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## Scope

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## **Abstract**

*This research assesses the shifting security architecture of the Caucasus in 2026, focusing on the transition from territorial “frozen conflicts” to high-stakes competition over transcontinental trade corridors. Utilising open-source intelligence (OSINT) and regional expertise, the research evaluates the impact of the US-facilitated “Armed Peace” and the implementation of the Trump Route (TRIPP) through southern Armenia. Findings indicate that while the TRIPP secures East-West transit, it marginalises Russia and provokes Iranian “grey zone” hostility. Domestic stability remains the primary risk: the June 2026 Armenian elections represent a volatile referendum on national identity, while Georgia’s pivot toward Chinese-financed “authoritarian modernisation” risks state failure through civil unrest. Furthermore, a potential succession crisis in Chechnya threatens to destabilise Russia’s southern flank. The report concludes that the region’s new infrastructure will either cement Western influence or serve as a frontline for renewed Great Power friction.*

## Introduction

The Caucasus region enters 2026 in a state of profound transformation, characterised by the shift from traditional “frozen conflicts” to a high-stakes competition over transcontinental trade corridors.

The August 2025 Washington Peace Summit, facilitated by US President Donald Trump, yielded an initial agreement on a historic roadmap for Armenia and Azerbaijan. However, the enactment of the “Trump Route” (TRIPP) through southern Armenia continues to be a precarious point of contention.

While regional influence is pivoting from Moscow toward Washington and Ankara, the internal stability of Georgia and the impending 2026 Armenian parliamentary elections present significant risks of domestic upheaval and external hybrid interference.

## Main Findings

1. **Corridor Competition and the TRIPP.** The establishment of the Trump Route for International Peace and Prosperity (TRIPP) through Armenia’s Syunik Province has effectively marginalised Russia and has elicited outrage from Iran. The 99-year US development rights for this corridor represent a strategic Western “enclave” that secures East-West transit but risks direct military posturing from Iran and hybrid sabotage from Russian-backed actors.
2. **Armenian Domestic Volatility.** The June 2026 elections will represent a critical test for Prime Minister Nikol Pashinyan, whose “Fourth Republic” ideology and constitutional compromises with Azerbaijan have triggered a wide-ranging opposition, including the Armenian Church and nationalist factions. Any perceived electoral irregularities or failure to secure a constitutional referendum could lead to a collapse of the peace process and a return to border skirmishes.
3. **Georgia’s Authoritarian Trajectory.** Georgia has descended into a sustained political crisis following the 2024 elections and the subsequent postponement of

EU accession until 2028. The government’s shift toward “authoritarian modernisation”—financed progressively by Chinese capital to circumvent Western sanctions—has engendered a profound societal schism, with “Maidan-style” demonstrations in Tbilisi constituting an enduring peril to governmental stability.

4. **North Caucasus Succession Risks.** The alleged deteriorating health of Chechen leader Ramzan Kadyrov in early 2026 presents the most significant security threat to the Russian Federation’s southern flank. A power vacuum in Grozny, coupled with ongoing Ukrainian intelligence operations and Jihadist propaganda, threatens to destabilise the entire North Caucasus socio-economic development strategy.

## Geopolitical Context

The geopolitical landscape of the Caucasus in 2026 is defined by the sunset of the Russian-led security architecture. Following the official termination of the **OSCE Minsk Group** in 2025 and Armenia’s frozen membership from the **Collective Security Treaty Organization (CSTO)**, a security void has emerged, which the United States has promptly sought to address. The White House solidified this shift in August 2025, when Washington formalised the “Armed Peace” between Baku and Yerevan, effectively ending decades of Russian mediation.<sup>1</sup>

However, this Western surge faces a “3+3” regionalist pushback from Iran and Turkey, who, despite their rivalries, remain wary of permanent US military or commercial boots on the ground. Iran perceives the 43-kilometre TRIPP corridor as geopolitical “scissors” designed to sever its northern trade routes to Europe and Russia. The current domestic

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<sup>1</sup> ‘OSCE Completes Closure of Minsk Process and Related Structures’, Organization for Security and Co-operation in Europe, 1 December 2025, <https://www.osce.org/secretariat/660952>; Silvia Boltuc, ‘Armenia in the Collective Security Treaty Organisation (CSTO): A Strategic Look’, SpecialEurasia, 10 March 2025, <https://www.specialeurasia.com/2025/03/10/armenia-csto-analysis/>; SpecialEurasia OSINT, ‘US-Brokered Armenia–Azerbaijan Peace Agreement’, SpecialEurasia, 9 August 2025, <https://www.specialeurasia.com/2025/08/09/us-armenia-azerbaijan-peace-deal/>.

instability in Tehran,<sup>2</sup> aggravated by its 2025 conflict with Israel,<sup>3</sup> has rendered its foreign policy more volatile, with a propensity for “grey zone” escalations in the South Caucasus. The “Middle Corridor” (the Trans-Caspian International Transport Route) has become the primary theatre of competition. Georgia’s internal problems imperil the reliability of the Black Sea segment, despite the efforts of Azerbaijan and Turkey to secure this route in order to bypass both Russia and Iran. Consequently, 2026 is the year when the physical infrastructure of peace—railways, pipelines, and fibre-optic cables—will either bind the region together or serve as the new frontline for Great Power friction.

### **Political Risk**

The primary political risk in 2026 centres on the Armenian parliamentary elections in June.<sup>4</sup> Prime Minister Pashinyan’s campaign for a “Real Armenia” involves a radical departure from traditional nationalist dogmas, including the potential removal of constitutional references to Nagorno-Karabakh. The opposition, led by former presidents and bolstered by the influential Armenian Apostolic Church, has framed these concessions as a betrayal of national identity. If domestic or external forces contest the election results, civil unrest or a “soft coup” might pose a high risk, immediately jeopardising the TRIPP implementation.

In Georgia, the “Georgian Dream” party has consolidated power through increasingly restrictive laws, leading to a breakdown in relations with Brussels.<sup>5</sup> By January 2026, the United States and the United Kingdom have sanctioned over 200 Georgian officials. The risk of state capture is extreme; as the government leans into its “authoritarian

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<sup>2</sup> SpecialEurasia OSINT, ‘Iran: Protests and Economic Problems Threaten the Internal Stability’, SpecialEurasia, 30 December 2025, <https://www.specialeurasia.com/2025/12/30/iran-protests-december-2025/>.

<sup>3</sup> Silvia Boltuc, ‘Israel-Iran Escalation Risk: Military, Political, and Information Warfare Dimensions’, SpecialEurasia, 2 October 2025, <https://www.specialeurasia.com/2025/10/02/israel-iran-escalation-risk/>.

<sup>4</sup> ‘Next Parliamentary Elections Will Be Held on June 7, 2026: Alen Simonyan’, First Channel News, 7 June 2025, <https://www.1lurer.am/en/2025/06/07/Next-Parliamentary-elections-will-be-held-on-June-7-2026-Alen-Simonyan/1326754>.

<sup>5</sup> Team, ‘Risk Assessment Report: Georgia – Political Unrest and EU Integration Impasse’, SpecialEurasia, 1 December 2024, <https://www.specialeurasia.com/2024/12/01/georgia-protests-risk-assessment/>.

modernisation” model, it is becoming more reliant on non-Western financial flows, particularly from China, to sustain the economy. This departure from the European trajectory has established a “frozen state of protest” in Tbilisi, potentially escalating into violent clashes.

Azerbaijan’s political risk depends on how it manages its post-victory status. President Ilham Aliyev must balance his strategic partnership with Washington against the need to manage a disgruntled Moscow. The 2024 downing of an Azerbaijani aircraft by Russian-linked systems continues to be a source of tension.<sup>6</sup> Although Aliyev’s domestic position is secure, Armenia’s failure to ratify the peace treaty might compel Baku to start a “limit-testing” military manoeuvre to secure its territorial interests by force.

In the North Caucasus, the potential exit of Ramzan Kadyrov from the political scene because of alleged reported pancreatic necrosis creates a succession crisis with no clear “heir apparent.”<sup>7</sup> The Kremlin’s ability to manage a transition in Chechnya without triggering a third conflict is unproven. Instability in Chechnya would probably lead to a resurgence of internal clan conflicts and a weakening of the stringent measures that have suppressed regional separatism for two decades.

Abkhazia and South Ossetia remain anomalous but critical. The establishment of an FSB monitoring base on the Abkhazian coast in 2025 has increased Russia’s Black Sea naval footprint.<sup>8</sup> While Abkhazia deals with internal political tensions concerning energy resources and Russian land ownership laws,<sup>9</sup> its function as a strategic Russian outpost continues to present a significant obstacle to Georgian sovereignty and Western Black Sea strategy.

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<sup>6</sup> Stephen Quillen, ‘Putin Admits Russian Role in 2024 Azerbaijani Jet Crash, Offers Redress’, Al Jazeera, 9 October 2025, <https://www.aljazeera.com/news/2025/10/9/putin-admits-russian-role-in-2024-azerbaijani-jet-crash-offers-redress>.

<sup>7</sup> Elizaveta Chukharova, ‘Kadyrov Publishes Video of Meeting after Reports of Kidney Failure’, OC Media, 13 January 2026, <https://oc-media.org/kadyrov-publishes-video-of-meeting-after-reports-of-kidney-failure/>.

<sup>8</sup> Logan Williams, ‘Construction Accelerates at Planned Russian Navy Base in Disputed Abkhazia’, *Bellingcat*, 30 July 2024, <https://www.bellingcat.com/news/2024/07/30/construction-accelerates-at-planned-russian-navy-base-in-disputed-abkhazia/>.

<sup>9</sup> OSINT SpecialEurasia OSINT, ‘Abkhazia Presidential Elections: Interview with Kan Taniya’, SpecialEurasia, 29 January 2025, <https://www.specialeurasia.com/2025/01/29/abkhazia-elections-kan-taniya/>.

The broader regional risk is the collapse of democratic safeguards. Across the South Caucasus, a pattern of “electoral autocracy” or “populist pressure” is marginalising civil society. This lack of institutional resilience makes the region susceptible to sudden shifts in foreign policy based on the whims of individual leaders rather than stable national interests.

## **Economic Risk**

Regional growth is projected to moderate to 3.3% in 2026, down from the post-war surges of previous years. Armenia and Georgia might outperform Azerbaijan in GDP growth, largely driven by their roles as transit hubs and service economies.<sup>10</sup> However, this growth is highly contingent on the stability of the TRIPP and Middle Corridor projects. Acts of sabotage against the Syunik railway or the pipelines through Georgia would immediately trigger fiscal shocks for Yerevan and Tbilisi.

Azerbaijan faces a structural economic risk as its hydrocarbon output declines. Oil production fell by approximately 5% in 2025, and the IMF projects a further narrowing of the current account surplus in 2026.<sup>11</sup> As a compensatory measure, Baku is aggressively pursuing alliances for “green energy” and transit charges related to Central Asian mineral exports. A lack of rapid diversification may provoke domestic social unrest as the economic advantages gained from the Karabakh war diminish.

In Georgia, the economy is currently surviving a “sanctions paradox.” Despite the cessation of Western aid and grants, international financial institutions and Chinese companies continue to finance major infrastructure projects. The risk here is one of “debt-trap diplomacy” and a loss of economic sovereignty to Beijing. Should domestic protests

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<sup>10</sup> Gaetano Perone and Manuel A. Zambrano-Monserrate, ‘Forecasting of GDP Growth in the South Caucasian Countries Using Hybrid Ensemble Models’, *Econometrics* 13, no. 3 (2025): 35, <https://doi.org/10.3390/econometrics13030035>.

<sup>11</sup> News Department, ‘S&P Expects Decline in Oil Production in Azerbaijan in 2026’, Report.Az, 6 December 2025, <https://report.az/en/energy/s-p-expects-decline-in-oil-production-in-azerbaijan-in-2026>.

escalate into a general strike or widespread civil disobedience, the tourism sector, which is essential to the Georgian economy, may be at risk of collapsing.

Russia's economic leverage remains a potent hybrid threat. Despite Armenia's Western pivot, it remains deeply dependent on Russian energy and the Upper Lars trade route. Moscow has shown its willingness to employ technical border closures and energy price increases as instruments of political influence. Russia might use these tools in 2026 to sway the Armenian electorate or to penalise the Aliyev government for its growing cooperation with Washington.

The Caucasus Investment Forum, scheduled for May 2026,<sup>12</sup> aims to showcase the region as a tourism and logistics hub. However, terrorism and political instability cause a high "risk premium," which stifles the North Caucasus' economic potential. Any significant security event or violent attack in Grozny or Makhachkala before the forum would thwart Moscow's expectations for private-sector-driven economic expansion in its southern regions.

Finally, currency volatility remains a risk. With Armenia and Georgia's reduced reliance on the Russian rouble and increased integration into Western and Middle Eastern capital markets, they are vulnerable to global interest rate fluctuations and potential capital flight in the event of heightened regional tensions. Azerbaijan's fixed exchange rate also faces pressure as oil revenues dwindle, raising the spectre of a future devaluation.

### **Security Risk**

The South Caucasus exists in a state of "Armed Peace." While the 2025 Washington deal significantly reduced the probability of large-scale interstate war, the risk of "border correction" skirmishes remain. Azerbaijan persists in its demand for the deletion of "revanchist" clauses from the Armenian constitution. If Yerevan does not hold a

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<sup>12</sup> *Kavkazskij investicionnyj forum 2026* (KIF 2026) – [www.forumkavkaz.org](http://www.forumkavkaz.org)

successful referendum in 2026, Baku could instigate local military operations within the Syunik or Gegharkunik provinces to create “security buffers.”

Iran’s military posturing along the Aras River is a critical security concern. The Islamic Republic has conducted large-scale exercises on the Armenian border throughout 2025 and 2026, explicitly aimed at deterring the “Turkic axis” (Turkey and Azerbaijan). Should Washington start deployment of security contractors or “operational personnel” to oversee the TRIPP corridor, Tehran may perceive this as a direct threat to its national security, potentially provoking hybrid attacks or the utilisation of proxy groups to impede construction.

The North Caucasus succession vacuum is the primary internal security threat to Russia. If Kadyrov becomes incapacitated, his “Kadyrovtsy” units, which have been heavily involved in the Ukraine conflict, may fracture into competing factions.<sup>13</sup> This could provide an opportunity for jihadist elements, affiliated with the so-called *Islamic State Wilayat al-Qawqaz*, or Ukrainian-supported sabotage groups to conduct operations designed to divert Russian forces from the Eastern European frontline.

In Abkhazia, the expanded presence of the Russian navy and the integration of local defence systems with the Russian FSB result in a continuous state of heightened readiness. Although a Georgian military effort to regain these areas in 2026 is highly improbable, the country might become a target of Ukrainian intelligence operations or drone attacks.

Terrorism and radicalisation remain “low probability, high impact” risks. Although the incidence of attacks has decreased in the past ten years, the return of combatants from the Ukraine conflict coupled with the continuous dissemination of extremist propaganda in the North Caucasus and Georgia’s Pankisi Gorge, poses an underlying risk. According to

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<sup>13</sup> Giuliano Bifulchi, ‘Conflict in Ukraine, Russian Language Jihadist Propaganda, Chechen Battalions and the Link with the Russian North Caucasus’, *Politika Nacionalne Bezbednosti* 2 (2022): 33–45.

Russian intelligence reports, foreign agencies, particularly those from Ukraine, are purportedly targeting the Caucasus to start a “second front” against Russia.<sup>14</sup>

Finally, the security of energy infrastructure is a regional priority. The Baku-Tbilisi-Ceyhan (BTC) pipeline and the South Caucasus Pipeline (SCP) are vulnerable to both state-sponsored sabotage and asymmetric attacks. In a climate of high geopolitical tension, these “energy arteries” are attractive targets for any actor seeking to project power or exert economic pressure on Europe and Turkey.

### **Assessment**

The Caucasus in 2026 is at a historical crossroads. The “Washington Consensus” has provided a fragile framework for peace, but the region is far from integrated. The Trump Route (TRIPP) is the linchpin of this new order; if it succeeds, it will cement Western influence and transform Armenia into a regional transit hub. If Iran, Russia, or Armenian domestic unrest sabotages it, the entire peace architecture will collapse, leading to a new cycle of militarised confrontation.

The most immediate “triggers” to watch are the June 2026 Armenian elections and the health of Ramzan Kadyrov. A change in leadership in either Yerevan or Grozny would necessitate a complete reassessment of regional security dynamics. For Armenia, the election constitutes a referendum on its fundamental identity, while in the North Caucasus, Kadyrov’s health represents a referendum on the Kremlin’s dominance over its southern border.

In conclusion, the primary risk for 2026 is not necessarily a return to a “frozen conflict” status, but the destabilisation of the states themselves. Georgia is flirting with state failure because of internal polarisation, and Armenia is undergoing a high-risk transition that its institutions may not be strong enough to withstand.

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<sup>14</sup> Giuliano Bifulchi, ‘Russian Counterterrorism Assessment 2025: Trends, Risks, and Strategic Implications’, SpecialEurasia, 15 December 2025, <https://www.specialeurasia.com/2025/12/15/russia-counterterrorism-2025/>.

Investors and regional actors should brace for a year of tactical advancement in infrastructure projects, coupled with significant strategic uncertainty and the potential for swift, volatile modifications in political alliances.

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