbaijan seeks to strengthen its transport position, Georgia seeks to improve its transit status, and Armenia seeks to rethink its external dependence, China's involvement is particularly relevant. The region is becoming an important part of the Middle Corridor of the Belt and Road Initiative (BRI), which connects China with Europe via the Caspian Sea, the South Caucasus, and Turkey, bypassing Russia. Azerbaijan and Georgia are actively integrating into this logistics model. The Port of Baku, the Baku-Tbilisi-Kars railway, and Georgian infrastructure directly and indirectly receive support from Chinese contractors, banks, and investors. Armenia, for its part, is interested in expanding economic ties with China amid cooling relations with Russia and the search for new foreign economic support. The Chinese model differs from the Western one in that it lacks political conditionality: it entails loans, construction, and investment without adherence to democratic reforms and governance standards. This makes it particularly attractive for states undergoing post-conflict restructuring, where internal political sovereignty and a flexible economic strategy are key priorities. At the same time, China maintains neutrality in territorial disputes and ethno-political conflicts, which benefits all parties. China offers the countries of the South Caucasus not only capital but also access to global markets, technology chains, and large-scale infrastructure projects. This strategy, based on pragmatism and non-interference,

allows China to build sustainable geoeconomic influence without becoming embroiled in regional disputes or occupying vacant spaces previously controlled by Russia. Moreover, through bilateral cooperation mechanisms and participation in multilateral formats, China is gradually becoming a countervailing force capable of exerting a stabilizing influence amid growing competition between the West, Turkey, and Iran, and Russia's residual influence. Thus, China is acting not as a classic power broker in the new political and economic realities of the South Caucasus, but as a strategic architect of alternative development paths. Its role is not expansion in the traditional sense, but rather integration into the regional economy through logistical, financial, and technological solutions. In the coming years, this strategy could play a decisive role in the stability of the South Caucasus.

The economic reality of the South Caucasus in the post-conflict period is shaped by several key trends. First, the importance of regional logistics and transport corridors is growing. The Zangezur Corridor project, aimed at connecting mainland Azerbaijan with Nakhchivan via southern Armenia, could radically alter the regional communications map, simultaneously strengthening economic ties and sparking political disputes, particularly in Yerevan. Second, Azerbaijan has strengthened its position as a major energy supplier to Europe, which is particularly relevant in the context of the global energy crisis and the EU's attempts to diversify its oil and gas sources. This creates new opportunities for Baku to expand its influence, including through participation in projects to build new pipelines and expand existing routes. At the same time, the restoration of Karabakh's devastated infrastructure requires significant investment. Azerbaijan has announced large-scale programs to build roads, cities, and social infrastructure, but this process is fraught with numerous challenges, ranging from environmental issues to humanitarian ones, including mine clearance and the return of refugees. The success of the restoration will largely determine the prospects for long-term stability in the region.

The success of the restoration will largely determine the prospects for long-term stability in the region. Thus, the South Caucasus has entered a phase of transformation, where previous forms of interaction are giving way to new models shaped by changing power relations, the interests of external actors, and internal social processes. In the post-conflict period, the region is at a crossroads – a choice between escalation and opportunities for sustainable development, political vendetta and pragmatic cooperation. The choices the South Caucasus states make in the coming years will determine not only their internal stability but the fate of the entire region.

Following the end of the Second Karabakh War in 2020, the South Caucasus entered a qualitatively new stage of its development, and at this stage, it became clear that political and economic factors are closely interrelated. The change in the status quo in Nagorno-Karabakh, where Azerbaijan regained control over a significant portion of previously lost territories, became the starting point for a new regional security architecture. Although the Russia-brokered agreement of November 10, 2020, established a temporary ceasefire, deep-rooted differences between the parties remained unresolved (De Waal, 2013). Politically, Azerbaijan emerged from the conflict as a strengthened state with increased influence both regionally and internationally. The successful restoration of territorial integrity became an important element of national identity and legitimacy (Cornell, 2017). In contrast, Armenia entered a period of severe political instability. Growing public discontent, weakening trust in the government, and internal polarization became characteristic features of post-war Armenia. The Armenian government faced the need to balance public pressure, foreign policy reassessment, and national security challenges.

Russia's role, traditionally viewed as a regional security guarantor, has been ambiguous in the post-conflict period. On the one hand, Moscow brokered a ceasefire and deployed a peacekeeping force to Karabakh. On the other hand, its inability to prevent further escalation and its ambiguous stance in the subsequent clashes between Baku and Yerevan have diminished its prestige, particularly in Armenian society (International Crisis Group, 2022). Turkey, on the other hand, has increased its

influence by providing political and military support to Azerbaijan. The Turkish-Azerbaijani alliance has strengthened, posing a challenge not only to Armenia but also to Russia's traditional influence in the region. Furthermore, Turkey has begun actively promoting transportation initiatives, including discussions of the Zangezur Corridor – a potential infrastructure project that could radically alter logistics in the South Caucasus. Georgia, which remains neutral in the conflict, finds itself in a difficult position. On the one hand, the region continues its path toward Euro-Atlantic integration and maintains its status as a transit hub. On the other hand, growing instability and intensifying security challenges in the region require Tbilisi to pursue a more flexible and multi-vector foreign policy. The economic aspects of the post-conflict period include the need to rebuild the devastated territories of Karabakh, build new infrastructure, and possibly reroute regional trade and energy routes. These processes could both deepen the interdependence of the region's countries and intensify competition for influence among external players. Thus, the post-conflict South Caucasus represents a space of growing geopolitical contradictions and new opportunities, requiring a balanced approach, proactive diplomacy, and the participation of international institutions.

Conclusions. The post-conflict period in the South Caucasus is a complex and multidimensional process, requiring a comprehensive and interdisciplinary approach to analyzing the region's political and economic realities. The study identifies key trends related to the strengthening regional influence of Azerbaijan, political instability in Armenia, and the changing role of external players such as Russia and Türkiye. Economic recovery and the development of transport corridors open up new opportunities, but at the same time create challenges that require joint efforts to ensure lasting peace and cooperation.

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