



The End of Nagorno-Karabakh and the New Power Balance in the Caucasus

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The sudden military [operation](#) by Azerbaijan on September 19, 2023, led to the surrender of the truncated Nagorno-Karabakh enclave, which following the Second Nagorno-Karabakh War of 2020, was effectively surrounded by the Azerbaijani forces. The event marked the end of the internationally unrecognized mostly Armenian-populated land, which had been disputed since the dissolution of the Soviet Union.

Azerbaijan's final victory led to the dislocation of some 100,000 [ethnic Armenians](#) into Armenia. However, the new reality on the ground increases the probability of a comprehensive peace deal between Armenia and Azerbaijan. It is hard to predict an exact timeline but with significantly fewer obstacles, the peace deal could be expected in the first half of the next year, if not earlier.

Indeed, the end of Nagorno-Karabakh means that the fate of the Armenian population no longer represents a major obstacle to concluding a peace agreement. Moreover, Armenian Prime Minister Nikol Pashinyan publicly recognized Azerbaijan's territorial integrity within the borders of the former Soviet republics which includes three small Azerbaijani enclaves in Armenia.



The latest dynamics also indicate that the tensions between Azerbaijan and Armenia around the latter's southernmost province of Syunik have now subsided. Recently Iran and Azerbaijan [signed](#) a new railway agreement that presupposes the transit from Azerbaijan proper to its exclave of Nakhichevan via the Iranian territory. This new connectivity is largely beneficial to all major actors in the region and could pave the way toward a peace agreement between Baku and Yerevan.

Moreover, given Yerevan's growing uneasiness in its alliance with Moscow, for Armenia, it is important to follow through on peace with Azerbaijan as this will limit its security dependence on Russia. A peace agreement would also facilitate the ongoing rapprochement with Turkey, which would allow Armenia to dilute the salience of the Turkey-Azerbaijan alliance.

Still, to get a better sense of the fast-paced changes taking place in the South Caucasus it is imperative to place them within a wider regional context. Indeed, the end of the Nagorno-Karabakh entity fits well into the global developments that upended the post-Cold War status quo. Azerbaijan's victory also ushers in a new period that will be characterized by more intense competition between greater powers, Iran, Russia, and Turkey, bordering on the South Caucasus.

For Russia, the new balance of power is unlikely to be entirely in its favor. First, it is unclear what Moscow has gained from not opposing Azerbaijan overtaking Nagorno-Karabakh. The Russian calculus could have partly emanated from the fact that it now needs Azerbaijan more than it did before. Indeed, the Russian invasion of Ukraine is perhaps a major cause behind this strategic change. The imposition of Western sanctions pushed Russia to re-orient trade from its more traditional dependence on the West to Asian markets. Iran plays a vital role in this thinking, but to reach Iran, seaborne connectivity via the Caspian Sea does not suffice. The land corridor is likewise necessary, and it is here where Azerbaijan's role as an interconnection point has grown exponentially. Seen as a part of the International North-South Transport Corridor, the [route](#) via Azerbaijan potentially would allow Russia to reach India and the wider Indo-Pacific region.

Moreover, Azerbaijan also enjoys a favorable view from the West. Its burgeoning energy [relations](#) with the European Union have made Brussels cautious about openly criticizing the Azerbaijani government. Additionally, Azerbaijan has [managed](#) to ease its previously strained relationship with Iran through a series of high-level meetings and a softening of antagonistic rhetoric.

Nevertheless, the change in thinking in Moscow could represent another development – Russia's managed decline in the South Caucasus. Some signs of it were already evident before 2022 but have markedly accelerated since the invasion of Ukraine. Armenia's inability to defend Nagorno-Karabakh and in fact its own territory from Azerbaijan (as several cases since 2020 showed) raised multiple questions as to the viability of the Armenia-Russia military alliance. Yerevan accused the Moscow-led defensive pact Collective Security Treaty Organization (CSTO) of inaction and openly [questioned](#) the alliance with Russia. Testing Moscow's resolve has now become a trend in Armenia's approach toward Russia.

Most importantly, however, Russia's war in Ukraine opened doors for other major actors to seek a greater role in the South Caucasus. One of the latest examples is China when it [signed](#) a strategic



partnership agreement with Georgia in the hope of positioning itself in the wider Black Sea region. Yet other players such as Iran and Turkey, are making even bigger leaps into the region.

For Iran, Azerbaijan's victory is the culmination of major shifts that have taken place since the end of the war. The Islamic Republic's strategic interests led them to play a more active role in the South Caucasus where Azerbaijan's victory risked upending the status quo, one that Tehran had been accustomed to since the 1990s.

Through a combination of military [deterrence](#) and diplomatic measures, Iran managed to keep Azerbaijan's ambitions in check and establish clear red lines for Turkey and Russia to respect. More concretely, Iran made it clear that it would intervene if Azerbaijan decided to pose a direct threat to Armenia or aim to establish the so-called Zangezur corridor through Armenia's southernmost province of Syunik, thus limiting Iran's transit potential and cutting off Armenia from Iran.

The multiplicity of actors in the South Caucasus means that the region, much like other geographic spaces across Eurasia, is experiencing a new age of multi-alignment as multiple actors vie for power. In previous decades and in fact centuries, the dominant actor in the South Caucasus was Russia. Present geopolitical trends, among which is the sudden resolution of the Nagorno-Conflict, indicate that the region is evolving into a highly contested area with Russia being one of the major powers along with Turkey, Iran, the EU, the US, and potentially, China. In a way, this new reality might portend the future world order where domination by a single power will be impossible to achieve and a diversity of actors will be more than welcome. As argued, this major trend is not only peculiar to the South Caucasus, but is also clearly demonstrated in Central Asia, parts of the Middle East, and South and Southeast Asia.

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