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Thomas de Waal

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RUSSIA, THE SOUTH CAUCASUS AND THE BLACK SEA

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Thomas de Waal

INTRODUCTION, A SITUATIONAL STRATEGY

For Moscow the strategic importance of its southern neighborhood in general and of the South Caucasus in particular has changed since its full-scale invasion of Ukraine in February 2022. In the South Caucasus Russia now seems prepared to accept that, in the short to medium term at least, it is not the regional hegemon, but is one power amongst several in the region.

Economics is key. The region, together with the Black Sea, is in the first instance a front in Russia's economic war with the West as it seeks to limit the damage on its economy inflicted by Western sanctions. That means Moscow currently treats countries in the region as well as Turkey and Iran as partners, so long as they collaborate economically and share its antipathy to a strong Western presence in the region.

The war in Ukraine has limited both capacity and ambition—although ceasefire could re-focus Moscow's attention on the region. For example, while *de facto* controlling the regions of Abkhazia and South Ossetia and stationing troops there, there is no plan to annex them formally, as happened to Crimea in 2014, while South Ossetian overtures for union with Russia are politely rebuffed.¹

The previous agenda to pursue integration projects in the South Caucasus has given way to a situational and *ad hoc* policy. It has fewer instruments of soft power and capacity to fight an information war as Russian-language media is less influential and, in contrast to Moldova or Ukraine for example, the number of ethnic Russians or native Russian-language speakers (outside Abkhazia and South Ossetia) is low.

Notably, Moscow's strongest partner in the region is currently Baku, but it no longer tries to persuade Azerbaijan to join the Eurasian Economic Union. A warming of ties with Georgia is taking place even without the restoration of diplomatic relations. Paradoxically, Armenia remains Russia's only formal ally in the region thanks to a military treaty and institutional partnerships but is also the least friendly country.

In a bid to limit the influence of the West in the region Moscow is investing in looser arrangements, most notably the "3+3 format," which comprises Russia, Iran and Turkey, plus the three countries of the South Caucasus, but without the presence of any Western countries or multilateral organizations.

¹ Kremlin distances itself from referendum in South Ossetia, *Caucasian Knot*, May 24, 2022, <https://eng.kavkaz-uzel.eu/articles/60218>

In practice the 3+3 is (at least at the moment) a 3+2 format, as Georgia does not participate, while Armenia takes part only reluctantly. Foreign Ministers of the five participating countries have met three times, in December 2021 in Moscow, in Tehran in October 2023 and in Istanbul in October 2024. All three meetings were occasions for anti-Western rhetoric. Asked in Istanbul what was the greatest threat to security in the South Caucasus, Russian foreign minister Sergei Lavrov [replied](#), “out-of-the-region actors are trying to dictate their terms here, to impose their designs in an attempt not to overcome regional challenges in the interests of all countries of that region, but to promote NATO-centric formats, to foster bloc-based processes, and, as we say, to drive a wedge between neighboring countries and to leverage their capabilities in order to get what they want.”²

The key relationship, with Turkey, is also the most problematic one. Moscow’s “managed rivalry” with Ankara, comprises both an enhanced economic relationship, based on gas, nuclear power and trade and also continued strategic contestation of their shared neighborhood, including the South Caucasus.³ (See Pavel Baev’s paper in this series).

When in 2022, Turkey invoked the Montreux Convention of 1936 to restrict access through the Turkish Straits for military vessels it reduced Russia’s military naval capacity in the Black Sea and the risk of armed confrontation between Russia and other littoral states. The move also preserved the Black Sea as a zone of continuing economic cooperation with Turkey, despite the war and underlined for Russia the importance of the South Caucasus and the Caspian Sea as an alternative and more reliable route to Russia’s strategic partner in the region, Iran, and onward to the Middle East.

ARMENIA AND AZERBAIJAN

Russia’s relations with Armenia and Azerbaijan have undergone a dramatic transformation since the second Karabakh conflict of 2020 and, even more so, since the start of the Ukraine war of 2022.

Russia’s relations with Azerbaijan are the strongest they have been for 30 years. In August 2024, President Vladimir Putin made a state visit to Baku, accompanied by senior ministers, building on a partnership agreement struck with Azerbaijan in February 2022.

The two countries are both one-party states, aligned in a rejection of liberal values, Western influence and “hegemony” in the region. The relationship is highly transactional. Aliyev has attended Eurasian Economic Union and BRICS meetings in 2023 and 2024 but Azerbaijan

² Remarks accessed at

https://www.mid.ru/en/press_service/video/posledniye_dobavlenkiye/1976707/

³ Seçkin Köstem Managed Regional Rivalry Between Russia and Turkey After the Annexation of Crimea, *Europe-Asia Studies*, 2022, 74:9, 1657-1675

remains strictly non-aligned and is not a member of either Russian- or Western-led organizations. There was also heavy diplomatic fallout and an unfriendly exchange of messages after Moscow failed to acknowledge that its air defense system was responsible for the crash landing of an Azerbaijani passenger plane in Aktau, Azerbaijan in December 2024, resulting in the deaths of 38 passengers and crew.⁴

In a major shift in priorities, Moscow allowed the more than 30-year-old Nagorny Karabakh conflict to end in Azerbaijan's favor in 2023. For the first time in post-Soviet history, Russia disbanded a peacekeeping force when it withdrew its peacekeepers from Karabakh in 2024, after it had allowed Azerbaijan to take full control of the territory in September 2023, forcing force the entire Armenian population to flee.

This marked an end to the strategy of using the protracted non-resolution of the Karabakh conflict as leverage over both Armenia and Azerbaijan. With the de facto end of the OSCE Minsk Group and the lack of direct Russian mediation, Moscow is also no longer the main mediator between Armenia and Azerbaijan as they pursue an elusive bilateral peace agreement and the normalization of relations. The agreement on a text of a draft peace agreement between Baku and Yerevan in March 2025—which still needs to clear more hurdles before it was signed and ratified-- was achieved through bilateral negotiations, without the involvement of Moscow.⁵

As relations with Azerbaijan have improved, the Russia-Armenia relationship has been in a state of crisis. During the 2020 Armenia-Azerbaijan conflict, Russia did not intervene, on the grounds that the zone of conflict was within the internationally recognized territory of Azerbaijan and therefore Russia did not need to honor either its bilateral military treaty with Armenia (signed in 1996 and renewed in 2010) or its obligation to defend a fellow member of the Collective Security Treaty Organization (CSTO). However, when Azerbaijani forces staged an incursion across the border of Armenia in September 2022, Armenia's attempt to invoke CSTO obligations also went unheeded. In 2024 Armenia froze its membership of the CSTO.

The Armenian government's embrace of the West and the language of democracy and outreach to Ukraine have alienated Moscow. In January 2025, in two symbolic moves, the Armenian government said it approved a draft parliamentary bill which sought European

⁴ Interview with Zaur Shiriyev: The Lasting Effect of Flight 8243 on Baku's Relationship to Moscow, *Caucasus Watch*, February 5, 2025, <https://caucasuswatch.de/en/interviews/zaur-shiriyev-the-lasting-effect-of-flight-8243-on-bakus-relationship-to-moscow.html>

⁵ Thomas de Waal, Armenia and Azerbaijan's Major Step Forward, *Carnegie Endowment for International Peace*, March 17, 2025, <https://carnegieendowment.org/emissary/2025/03/armenia-azerbaijan-peace-deal-next-steps?lang=en>

Union accession for the country and signed a new strategic partnership agreement with the United States.

Thus far Russia has not publicly intervened in Armenian domestic politics. Armenia is still part of the Eurasian Economic Union and Commonwealth of Independent States and Pashinyan continues to visit Russia for high-level meetings. This could change with the next election due in 2026 when Pashinyan will seek another term and almost certainly to deepen his pro-Western policies.

ECONOMIC RELATIONS AND THE NORTH-SOUTH CORRIDOR

As far as the Russian elite is concerned, a key lesson from the Ukraine war and the imposition of the Western sanctions regime, is that Russia needs to diversify its range of economic partners and trade routes. With Western trade links cut off, routes south and onward to the Middle East and South Asia have gained crucial importance. Ruslan Davydov, the head of the Russian Customs Service, wrote in October 2023, “The main challenge for our customs service [since 2022] was to support the economy to withstand sanctions and facilitate a global pivot of our external trade from the west to the east and south.”⁶

Since 2022, the economic relationship between Russia and the South Caucasus countries has grown in volume and importance, with all three leveraging their status as countries in between Russia and the West. For Russia the main priority is to import goods to replace goods no longer supplied from Western markets. That means an increase in re-export of items, such as cars and household goods and most controversially “dual use” items that could potentially be used for military means.⁷

Exports from all three countries to Russia have increased. Despite the political differences between the two countries, trade turnover between Armenia and Russia surged to more than \$10 billion in 2024, more than twice the volumes of the previous year.⁸ For the first time, Armenia’s membership of the Eurasian Economic Union (EAEU) has proved beneficial. At

⁶ Ruslan Davydov, “Глава ФТС — о том, как «необъявленная война» изменила работу таможи” [The Head of the Federal Customs Service Talks About How the “Undeclared War” Changed the Work of Customs], RBC, October 25, 2023,

https://www.rbc.ru/opinions/economics/25/10/2023/6537845e9a7947415caa4074?from=column_1

⁷ Erica Marat and Alexander Kapatadze, Under the Radar: How Russia Outmanoeuvres Western Sanctions with Help from its Neighbours, *SOCACE Research Paper 18*, August 2023, <https://www.socace-research.org.uk/publications/under-the-radar-russia-sanctions-rp18>

⁸ [h](#) Trade Turnover Between Russia and Armenia Doubles to \$10.2 Billion, *Massis Post*, December 20, 2024, <https://massispost.com/2024/12/trade-turnover-between-russia-and-armenia-doubles-to-10-2-billion/>

the same time Armenia remains reliant on Russia as the main importer of its goods and for cheap gas, nuclear fuel, wheat and other food products.⁹

In Georgia the headline figure is not striking, as direct trade with Russia has risen only modestly. However, Georgia's exports to Eurasian Economic Union countries increased markedly, which can only be an indication of further re-exports to Russia.¹⁰ The restoration of direct flights between Russia and Georgia in 2023 has boosted the number of Russian tourists and relocants visiting the country and caused an influx of Russian money into Georgian banks. (See Stefan Meister's paper in this series).

Shared economic interests are central to the relationship with Azerbaijan. On his state visit to Baku in 2024, Putin was accompanied not just by his foreign minister, but by Russia's Economic Development Minister and Transport minister as well as the country's two main energy chiefs, the heads of Rosneft and Gazprom.

Azerbaijan's trade turnover with Russia increased only modestly, to just under \$4 billion in 2024.¹¹ However, Azerbaijan is crucial as both an energy partner and transit country for Russia in the "North-South Corridor." Also known as the INSTC or International North South Transport Corridor, the North-South Corridor is a multi-modal project across and on both shores of the Caspian Sea, linking Russia to Iran, the Persian Gulf and India. In 2023 around 25 percent of freight traffic crossed the sea, 70 percent went via the western shore through Azerbaijan and 5 percent on the eastern shore through Kazakhstan and Turkmenistan.¹²

The project also poses a challenge to efforts by the West and Turkey to promote the so-called "Middle Corridor" linking the South Caucasus, Central Asia and China via the Caspian Sea. Traffic has been increasing along this route, from a very low base, since 2022. A World Bank study predicts that the volume of Trans-Caspian trade could triple by 2030.¹³ Russia will

⁹ Thomas de Waal, Armenia Navigates a Path Away from Russia, *Carnegie Endowment for International Peace*, July 11, 2024 <https://carnegieendowment.org/research/2024/07/armenia-navigates-a-path-away-from-russia?center=russia-eurasia&lang=en>

¹⁰ Stefan Meister, The End of Russian Hegemony: A New Transactional Order Arises in the South Caucasus, *DGAP*, December 18, 2024, <https://dgap.org/en/research/publications/end-russian-hegemony-new-transactional-order-arises-south-caucasus>

¹¹ [h](https://tass.com/economy/1875709) Azerbaijan-Russia trade turnover up 14.5% in 10M 2024, *TASS*, November 21, 2024, <https://tass.com/economy/1875709>

¹² Aygul Tagiyeva, Восточная или западная ветка: какой маршрут МТК "Север-Юг" перспективнее? [The Eastern or Western Branch: which route for the North-South International Transport Corridor has Better Prospects?], *Sputnik Azerbaijan*, October 16, 2024, <https://az.sputniknews.ru/20241016/vostochnaya-ili-zapadnaya-vetka-kakoy-marshrut-mtk-sever-yug-perspektivnee-468093258.html>

¹³ The Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030, *The World Bank*, November 27, 2023, <https://www.worldbank.org/en/region/eca/publication/middle-trade-and-transport-corridor>

continue to make the case to Azerbaijan that North-South connectivity is more important for it than the East-West projects promoted by the West and Turkey.

In public comments on his state visit to Baku in August 2024, Putin said, “I would like to emphasize our joint plans for the implementation of the North-South project. This will enable us to reach the shores of the Indian Ocean and use these routes for mutual benefit and interest.” Aliyev said that the North-South route was “of exceptional importance for our interstate relations, as well as for issues related to regional transport corridors and transport routes.”¹⁴

As part of the project, road, rail and customs infrastructure between Azerbaijan and Russia has been upgraded. Aliyev told his Russian counterpart that the ambition was to increase volumes of rail freight to 30 million tonnes a year. (This may be an unrealizable goal and Aliyev was probably referring to both North-South and East-West traffic). Russian First Deputy Prime Minister Andrei Belousov has cited even more ambitious numbers of an increase in trade to 41 to 45 million tonnes by 2030.

The project is also key in strengthening Russia’s close relations with Iran, which signed a new strategic partnership with each other on January 17, 2025.¹⁵ Iran is seen as a close partner rather than a formal military ally. Their interests converge in assisting one another to defy Western diplomatic and economic pressure.

“Even before the start of the war in Ukraine Russia considered the INSTC a geopolitical project,” wrote Nurlan Aliyev, an independent Azerbaijani analyst. “The INSTC provides Russia with control of access over the main transport routes in Eurasia and an alternative to the Western-controlled routes between Russia and the Global South.”¹⁶

Question marks hang over whether Russia and Iran can afford the upgrades to infrastructure needed to make the North-South corridor work. A 162-km new railway connection is needed between Astara in Azerbaijan and Rasht in Iran. The two countries announced in May 2023 that Russia would allocate Iran an interstate loan worth 1.3 billion euros to pay for construction. But both countries are financially weakened by sanctions and will struggle to afford this project.

¹⁴ Statements accessed at <https://president.az/ru/articles/view/66707>

¹⁵ Nikita Smagin, New Russia-Iran Treaty Reveals the Limits of Their Partnership, *Carnegie Politika*, January 21, 2025, <https://carnegieendowment.org/russia-eurasia/politika/2025/01/russia-iran-strategic-agreement?lang=en>

¹⁶ Nurlan Aliyev, The International North–South Transport Corridor: Russia’s Geoeconomic and Geopolitical Interests, *Baku Research Institute*, September 11 2024, <https://bakuresearchinstitute.org/en/the-international-northsouth-transport-corridor-russias-geoeconomic-and-geopolitical-interests/>

An alternative Russia-Iran route lies across the currently closed road and rail links through southern Armenia to Azerbaijan’s exclave of Nakhchivan, the route that Azerbaijan calls the “Zangezur Corridor.” The Julfa railway junction in Nakhchivan formerly connected the South Caucasus to Iran in Soviet times and could be re-utilized without the need to build any new infrastructure. According to Russian businessman Alexander Sharov the cargo capacity of Julfa is 5 million tons per year.¹⁷

However, Iran has objected to the Zangezur Corridor route on the grounds that it threatens to undermine the sovereignty of Armenia. It prefers the current de facto arrangement under which traffic to Nakhchivan goes via Iran—one reason why the reconstruction of the rail route to Nakhchivan has not yet been agreed on.

GEORGIA AND ABKHAZIA

The unrecognized Black Sea territory of Abkhazia is an important part of Russia’s strategy both for the Black Sea and the South Caucasus, however it also poses dilemmas for Moscow.

In August 2008, Russia recognized Abkhazia and South Ossetia as independent states, following the Five Day War with Georgia, and 25 years after they had de facto separated from Georgia in the conflicts of the 1990s. This transformed Russia’s presence in the South Caucasus. It deployed around 7,000 troops in each region, increasing its military presence, but the move also resulted in a break of diplomatic relations with Georgia and loss of leverage over Tbilisi. (Some reports suggest that the troop numbers have gone down since 2022, as Russia has re-deployed forces).

The 2008 act of recognition was opposed by some influential Russian actors. For example, former prime minister and foreign minister Yevgeny Primakov had publicly opposed the idea shortly before it took place.¹⁸ According to one of his associates, he believed that this step would mean Russia “losing” Georgia. Another source alleges that foreign minister Sergei Lavrov also opposed the idea.

Abkhazia (and to a lesser extent South Ossetia) remain the biggest bones of contention between Moscow and Tbilisi. Both aspire to control the territory (irrespective of the aspirations of its current population.)

¹⁷ Russia: Rasht-Astara Railroad Completion to Take Four Years, *Financial Tribune*, May 20, 2023, <https://financialtribune.com/articles/domestic-economy/118174/russia-rasht-astara-railroad-completion-to-take-four-years>

¹⁸ Примаков: Я против признания независимости Абхазии и Южной Осетии [I am Against the Recognition of Abkhazia and South Ossetia], *Rosbalt*, April 17, 2008, <https://www.rosbalt.ru/news/2008-04-17/primakov-ya-protiv-priznaniya-nezavisimosti-abhazii-i-yuzhnoy-osetii-3545106>

Broadly speaking, Moscow has three main areas of strategic interest in Abkhazia: as a Black Sea base, as a North-South route and as a bargaining chip with Tbilisi.

The first interest, of Abkhazia as a Black Sea base, has been enhanced by the war in Ukraine.

At the end of 2024, Russia stepped up efforts to coerce the Abkhaz leadership into allowing it to buy or lease economic assets in the republic. Russia wants an easier path to acquiring lucrative real estate on Abkhazia's much-coveted Black Sea coast—something that is very unpopular within Abkhaz society. Opposition to this inside Abkhazia was the main reason for the latest political crisis there, resulting in street protests, the resignation of the de facto president and the calling of new elections.¹⁹ On March 1, 2025, Badra Gunba, the candidate preferred by Moscow, was declared the new de facto president of Abkhazia. Russia is also reported to be proceeding with the redevelopment and reconstruction of the port of Ochamchire. This is evidently because of losses to Russia's Black Sea Fleet and the vulnerability of Crimea to Ukraine attacks.

In an analysis in May 2024 two Georgian experts downplayed the notion that Ochamchire could be a major Russian base but argued that it could still be useful for the Russian Black Sea Fleet: "At present, the port of Ochamchire—at only 9 meters deep—cannot receive large ships. Significant technical and infrastructural work would be required to address this. However, Russia can still moor smaller vessels at the port, facilitating supply and logistics operations. In addition, satellite images obtained by the BBC show that dredging and construction have been under way at the site since 2022. These works should allow the port to accept smaller vessels of the kind that have been actively used by Russia to strike targets in Ukraine and reload its Kalibr cruise missiles onto vessels."²⁰

The second strategic interest, to re-open Abkhazia as a north-south international route, has been on the agenda for many years. The rail link through Abkhazia and Georgia used to be the Soviet Union's main route to the south and Turkey but has been closed due to conflict since 1992. Road traffic is also limited due to the Georgia-Russia conflict.

Prior to 2022, Georgian governments were not categorically opposed to re-opening this route. In 2011 the governments in Tbilisi and Moscow struck a deal, which has never been implemented, to open three transport corridors between the two countries, two of which were to cross Abkhazia and South Ossetia. The deal, mediated by Switzerland, was the condition the Georgians agreed to in return for not using their veto power on Moscow joining the World

¹⁹ Neil Hauer, Abkhazia in Deep Crisis, *BNE Intellinews*, January 12, 2025, <https://www.intellinews.com/abkhazia-in-deep-crisis-360954/>

²⁰ Kornely Kakachia and Salome Minesashvili, Russia's Intended Naval Base in Ochamchire: Implications for Georgian and Black Sea Security, *PONARS Eurasia*, March 27, 2024, <https://www.ponarseurasia.org/russias-intended-naval-base-in-ochamchire-implications-for-georgian-and-black-sea-security/>

Trade Organization. The cargos on the trucks are supposed to be sealed and monitored by a Swiss firm. The Abkhazia route was the most significant.²¹

Opening this route would significantly increase traffic and avoid the need to use the Georgia-Russia border crossing at Upper Lars, which is choked with traffic and frequently blocked by bad weather in winter months. It would be a major win for Russia and potentially negotiable with the more Russia-friendly Georgian Dream government in Tbilisi.

The loss of Abkhazia in the early 1990s remains a painful issue for the Georgian public, which is why Georgian Dream tried to manipulate the issue in the 2024 election campaign.

On Georgia's Independence Day, May 26, Prime Minister Irakli Kobakhidze made a public pledge that Georgia would join the European Union by 2030, together with both Abkhazia and South Ossetia.²² During the campaign itself, the head of Georgian Dream, Bidzina Ivanishvili, declared that “the groundwork for restoring the country’s territorial integrity peacefully could be laid at any moment.”²³

The suggestion was that, if and when re-elected, Georgian Dream would be able to cut a deal with Moscow that would begin to restore Georgia’s sovereignty over Abkhazia—a huge achievement. However, in an indication of Abkhazia’s importance to Russia, Russian officials did not hold out any hopes to Georgian Dream on this issue. Russian Foreign Ministry spokesperson Maria Zakharova called it a “fantasy.” Former minister on conflicts and veteran of dialogue with Abkhazia, Paata Zakareishvili, said the Georgian Dream statements were a “bluff” directed at voters.

This issue highlights a strategic dilemma Russia faces in the South Caucasus, as it relates to the Black Sea and the war in Ukraine. Russia needs cooperation from the three countries of the region so as to maintain ad hoc political partnerships and keep open trade flows. However, a lack of capacity and the needs of the Black Sea Fleet (as in the case of the Ochamchire base) reduce Russia’s ability to project power in the region and give the three countries space to pursue other alliances and options. This leaves the region if not necessarily more open to the West at least a kind of geopolitical marketplace where Russia must work harder to compete with other powers.

ENDS

²¹ Giorgi Lomsadze, Georgia moves closer to transit deal with Russia, *Eurasianet*, January 23, 2019, <https://eurasianet.org/georgia-moves-closer-to-transit-deal-with-russia>

²² Joshua Kucera, Georgian Dream Plays Geopolitics To Shore Up Support At Home, *Radio Free Europe/Radio Liberty*, June 11, 2024, <https://www.rferl.org/a/russia-georgia-relations-georgian-dream-abkhazia/32988405.html>

²³ Nino Narimanishvili, David Pipia, How “Georgian Dream” is leveraging territorial integrity in its election campaign, *Jam News*, October 18, 2024, <https://jam-news.net/how-georgian-dream-is-leveraging-territorial-integrity-in-its-election-campaign/>