

RUSSIA-UKRAINE WAR: IMPACT ON REGIONAL TRADE PATTERNS AMONGST POST-SOVIET STATES



BY

MAHEER IMRAN

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By

Maheer Imran

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THESIS/DISSERTATION AND DEFENSE APPROVAL FORM

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Submitted by: Maheer Imran

Registration no: 42 MPhil/IRS23

Master of Philosophy

In International Relations

International Relations

Discipline

Dr. Sarwat Rauf

Name of research supervisor

Signature of Research Supervisor

Dr. Sarwat Rauf

HOD (IR)

Signature of HOD (IR)

Dr. Muhammad Riaz Shad

Name of Dean (FSS)

Signature of Dean (FSS)

CANDIDATE DECLARATION FORM

I, Maheer Imran d/o Muhammad Imran Khalid

Registration: 42 MPhil/IRS23

Discipline: International Relations

Candidate of **MPhil International Relations** at the National University of Modern Languages do hereby declare that the thesis **Russia-Ukraine War: Impact on Regional Trade Patterns amongst Post-Soviet States** Submitted by me in partial fulfilment of MPhil degree, is my original work, and has not been submitted or published earlier. I also solemnly declare that it shall not, in future be submit by me for obtaining any other degree from this or any other university or institution. I also understand that if evidence of plagiarism is found in my thesis/dissertation at any stage, even after the award of a degree, the work may be cancelled, and the degree revoked.

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List of Abbreviations

EU:	European Union
BRI:	Belt and Road Initiative
TAP:	Trans Adriatic Pipeline
FTA:	Free Trade Agreement
GAAP:	Generally Accepted Accounting Principles
EAEU:	Eurasian Economic Union
CIS:	Commonwealth of Independent States
KRG:	Kurdistan Regional Government
FTA:	Free Trade Agreement
R&D:	Research and Development
NAFTA:	North American Free Trade Agreement
NAO:	National Audit Office
GCC:	Gulf Cooperation Council
OPEC:	Organization of the Petroleum Exporting Countries
OGP:	Oil and Gas Production
PPP:	Public-Private Partnership
CIS:	Commonwealth of Independent States
EAEU:	Eurasian Economic Union
TITR:	Trans-Caspian International Transport Route
DCFTA:	Deep and Comprehensive Free Trade Area
CEPA:	Comprehensive and Enhanced Partnership Agreement
FTA:	Free Trade Agreement

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ABSTRACT

The Russia-Ukraine war has significantly changed trade relationships among post-Soviet countries. It has affected economic partnerships, trade routes, and market dependencies. This thesis explores how the war has impacted five major post-Soviet economies. These include Armenia, Azerbaijan, Georgia from South Caucasus Region, Belarus and Moldova from Eastern Europe, and Kazakhstan from Central Asia. The study looks at changes in trade patterns, energy exports, reliance on infrastructure, and new trade alliances. It also examines how these countries are working to diversify their trade networks. Many of them are reducing their dependence on Russia and building stronger economic ties with new partners such as the European Union, China, and Turkey. This research analyzes trade data, government policies, and geopolitical developments to highlight major challenges. These challenges include disruptions in supply chains, market instability, and the effects of sanctions placed on Russia. The study also looks at how these countries are responding to economic risks. Some key strategies include investing in better infrastructure, signing new trade agreements, and increasing regional cooperation.

The findings show that the war has pushed many post-Soviet countries to find new ways to strengthen their economies. However, they still face challenges such as long-term instability, political uncertainty, and limitations in infrastructure. This thesis provides recommendations to help these countries become more economically stable. It suggests ways to improve regional cooperation and create more reliable trade networks in the future. The research contributes to a deeper understanding of economic changes in post-Soviet states. It also offers useful insights for policymakers, economists, and trade experts who are working to navigate these new economic realities.

INTRODUCTION

The Russia-Ukraine war has significantly changed trade relationships among post-Soviet countries. It has affected economic partnerships, trade routes, and market dependencies. This thesis explores how the war has impacted five major post-Soviet economies. These include Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan. This study aims to find out the impact of Russia Ukraine war on the trade patterns of post-Soviet states. This study examines the changes in trade volume, direction and policies amongst the post-Soviet states. The war between Russia and Ukraine stands as one of the most significant geopolitical challenges of the 21st century, reverberating across the global stage. Rooted in centuries of shared history, cultural ties, and territorial disputes, the conflict erupted into full scale war in the wake of Ukraine's 2014 Euromaidan revolution and Russia's annexation of Crimea. What began as a domestic political crisis quickly escalated into an international crisis, drawing in regional powers, igniting separatist movements, and testing the boundaries of international law.

To understand the trade implications, it is essential to first explore the historical and political background of the conflict. The background of the war between Russia and Ukraine is complex and multifaceted, with historical, cultural, political, and economic factors contributing to its origins. Here's a detailed exploration of the background leading up to the war. The roots of the war can be traced back to the dissolution of the Soviet Union in 1991. Ukraine gained independence, but its relationship with Russia remained complicated due to historical ties, economic interdependence, and competing geopolitical interests. Tensions escalated in 2014 when Ukraine's pro Russian president, Viktor Yanukovich, was ousted following mass protests against his government's decision to abandon an association agreement with the European Union in favor of closer ties with Russia. This sparked unrest in predominantly Russian speaking regions of eastern Ukraine, where separatist movements emerged with the support of Moscow. One of the pivotal moments in the war was Russia's annexation of Crimea in March 2014. Following Yanukovich's ousting, Russian forces occupied key strategic locations in Crimea, eventually leading to a controversial referendum in which most Crimean voters chose to join Russia. The annexation was widely condemned by the international community, with Western countries imposing sanctions on Russia in response. However, Moscow justified its actions as protecting the rights of ethnic Russians and ensuring its national security interests. Simultaneously with the events in Crimea,

pro Russian separatist movements emerged in eastern Ukrainian regions such as Donetsk and Luhansk. These separatists, backed by Russia, declared independence from Ukraine and established self proclaimed “people’s republics.” The conflict escalated into a full scale war between Ukrainian government forces and separatist militias, resulting in thousands of casualties and widespread destruction. Both sides have been accused of human rights abuses, including indiscriminate shelling of civilian areas and the use of banned weapons.

The war has drawn significant international attention and involvement. Western countries, including the United States and European Union, have condemned Russia’s actions and provided support to the Ukrainian government through economic aid and military assistance. NATO has also bolstered its presence in Eastern Europe in response to perceived Russian aggression. Meanwhile, Russia has accused the West of meddling in Ukrainian affairs and has sought to portray its involvement in the war as a defense of Russian speaking minorities and its national interests. Despite numerous attempts to negotiate a peaceful resolution to the war, progress has been slow and sporadic. Various ceasefire agreements have been brokered, most notably the Minsk agreements in 2014 and 2015, aimed at achieving a lasting ceasefire and political settlement. However, these agreements have been repeatedly violated, and the war continues to simmer, with occasional flare ups of violence. The war has had devastating humanitarian consequences, with millions of people displaced from their homes and infrastructure severely damaged. Civilians caught in the crossfire have endured untold suffering, facing shortages of food, water, and medical supplies. The war has also exacerbated existing social and economic challenges in both Ukraine and Russia, further straining relations between the two countries. Overall, The war remains an ongoing and deeply entrenched war with no easy solutions. Its resolution will require sustained diplomatic efforts, compromise, and goodwill from all parties involved. In the meantime, the human cost continues to mount, underscoring the urgent need for a peaceful resolution to one of Europe’s most significant crises in recent history.

With this background in mind, the research shifts focus toward how these geopolitical developments have affected regional trade dynamics. This research dig into the war’s impact on post-Soviet states’ relations, focusing on economic sanctions and trade diversification efforts. It aims to analyze sanctions affecting regional stability and cooperation while examining challenges faced by neighboring countries. Overall, it seeks to deepen understanding of economic

interdependence in the post-Soviet space. The rationale for choosing this topic lies in its significance within the field of international relations, particularly in understanding the intricate dynamics and consequences of the war. By focusing on the impact of economic sanctions on Russia's trade relationships with post-Soviet states, the aim is to shed light on the broader implications of such measures on regional stability and cooperation. Additionally, examining Ukraine's efforts to diversify its trade patterns away from Russia provides valuable insights into the economic strategies adopted by war affected countries to mitigate risks and promote resilience. Furthermore, assessing the immediate and long term effects of the war on transportation infrastructure and trade flows in the region is crucial for understanding the practical challenges and obstacles faced by neighboring countries during ongoing instability. Overall, this research seeks to contribute to our understanding of the multifaceted nature of interstate relations and economic interdependence in the post-Soviet space.

Therefore, this topic's scope lies in its profound relevance within international relations. As an aspiring MPhil student in this field, choosing to focus on the Russia Ukraine war offers an opportunity to delve deep into a complex geopolitical issue that has wide ranging implications. By examining the war's origins, dynamics, and consequences, I aim to contribute to our understanding of interstate relations, security studies, and regional politics. Moreover, the war's ongoing nature provides a rich ground for analysis, offering insights into diplomatic efforts, peacebuilding strategies, and the role of international organizations in war resolution. By conducting a thorough investigation into the Russia Ukraine war, I seek to generate valuable insights that can inform policy decisions and ultimately contribute to fostering peace and stability in the region and beyond.

Statement of the Problem

This study investigates how the Russia Ukraine war has reshaped regional trade patterns among post-Soviet states, examining changes in trade volumes, directions, and policies. It explores the extent of geopolitical tensions which have influenced trade strategies, economic resilience, and broader regional dynamics. It seems the complexity of war has changed the economic policies and trade directions, which is a conundrum for the researchers and practitioners. This study revolves around the question that how Russia Ukraine war has changed the pattern of trade amongst the post-Soviets states due to the certain sanctions on Russia.

Objectives

1. To assess the immediate and long term impacts of the Russia Ukraine war on the trade flows in the region.
2. To investigate the effects of economic sanctions on Russia's trade relations with post-Soviet states.
3. To analyze Ukraine's efforts to diversify its trade away from Russia during the ongoing war.

Research Questions

1. What are the immediate and long term effects of the Russia Ukraine war on the trade flows in the region?
2. How have economic sanctions imposed on Russia impacted trade relations with its neighboring countries?
3. How has Ukraine diversified its trade directions amidst the ongoing war?

Literature Review

For this study I have used a plethora of articles and journals and official documents examining the economic shifts in post-Soviet states. In the existing literature, there are different nuances and diverse kind of opinions on economic aspects of Russia Ukraine war. The authors have given little attention to the economic aspects of the war. Some of the articles are focused on Eastern Europe, Central Asia, and the Caucasus region of post-Soviet states. Some of the articles and journals I examined during my research are given below. The themes of these articles are trade route reevaluation and supply chain disruptions. These articles highlight complex geopolitics economics interplay in the region.

The article "The War in Ukraine: Risks and Opportunities For the 'Post-Soviet South'" authored by Emil A. Souleimanov and Yury Fedorov offers a comprehensive examination of the ramifications of the Russia Ukraine war on trade patterns within the post-Soviet region. By delving into the intricate interplay between economic, political, and social dynamics, the authors provide valuable insights into how the war reshapes the geopolitical landscape of the South Caucasus and

Central Asia. They highlight the dual nature of the impact, elucidating both risks and opportunities presented to the eight nations in the region.

Through empirical evidence and nuanced analysis, the article underscores the significant changes in trade dynamics precipitated by the war. With Russia's attention diverted to the war, its capacity to engage economically with neighboring states diminishes. However, paradoxically, Moscow intensifies efforts to maintain influence over these countries, resulting in heightened trade activities between Russia and the South Caucasus, as well as Central Asian nations. This increased trade, while fostering economic growth in countries like Armenia and Georgia, also exposes them to vulnerabilities, such as political dependence on Moscow and the risk of facing sanctions from other countries. Moreover, the authors shed light on how war alters migration patterns, as individuals reassess their prospects in the wake of geopolitical uncertainties. This movement of people, coupled with shifting geopolitical dynamics, has profound implications for regional stability and relations among neighboring states. In essence, the article provides a nuanced understanding of the multifaceted impact of the war on trade patterns and migration in the post-Soviet region, highlighting the complexities and challenges faced by these countries in navigating a rapidly changing geopolitical landscape.¹

The article "Russia's War in Ukraine and Its Impact on Central Asia" authored by Yunis Sharifli, Chia Lin Kao, and Bernmet Derbishova offers valuable insights into the profound repercussions of the Russia Ukraine war on regional trade patterns, particularly within the post-Soviet states. Drawing upon empirical data from the Central Asian Barometer (CAB) Survey Wave 11, the authors vividly depict the widespread negative sentiments among Central Asian populations regarding the war's impact on their countries. This comprehensive analysis unveils the concerns expressed by respondents in Kyrgyzstan and Kazakhstan, highlighting the detrimental effects of the war, especially in terms of economic repercussions. The surge in prices of essential goods and services, as evidenced by the CAB Survey Wave 11 findings, has significantly exacerbated financial strain on households, impacting their purchasing power and overall well being. Furthermore, the article meticulously examines the intricate interplay between the war and regional

¹ A. Souleimanov, Yury Fedorov, "The War in Ukraine: Risks and Opportunities For the 'Post-Soviet South', " *Middle East Policy* 30, no. 3 (2023): 95 106, <https://doi.org/10.1111/mepo.12709>

economic dynamics, particularly in energy and food markets. The imposition of grain export bans by Russia, coupled with a subsequent rise in food prices, has emerged as a pressing concern for Central Asian nations reliant on agricultural imports. Additionally, the surge in gas prices poses formidable challenges for countries like Uzbekistan and Turkmenistan, where gas plays a pivotal role in the energy mix. The influx of Russian nationals into countries such as Kazakhstan and Tajikistan present a complex scenario, juxtaposing potential economic contributions with inflationary pressures. While the higher incomes of Russian migrants hold promise for economic growth, their presence strains local resources and drives up prices of goods and real estate, compounding the economic woes faced by indigenous populations. Moreover, the article explores the broader ramifications of the war on regional businesses and employment, emphasizing the threats posed by the suspension or cancellation of Russian projects, rising production costs, and import disruptions to the competitiveness of local industries in countries like Uzbekistan, Tajikistan, and Kyrgyzstan. The intricate interplay between geopolitical events and economic realities, as portrayed in the article, underscores the pressing need for concerted efforts to mitigate the adverse effects of the war on regional economies, emphasizing the necessity for comprehensive strategies aimed at addressing the multifaceted challenges posed by the war on the post-Soviet states of Central Asia.²

“The Impact of Russian Ukraine War on Central Asian Economy” by Atefa Bahr offers a comprehensive analysis of the repercussions of the war between Russia and Ukraine on the economies of Central Asian countries, particularly focusing on trade patterns. The article highlights the significant economic stability of the region, heavily reliant on Russia both politically and economically. Key points emphasized include the reliance of Central Asian nations on remittances from citizens working in Russia, which have dwindled due to the war and subsequent economic sanctions. This decline in remittances, exacerbated by the rapid depreciation of the Russian ruble against the US dollar, has led to soaring prices within the region, affecting the purchasing power of local populations. Additionally, the economic isolation of Russia has resulted in the suspension of Russian funded projects in Central Asia, prompting other nations such as China, Turkey, and NATO to establish strategic economic ties in the region. China, in particular,

² Yunis Sharifli, Chia Lin Kao and Bermet Derbishova, “Russia’s War in Ukraine and Its Impact on Central Asia,” *The Diplomat*, October 24, 2022, <https://thediplomat.com/2022/10/russias-war-in-ukraine-and-its-impact-on-central-asia/>

has emerged as a major player, significantly influencing trade dynamics in Central Asia. The long term implications of the war on trade relations between Central Asian countries and Russia are also discussed, with anticipated disruptions in trade activities and severe impacts on countries heavily reliant on exports through Russia, such as Kazakhstan. Moreover, the article highlights the vulnerability of Central Asian economies to external economic shocks, underscoring the challenges faced in the aftermath of the war. The suspension of Russian funded projects and the emergence of new economic players in the region further compound these challenges, necessitating a reassessment of trade strategies and economic dependencies. The data presented in the article illustrate the anticipated decline in remittances across countries like Kyrgyzstan, Tajikistan, and Uzbekistan, signaling the fragile economic landscape of the region. As Central Asian nations navigate the aftermath of the Russian Ukraine war, the article emphasizes the need for concerted efforts to mitigate the adverse effects on trade patterns and economic stability. By shedding light on the complex interplay between geopolitical events and regional economies, the article provides valuable insights into the challenges and opportunities facing Central Asian countries in the wake of the war, urging policymakers to devise resilient strategies to safeguard against future disruptions.³

The article titled “Economic Implications of the Russia Ukraine War on Regional Trade Patterns in Post-Soviet States” provides an insightful analysis of how the war between Russia and Ukraine has reshaped regional trade dynamics, particularly within post-Soviet states. It emphasizes the significant rerouting of trade away from Russia and Belarus towards other economies in Eastern Europe and Central Asia, propelled by trade sanctions imposed on Russia and Belarus by the European Union (EU). This redirection of trade flows has not only revitalized trade and transport services in the region but has also sparked renewed investment in infrastructure and production, offering prospects for economic rejuvenation in affected countries. For instance, countries like Kyrgyzstan, Armenia, Kazakhstan, and Georgia have witnessed notable increases in trade activity, contributing positively to their respective economies. Moreover, the article explores the specific case studies to illustrate the impact of the trade rerouting on individual countries. For example, it highlights how Kyrgyzstan has experienced significant economic gains, with imports from Europe

³ Atefa Bahr, “The impact of Russian Ukraine war on Central Asian economy,” Geopolitica.info, April 10, 2022, <https://www.geopolitica.info/impact-russian-ukraine-war-on-central-asian-economy/>

surging and exports to Russia increasing, leading to a 4% net positive boost to the country's overall nominal GDP in 2022. Similarly, Armenia has seen a decoupling of its economic growth from Russia, with a real GDP growth rate peaking at 12.1% in 2022, fueled by increased exports and a surge in the IT sector. However, diplomatic tensions between Armenia and Russia pose potential risks to sustained growth. Despite some limitations, such as in Kazakhstan, where the impact has been relatively subdued due to its large energy economy, the overall narrative underscores the complex interplay between geopolitics and economics in shaping regional trade patterns amidst the war. This article provides valuable insights into the multifaceted economic implications of the war, emphasizing the need for careful navigation by policymakers to capitalize on emerging opportunities while mitigating risks.⁴

The article "Impacts of Russia's War of Aggression against Ukraine on the Shipping and Shipbuilding Markets" explores the profound repercussions of Russia's aggression against Ukraine, particularly within the realm of regional trade patterns. Through a meticulous analysis of the evolving landscape, the authors meticulously dissect how the chaos of war has disrupted trade routes and markets, creating a ripple effect across various sectors and nations, notably within the post-Soviet space. The war has ushered in an era of uncertainty, notably evident in the disruption of maritime transportation routes, with Ukrainian ports in the Black and Azov Seas bearing the brunt of the assault. This blockade has not only severed vital trade arteries but also triggered a domino effect, prompting neighboring countries like Romania, Moldova, and Georgia to witness a surge in seaborne activities. The port of Constanta in Romania, for instance, experienced a substantial increase in port calls, reaching 98% capacity in March 2022, as trade rerouted away from the embattled Ukrainian ports.

Furthermore, the authors highlight how war induced sanctions imposed on Russia have exacerbated the trade landscape, with international sanctions targeting Russian vessels and shipbuilders. These sanctions have stymied the operations of Russian ships and reverberated across OECD countries, leading to a reduction in new orders and completions at Russian shipyards. This structural shift in maritime transportation routes and markets has forced Russia to seek alternative

⁴ Andrew Birch, Lilit Gevorgyan, and Shuchita Shukla, "Economic implications of trade rerouting since Russia-Ukraine war," S&P Global, Feb 20, 2024, https://www.spglobal.com/market_intelligence/en/news_insights/research/economic_implications_of_trade_rerouting_since_ukraine_war

trading partners, exemplified by the emergence of new seaborne trading routes like the middle corridor route facilitated by A.P. Møller Mærsk, traversing the Caspian Sea and the Black Sea. However, as policy makers navigate these turbulent waters, it becomes imperative to prioritize resilience, sustainability, and compliance to ensure the long term viability of regional trade networks in the face of geopolitical uncertainty.⁵

The article “Exposure to trade disruptions in case of the Russia Ukraine war: A product network approach” by Erik Braun, Emese Braun, András Gyimesi, Zita Iloskics, and Tamás Sebestyén offers a comprehensive exploration of how the Russia Ukraine war has impacted regional trade patterns, with a particular focus on post-Soviet states. Through a detailed analysis of trade data and network structures, the study unveils the intricate dynamics of trade relations, highlighting the vulnerabilities and resilience of countries in the post-Soviet region. At the outset, the authors underscore the significance of global trade networks in shaping regional economies, emphasizing the interconnectedness of countries and the systemic risks associated with disruptions. They cite examples such as the COVID 19 pandemic and the Suez Canal blockage to illustrate how localized events can have far reaching economic consequences, setting the stage for understanding the implications of the Russia Ukraine war.

The research dig deep into the export structures of Ukraine and Russia, identifying “key products crucial to their economies. Ukraine emerges as a major exporter of iron, steel products, and grains, while Russia dominates in energy sources, steel, iron products, and cereals. This delineation lays the groundwork for understanding the dependencies of post-Soviet states on these exports, which form the backbone of regional trade patterns. Through exposure indicators and network analysis, the study reveals the heterogeneous nature of countries’ dependencies on Russian and Ukrainian exports. Post-Soviet countries like Armenia, Belarus, and Mongolia are shown to be highly exposed to Russian trade, particularly in energy sources and iron materials. Conversely, their exposure to Ukrainian exports varies, with some countries heavily reliant on Ukrainian cereals and iron products.

⁵ “Impacts of Russia’s war of aggression against Ukraine on the shipping and shipbuilding markets,” , *OECD*, Access January 28, 2025, https://doi.org/10.1787/4f925e43_en

The analysis further explores how the outbreak of the war has reshaped trade patterns within the European Union, highlighting shifts in import portfolios as countries adapt to mitigate risks. For instance, the cessation of coal briquette imports from Russia prompted increased imports from alternative sources like South Africa and Colombia. Similarly, some EU countries decreased their reliance on Russian crude petroleum, while others maintained high energy dependence despite geopolitical tensions. Moreover, the study elucidates the role of indirect exposure and re exports in influencing countries' total exposures. Countries like the Netherlands and Malaysia emerge as crucial intermediary actors, facilitating trade flows between Russia, Ukraine, and various target countries. This underscores the interconnectedness of global trade networks and the potential ripple effects of disruptions in specific regions. The authors also discuss the implications of the war on food security, particularly in countries heavily reliant on Ukrainian and Russian grain exports. They highlight the risk of price volatility and supply disruptions, which could exacerbate existing challenges, especially in developing economies. Additionally, the study underscores the importance of considering indirect links in shock propagation processes, emphasizing the need for a nuanced understanding of trade dynamics.

In the article “War and International Trade: Impact of Trade Disruption on International Trade Patterns and Economic Development”, Vlandan Hodulak and Oldrich Krpec (2023) explore the profound and lasting impacts of major military conflicts on international trade patterns and economic development. This article approaches the topic of how wars affect international trade and economic growth by using ideas from Historical-Institutionalism and Economic Structuralism. It explains that wars don't just cause short-term problems like broken trade routes or lost goods but lead to deeper, long-lasting changes in how countries organize their trade and economies. From the Historical-Institutionalism side, the focus is on how conflicts bring about shifts in rules, policies, and institutions that control trade between countries. These shifts can change the way countries interact economically for many years after the war ends. On the other hand, Economic Structuralism looks at how wars change the bigger economic picture, including who holds economic power globally and how industries and production networks are rearranged. The article stresses that trade disruptions caused by war often result in new economic structures where some countries gain power while others lose it, altering development paths in significant ways. Instead of just seeing war as a temporary interruption, this study highlights how the aftereffects can reshape

global trade patterns and economic relationships in the long run. By combining these two ways of thinking, the article provides a clearer understanding of how wars influence not only immediate trade but also broader economic development and international power dynamics.⁶

The article titled “The Russia–Ukraine War and Global Trade Reallocations” by Sandro Steinbach published in the *Journal of International Economics* in 2023, explores how the conflict between Russia and Ukraine has reshaped global trade flows in a detailed and data-driven way. Using a product-level empirical model that examines bilateral trade relationships between countries, the study uncovers the widespread economic ripple effects caused by the invasion. The research shows that the war has forced many countries to alter their trading partners and supply chains, resulting in a reallocation of global trade networks. For example, due to sanctions on Russia and disruptions in exports like energy and grains, countries dependent on these goods have had to find alternative sources, while others have adjusted their imports and exports to adapt to new political and economic realities. The study also highlights that this shift is not just limited to direct trade with Russia and Ukraine but has broader implications for worldwide trade patterns, including increased costs, delays, and changes in the structure of global value chains. Through this lens, the article applies the school of thought rooted in international political economy (IPE), particularly focusing on how political conflicts and economic sanctions influence trade flows and economic relationships between nations. This perspective emphasizes the interplay between political decisions, such as sanctions and military actions, and economic outcomes like trade realignment, showing that trade is deeply influenced by geopolitical factors beyond mere market forces. In simple terms, the article tells us that the war isn’t just a local problem but has made countries rethink who they trade with and what they buy or sell, with politics playing a huge role in how trade patterns change worldwide. This understanding helps us see trade as something that can shift quickly when countries face conflicts, sanctions, or disruptions, which is why economists and policymakers must pay attention to both political events and economic data when studying global markets.⁷

⁶ Oldrich Krpec and Vladan Hodulák, "War and International Trade: Impact of Trade Disruption on International Trade Patterns and Economic Development," *Revista de Economia Política* 39, no. 1 (2019): 152–72, <https://doi.org/10.1590/0101-35172019-2854>.

⁷ Sandro Steinbach, "The Russia–Ukraine War and Global Trade Reallocations," *Economics Letters* 226 (2023): 111075, <https://doi.org/10.1016/j.econlet.2023.111075>

The article titled “International Trade Sanctions Imposed Due to the Russia-Ukraine Conflict” by Guohe Huang, Leian Chen, Bin Luo offers a deep dive into how different levels of trade sanctions on Russia’s energy products have affected not just Russia, but also the wider world. It explains that these sanctions don’t just cause economic losses but also lead to environmental changes and public health issues in countries far beyond the conflict zones. For example, cutting off Russian energy supplies has pushed some countries to turn to dirtier fuel alternatives, which worsens pollution and health problems. The article also discusses how these sanctions disrupt global markets, leading to price spikes and supply chain problems that ripple through many economies. A key takeaway is that when imposing sanctions, it’s really important to think about the unintended consequences on other regions, especially those that depend heavily on Russian energy. The study leans on the realist school of thought in international relations, which focuses on how countries use economic tools like sanctions to increase their power and security while managing risks in a competitive world. This perspective sees sanctions as strategic moves aimed at weakening an opponent’s capabilities, but it also recognizes that these actions come with complex side effects affecting global stability and wellbeing. Overall, the article encourages policymakers to carefully balance political goals with the broader environmental and social impacts, showing how interconnected and fragile international systems are today. ⁸

The article “The Impact of Geopolitical Conflicts on Trade, Growth, and Innovation” by Carlos Góes and Eddy Bekkers (2022) explores how ongoing and widespread geopolitical tensions can affect the global economy, especially focusing on trade, innovation, and economic growth. The authors use a complex model that looks at many industries and regions at once to simulate what might happen if the world economy starts to “decouple,” meaning countries and regions reduce their economic connections with each other because of political conflicts. Their findings suggest that such decoupling can cause significant disruptions in trade flows, leading to slower economic growth and a drop in technological innovation since countries rely less on international cooperation and exchange of ideas. The study emphasizes how deeply intertwined the global economy is, showing that when geopolitical conflicts force countries to pull apart, it can hurt everyone involved by making markets less efficient and slowing down progress. This paper fits within the broader

⁸ Guanglin Huang, Lin Chen, and Bin Luo, "International Trade Sanctions Imposed Due to the Russia-Ukraine War May Cause Unequal Distribution of Environmental and Health Impacts," *Communications Earth & Environment* 5 (2024): 569, <https://doi.org/10.1038/s43247-024-01741-9>

school of thought called the “new economic geography” and “international political economy,” which focus on how politics and economics are interconnected in shaping global trade and development. The authors’ approach combines economic modeling with political realities, highlighting that economic consequences of political conflicts are complex and far-reaching. Overall, the article helps scholars, policymakers understand that geopolitical tensions don’t just create political problems they have real and lasting impacts on how countries trade, grow, and innovate together in today’s interconnected world.⁹

The article “International Trade and Ukraine’s Pursuit of Self-Determination” by Natalia Boyko, Kjersti Nes, K. Aleks Schaefer looks at how Ukraine’s efforts to define its own identity and independence have shaped the way it approaches international trade, especially after signing the EU–Ukraine Association Agreement. The author explains that Ukraine’s trade policies are not just about economics but also about how the country sees itself and wants to be seen by others. By focusing on things like shared values, identity, and the influence of social norms, the article shows that Ukraine’s choices in trade are connected to its desire to break away from past influences and strengthen ties with Europe. This means that trade decisions are influenced by more than just money or resources, they also depend on ideas about who Ukraine is and what kind of future it wants. The article highlights how Ukraine’s trade strategy is part of a bigger process where the country is trying to build its own place in the world by aligning with partners that share its values and political goals. Overall, the article helps explain that trade policy can be shaped by cultural and political meanings, not just economic interests, showing that how a country views itself can deeply affect its decisions in the global market.¹⁰

The article titled “The Sustainability of International Trade: The Impact of Ongoing Military Conflicts, Infrastructure, Common Language, and Economic Wellbeing in Post-Soviet Region” by Innel Cablekova and colleagues takes a detailed look at what influences steady and lasting trade relationships between countries in the post-Soviet area. The authors investigate several important

⁹ Carlos Góes and Eddy Bekkers, *The Impact of Geopolitical Conflicts on Trade, Growth, and Innovation*, arXiv preprint, last revised January 30, 2023, <https://arxiv.org/abs/2203.12220>.

¹⁰ Kjersti Nes, K. Aleks Schaefer, Matthew Gammans, and Daniel Paul Scheitrum, "Extreme Weather Events, Climate Expectations, and Agricultural Export Dynamics," *American Journal of Agricultural Economics* 107, no. 3 (2025): 826–45, <https://doi.org/10.1111/ajae.12505>.

factors that either support or disrupt international trade, including ongoing military conflicts, the quality of infrastructure like roads and railways, whether countries share a common language, how close they are geographically, if they share borders, and the overall economic health of these nations. The paper explains that ongoing conflicts tend to create instability and distrust, which makes trade less reliable and harder to maintain over time. On the other hand, having good infrastructure helps goods and services move more easily, which supports stronger trade connections. Sharing a language and border also helps because it reduces communication barriers and makes cross-border cooperation simpler. Economic wellbeing matters a lot too since wealthier countries usually have more capacity to trade and invest in better infrastructure and business relationships. By looking at all these factors together, the article shows that trade sustainability in the post-Soviet region depends on a mix of political, economic, and social elements. It highlights that to improve trade in this area, addressing conflicts and investing in infrastructure and cooperation is essential. This research helps us see how complex and interconnected the factors behind international trade really are, especially in a region with a history of political tension and economic transition.¹¹

“The Effects of the Russia Ukraine War on Global Trade” by Ebru Orhan discusses the profound economic repercussions of the ongoing conflict between Russia and Ukraine, highlighting its extensive impact on global trade dynamics. The research identifies three primary channels through which the war has disrupted international commerce: financial sanctions, surging commodity prices, and significant supply chain disruptions. Drawing upon reports from reputable organizations such as the OECD, World Trade Organization, World Bank, UN, IMF, and UNCTAD, Orhan provides a comprehensive analysis of these effects. The imposition of financial sanctions has isolated Russia from many global financial systems, leading to a reorientation of trade relationships and a reevaluation of economic alliances. Simultaneously, the conflict has caused a sharp increase in commodity prices, particularly in energy and agricultural sectors, as both Russia and Ukraine are key global suppliers of essential resources. This price volatility has strained economies worldwide, exacerbating inflationary pressures and economic instability. Furthermore, the war has severely disrupted established supply chains, especially in regions

¹¹ Inna Čábelková et al., "The Sustainability of International Trade: The Impact of Ongoing Military Conflicts, Infrastructure, Common Language, and Economic Wellbeing in Post-Soviet Region," *Sustainability* 14, no. 17 (2022): 10840, <https://doi.org/10.3390/su141710840>.

heavily reliant on Ukrainian exports, such as Eastern Europe and parts of Asia. These disruptions have led to delays, shortages, and increased costs, compelling businesses to seek alternative suppliers and logistics solutions. Orhan's study underscores the interconnectedness of global economies and the far-reaching consequences of geopolitical conflicts on international trade. By examining these multifaceted impacts, the research offers valuable insights into the complexities of global economic interdependence and the challenges posed by ongoing geopolitical tensions.¹²

The book "Russia's War Against Ukraine and the West: The First Year" edited by Maria Engqvist and Emil Wannheden, offers a thorough analysis of the conflict's developments and its wide-ranging consequences during the first year of the war. The contributors, including Johan Engvall, Carl Michael Gräns, Tobias Junerfält, and others, explore different aspects of the war, from military strategies and political responses to economic impacts and shifts in international relations. One key point highlighted in the book is how the war has drastically reshaped the security landscape in Europe, with NATO increasing its presence in Eastern Europe and defense budgets rising across many Western countries by an average of 5-10% in 2023 compared to the previous year. The book also presents detailed statistics on the humanitarian crisis, noting that over 8 million people have been displaced within Ukraine and more than 7 million have sought refuge abroad by the end of the first year. Economically, the contributors show how sanctions on Russia have led to a 30% drop in Russian exports of oil and gas to Europe, forcing many countries to diversify their energy supplies quickly. The authors explain that these shifts have affected global markets, driving energy prices up by 40% and causing inflation rates to surge worldwide. By combining military, political, and economic perspectives with solid data, *Russia's War Against Ukraine and the West* helps readers understand how deeply the conflict has influenced both regional and global dynamics in just a short time, emphasizing that the war's effects will likely continue to shape international affairs for years to come.¹³

Overall, the article provides valuable insights into the complex interplay between geopolitical conflict and global trade patterns, with a focus on the post-Soviet region. By unraveling the

¹² Ebru Orhan, "The Effects of the Russia–Ukraine War on Global Trade," *Journal of International Trade, Logistics and Law* 8, no. 1 (June 2022): 141–46, <https://www.jital.org/index.php/jital/article/view/277>.

¹³ Johan Engvall, Ismail Khan, and Kristina Melin, "Post-Soviet No More – The Transformative Impact of War on Russia's Neighbors," *The SAIS Review of International Affairs*, September 18, 2023, <https://saisreview.sais.jhu.edu/post-soviet-no-more-the-transformative-impact-of-war-on-russias-neighbors/>.

intricate webs of trade relations and dependencies, the study offers policymakers and stakeholders a deeper understanding of the multifaceted impacts of the war on regional and global economies.

Research Gap

The war has changed trade and economic relationships among post-Soviet countries forcing them to find new trading partners and restructure their economies. While many studies have explored the immediate effects of the war on trade there are still gaps in understanding the long term impact of these shifts and how they will shape the region's future economic stability. This research aims to address these gaps by focusing on key areas that have not been fully explored in existing literature.

1. Many studies have looked at how post-Soviet countries changed their trade routes after the Russia Ukraine war especially by increasing trade with the European Union Turkey and China but not much research has focused on whether these changes will last in the long run. Some studies mention that countries like Ukraine Moldova and Georgia have found new trading partners but there is very little research on whether these partnerships will remain strong or if they will weaken over time due to political and economic challenges. This is important because trade diversification is not just a short-term reaction to the war but a major economic change that could shape the future of these countries. If we do not understand whether these new trade routes can survive global crises economic downturns or political changes then governments might make decisions that are not sustainable in the long term. My research will focus on this gap by analyzing trade policies economic agreements and infrastructure developments to see whether these new trade relations can continue or if countries will return to their old trade patterns with Russia. By looking at these factors this study will provide a clearer picture of the future of trade in the post-Soviet region.
2. Some research has discussed how the Russia Ukraine war affected Russia's energy exports but very few studies have examined how other post-Soviet energy exporting countries like Kazakhstan and Azerbaijan have responded to these changes. Most of the focus has been on how these countries are now selling energy to the European Union and China but there is little research on whether these new trade routes actually make their energy supply more secure or if they create new risks. This is an important gap because energy exports are a

key part of the economy in many post-Soviet countries and changes in where they sell their energy can affect their political relationships. Kazakhstan is now selling more energy to China but we do not know how this might impact its ties with other Central Asian countries. Similarly Azerbaijan has become more connected to Turkey and the European Union through energy trade but there is not enough research on how this could change its relationship with Russia. My research will fill this gap by looking at how energy trade routes have changed since the war and whether the infrastructure in these countries can support long-term energy exports to new markets. By studying these shifts this research will help explain how the war has changed energy security in the region and what it means for the future of post-Soviet economies.

Core Argument

The Russia Ukraine war has led to significant disruptions in regional trade patterns among post-Soviet states (Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan), impacting market integration, trade flows, and economic dependencies in the region.

Theoretical Framework: Trade Disruption Theory

Authors Vlandan Hodulak and Oldrich Krpec explicate in their study “War and international trade: Impact of trade disruption on international trade patterns and economic development” (2023) that disruptions in trade flows amid major military wars wield significant and enduring impacts on the global and regional economic landscape and the relative standings of nations therein. Such disruptions, stemming from factors like blockades, embargoes, logistical challenges, and shifts in production priorities towards wartime exigencies, reverberate across industries, supply chains, and economies reliant on international trade for goods and services. Consequently, these upheavals can precipitate fundamental shifts in economic structures as countries adapt to altered trade dynamics, leading to changes in comparative advantage, specialization, and economic diversification. Moreover, in response to such upheavals, nations often enact changes in trade policies aimed at mitigating disruptions and safeguarding national interests, ranging from tariffs, quotas, and trade restrictions to import substitution policies and diversification of trade partnerships. Over time, the enduring effects of these disruptions extend beyond mere economic ramifications to influence the

distribution of power within the international system. Nations may undergo shifts in economic influence, geopolitical alignments, and strategic alliances as they navigate the challenges posed by war induced trade disruptions, thereby reshaping the global balance of power. Such upheavals also hold broader implications for global stability, with increased economic uncertainty, geopolitical tensions, and trade disruptions potentially exacerbating political instability, social unrest, and humanitarian crises, posing significant challenges to regional and global security.¹⁴

The war has served as a vivid illustration of the theory's principles, showcasing the profound and lasting effects of disruptions in trade flows on regional trade patterns among post-Soviet states. The war, characterized by blockades, embargoes, and logistical challenges, has led to significant disruptions in trade between Russia and Ukraine, two major trading partners within the region. These disruptions have rippled across industries, supply chains, and economies reliant on the flow of goods and services between the two nations. Consequently, neighboring post-Soviet states have been compelled to navigate the resulting economic uncertainties and reconfigure their trade relationships. Ukraine has sought to reduce its economic dependence on Russia by diversifying its trade partnerships and strengthening ties with the European Union and other Western countries. This shift has prompted a recalibration of regional trade patterns, with countries seeking to mitigate geopolitical risks and trade disruptions by diversifying their export destinations and enhancing economic ties with alternative trading partners. Overall, the war has underscored the theory's assertion that disruptions in trade flows during major wars can have far reaching implications for regional economic dynamics and the relative positions of countries within the international economic system.

Assessing the impact of the war on regional trade patterns among post-Soviet states requires considering the disruption of established trade flows, changes in economic structures, and shifts in trade policies. Further aspects are discussed below:

¹⁴ Oldrich Krpec, Vladan Hodulat, "War and international trade: Impact of trade disruption on international trade patterns and economic development", *Brazilian Journal of Political Economy*, vol 39 , no 1 (154), March/2019, <https://www.scielo.br/j/rep/a/8fXLkKsKQ8bLMf6nBBMmWK/?format=pdf&lang=en>

Disruption of Established Trade Flows

The disruption of established trade flows as a result of the Russia Ukraine war has been multifaceted and impactful, affecting various sectors and regions within the post-Soviet space. It can be further analyzed through other angles:

a) Energy Transit Disruption

Europe's energy markets lost Russian gas imports through Ukrainian transit routes on January 1, 2024, which concluded Moscow's enduring control over European energy quantities despite their ongoing two year war with Ukraine. The Ukrainian transit agreement expired in early 2020 which prompted Gazprom to end gas transport operations that previously carried 40 billion cubic meters annually across these pipelines serving European markets but now falls to 14.6 bcm. Through post war policy decisions the EU severed dependence on Russian fuel which it now substitutes from Norway and Qatar alongside U.S. imports. By declining to endorse an extension of the transit agreement Ukraine lost potentially \$1.2 billion in annual fee revenue. Moldova's Transdnistria region suffered additional interruptions from the war by means of local gas heating service interruptions. Ukrainian President Zelenskiy declared the interruption "Moscow's biggest defeat" while stressing that Europe's transition to non Russian energy supplies would minimize its energy reliance following the conflict.¹⁵

b) Trade Disruptions and Logistical Challenges

Multiple international crises particularly the Russia Ukraine war together with the Red Sea conflict and Israel Hamas war and the anticipated China Taiwan crisis have severely disrupted worldwide supply chain networks and shipping operations. The fear of attacks on the Red Sea route now forces ships to go around the Suez Canal which causes their delivery time and operational costs to soar by 20-30%%. The total delay stretches between 7-12 days. After Ukraine's grain exports suffered an 80% decrease Ukrainian exporters reestablished shipments through an August 2023 "temporary export corridor" which facilitated 34 million tons of movement. Both Poland and Romania assumed vital transportation roles in 2023 as critical links between countries and showed

¹⁵ Vladimir Soldatkin, Dan Peleschuk, "Russian gas era in Europe ends as Ukraine stops transit", *Reuters*, January 1, 2025, <https://www.reuters.com/business/energy/russia halts gas exports Europe via Ukraine 2025 01 01/>

an 34% boost in rail freight activity. Sanctions on Russian energy led to changes in trade patterns as China and India acquired 90% of crude oil from Russia yet Europe transferred their supply needs to the U.S. and Norway. While Ukrainian logistics encountered elevated operating expenses, delivery slowdowns, and image related risks they shifted their operations to Danube ports and EU road transportation systems but still encounter obstacles to merge with European Union transport networks.¹⁶

To gain deeper insight into these challenges, an expert interview was conducted with Adam Saud, Professor and Dean Faculty of Humanities and Social Sciences, Bahria University, Islamabad. His perspective offers a regional and practical understanding of the limitations and potential pathways for trade diversification in the post-Soviet space.

According to Adam Saud, one of the most significant obstacles for post-Soviet states in developing new trade partnerships is their geographical position. While situated centrally in Eurasia, they remain dependent on neighboring countries for access to global markets. Historically, the majority of trade transit occurred through Russian territory. Now, shifting trade patterns require substantial investments in new infrastructure, which is a long-term and costly process. He noted that although China's Belt and Road Initiative presents a promising alternative, it too faces several geopolitical challenges, particularly in unstable regions like Afghanistan and parts of the Middle East. Sanctions on Iran further complicate the picture. Mr. Saud emphasized that projects like the International North-South Transport Corridor still lack coherent customs and border coordination. In the South Caucasus, unresolved conflicts such as the Armenia Azerbaijan issue and the Russia Ukraine war are disrupting intra-regional trade. Nevertheless, he pointed out some positive shifts, like the growing role of the China, Central Asia, West Asia corridor and new developments such as the Kashgar–Andijon railway. Furthermore, regional ports like Aktau (Kazakhstan) and Turkmenbashi (Turkmenistan) are increasingly being used to bypass Russian routes. He also stressed that security arrangements under Russian-led organizations like CSTO often act as a limiting factor in negotiating independent trade routes with external powers like the EU and the U.S. Finally, the

¹⁶ Stanislav Zinchenko, "How the Russia Ukraine war has impacted on logistics routes and supply chains," GMK Centre, July 11, 2024, <https://gmk.center/en/posts/how-the-russia-ukraine-war-has-impacted-on-logistics-routes-and-supply-chains/>

economic reliance on Russia for energy, remittances, and markets continues to make diversification difficult, especially for resource-based economies with limited export variety.¹⁷

c) Sanctions and Economic Consequences

The Western world has adopted sanctions against Russia as a primary method to diminish Moscow's military capabilities following Russia's invasion of Ukraine. The United States unveiled 500 new financial penalties against Russian military industries and specific individuals involved in Alexei Navalny's death along with the UK freezing prison administration finances. Russia continues exporting 7.8 million barrels of oil each day through its "shadow fleet" while simultaneously increasing petroleum deliveries to India and China to evade Western sanctions. Russia and China maintain export relationships with Western products by transporting them through Georgia and Kazakhstan even as China sends critical hi tech components to Russia. The Russian economy contracted 2.1% during 2022 because they followed up with new growth of 3.6 during 2023. Sanctions have resulted in a 3-5% reduction of economic potential growth combined with the displacement of more than a million knowledgeable Russians and reductions in health care funding to support the war costs. The deterrent power of Russia's penalties according to experts remains insufficient for controlling Russian aggression toward Ukraine.¹⁸

d) Regional Integration and Cooperation

The conflict in Russia Ukraine has exposed the necessity for European countries to build regional partnerships for improved security responses against rising threats throughout the continent. At the 2025 World Economic Forum in Davos Ukrainian President Volodymyr Zelenskyy pushed Europe to unite defensively to combat Russian aggression. To establish peace in Ukraine the armies from friendly nations must deploy over 200,000 soldiers for enforcement according to him thus demonstrating why Europe requires stronger military power. Zelenskyy urged European governments to create necessary global diplomatic capabilities because Russia currently deploys 600,000 soldiers combined with readiness to expand up to 1.5 million troops beyond any national

¹⁷ Adam Saud, (Professor and Dean Faculty of Humanities and Social Sciences, Bahria University, Islamabad), Interviewed by Maheer Imran , Online Interview, May 8, 2025.

¹⁸ "What are the sanctions on Russia and have they affected its economy?" *BBC*, February 23, 2024, <https://www.bbc.com/news/world europe 60125659>

E.U. army size. Zelenskyy emphasized the need for strong responses because a weak Western defense position could enable Russia to continue expanding its territorial activities thereby targeting additional independent states. Zelenskyy urged for NATO membership to provide Ukraine with essential security protection. Leaders throughout Europe stand behind the calls to unite against growing destabilization threats while building readiness capabilities to protect continental security.¹⁹

Impact on Economic Structure

The economic conflict between Russia and Ukraine detrimental for both states and international markets. The Ukrainian economy has suffered widespread damage after the start of combat resulted in a 30-35% GDP reduction the first year and boosted poverty up to 24.2% in 2022 forcing substantial portions of the population into financial difficulty. Food insecurities now threaten nearly a third of Ukraine's households because Russian aggression disrupted its agricultural industry which previously provided major economic growth. Russia has encountered critical financial setbacks because of international sanctions that reduced its economy by 4.5 percent in 2022 while emphasizing military funding at the expense of public social services. The war brought worsening worldwide food and energy shortages because Russia and Ukraine functioned as substantial wheat and sunflower oil suppliers for developing nations. A global increase in food insecurity between 2021 and 2022 reached 258 million individuals while European energy prices surged drastically. Europe suffers the biggest economic repercussions from trade disruptions resulting from this global conflict which continues to cause deep economic damage worldwide.²⁰

Global agricultural market disruption during the war shows why many nations need to accelerate both home production and import replacement. The conflict caused severe disruptions to fundamental agricultural commodity shipments through Black Sea ports that led to record high prices while generating extended market risks. Over the last two years wheat prices soared 110% and both vegetable oil and corn prices increased 140% and soybeans rose 90%. Approximately 30% of global wheat exports and 15% of corn exports originate from Ukraine and Russia creating

¹⁹ Marco Bojunc, "Russia, Ukraine and European Integration," EUI Research Repository, 2001, https://cadmus.eui.eu/bitstream/handle/1814/56/he01_04.pdf

²⁰ Michelle Kilfoyle, "Ukraine: what's the global economic impact of Russia's invasion?" Economics Observatory, 24 Oct 2023, <https://www.economicsobservatory.com/ukraine-whats-the-global-economic-impact-of-russias-invasion>

an unprecedented market challenge for countries primarily in Africa and the Middle East who must now find alternative supply regions. The war induced food disruption exposed how dependent food importing countries are on global supply and revealed that lower income economies spend considerable household funds on food purchases. Numerous nations choose to generate food locally as they work to safeguard their supplies from future shortages. Brazil faces concern regarding soaring fertilizer input prices after imports satisfy more than 80% of its required fertilizer stock. The production of wheat by India and Argentina will rise to cover the void created by reduced Ukrainian exports. Nations heavily dependent on imports have started programs to replace imported goods by promoting home grown grain farming together with sustainable food development through the cultivation of roots. Nations are taking action to protect domestic production through measures that reduce tariffs and subsidies as they try to defend against price volatility in international markets.²¹

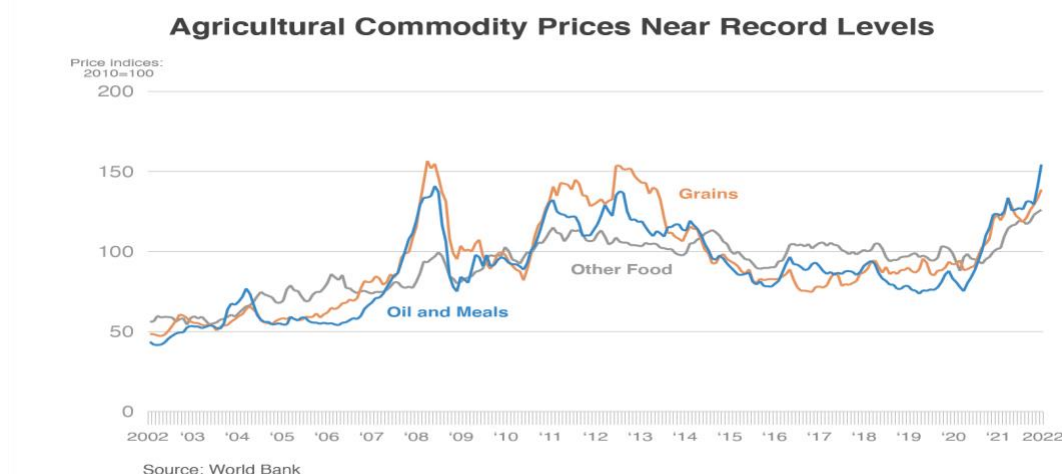


Figure 1.1: Domestic Production and Import Substitution

The graph titled "Agricultural Commodity Prices Near Record Levels" was created by me using data sourced from the World Bank. I used Microsoft Excel and Canva to compile and visualize the data effectively. This custom graph illustrates the sharp fluctuations in global prices for grains, oil

²¹ "The Ukraine Conflict and Other Factors Contributing to High Commodity Prices and Food Insecurity", *US Department of Agriculture*, April 6, 2022, <https://www.fas.usda.gov/data/ukraine-conflict-and-other-factors-contributing-high-commodity-prices-and-food-insecurity>

and meals, and other food categories from 2002 to 2022, highlighting significant peaks that correspond with global crises, including the Ukraine conflict.

Recent geopolitical disruptions in Ukraine highlight how vital supply chain resiliency have become while showing why localization strategies should protect economies from future destabilizations. The conflict created critical supply chain disruptions across energy sector and both raw materials operations and food distribution channels resulting in severe business impacts across Europe. The war caused 25% of European businesses to experience supply chain breakdowns because sector companies heavily depended on Russian and Ukrainian export supplies. The war investigated businesses' supply chain dependence on extensive systems resulting in trends toward localized sourcing policies. Forty percent of European automotive manufacturers changed supply chain networks to offset Ukraine part delivery delays. The rapid escalation of gas prices above 70 percent in the energy sector underscored the dire need for energy markets to move away from areas with conflict potential. More than 30% of European companies have started evaluating substitute energy suppliers alongside renewable energy development and local supply chain expansion and supply network diversification across the EU territories. The planned move towards local production along with regional supply chains serves two main goals: it reduces global disruption sensitivity, and it builds better long term business resilience.²²

Changes in Trade Policy:

The war has prompted significant changes in trade policies within the post-Soviet region, as countries seek to navigate the geopolitical uncertainties and mitigate the impact of trade disruptions. The war has fundamentally altered global trade dynamics, forcing countries to quickly adjust their trade policies in response to disruptions. The war has caused widespread trade interruptions, especially in food and energy sectors, with global trade expected to drop by one percent, reducing global GDP by just under one percent. Ukraine and Russia, which together accounted for 25% of global wheat exports and 14% of corn shipments, have had their supply chains severely impacted, leading to soaring prices of wheat and other grains. The conflict has triggered 67 new trade policies globally, including export restrictions that have contributed to a

²² Michele Ruta, "How the war in Ukraine is reshaping world trade and investment," World Bank ,May 03, 2022, <https://blogs.worldbank.org/en/developmenttalk/how-war-ukraine-reshaping-world-trade-and-investment>

7% increase in the price of wheat. Furthermore, Russia's status as a major energy supplier, providing 14% of crude oil and 9% of natural gas, has been disrupted, causing an increase in oil prices by 7%, further heightening production costs across various industries. The war has caused trade disruptions by severing key transport links and creating shortages in essential supplies, particularly in countries reliant on Russian and Ukrainian exports, such as neon gas and iron ore. As nations re evaluate geopolitical risks, these new trade policies are reshaping global trade networks, with some countries moving away from riskier trade routes and seeking alternative sources of supply.

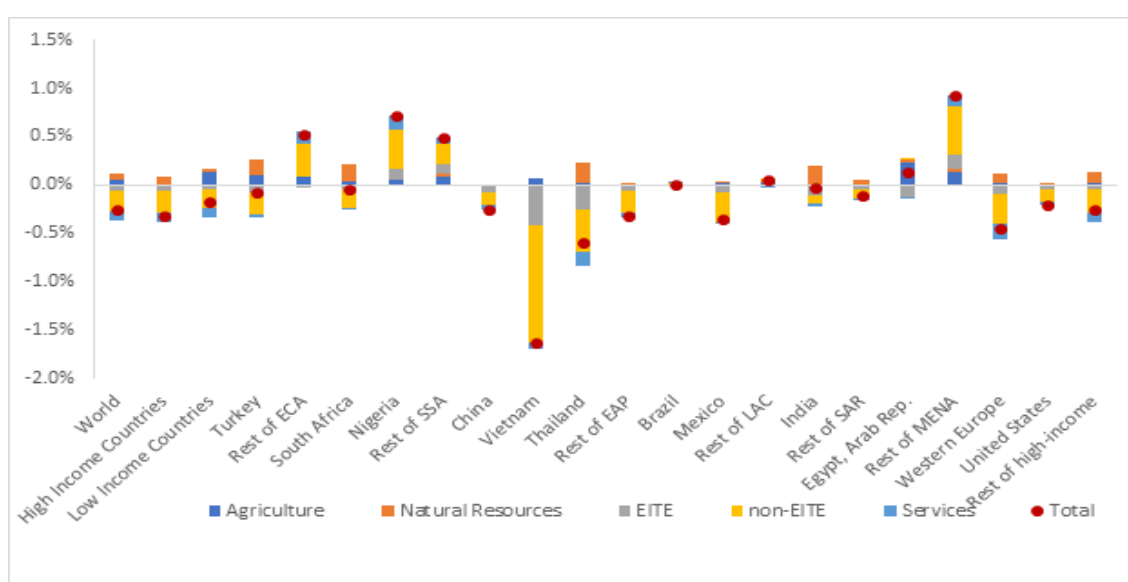


Figure 1.2: Change in exports relative to reference year as a share of real GDP

Source: World Bank

Current global supply chains experience considerable disruption due to the Russia Ukraine war which results in supply deficits affecting major industrial operations. When Ukraine's Black Sea ports and Russia's European Port links were cut off by the conflict essential goods experienced major transportation disruptions. The semiconductor industry relied heavily on Ukraine for neon gas production where Ukraine supplied 70% of global markets before the Russia Ukraine conflict began. Russia's exports of basic raw materials including metals together with fertilizers and chemicals have faced severe impacts while these materials maintain important status for automotive and machinery and agriculture industries. Recent data from the World Bank reveals wheat export disruptions triggered a 7% price rise in worldwide wheat markets. Since the

beginning of the conflict countries established export restrictions in 67 new trade policy measures causing global commodity supply chains to contract notably within energy and agriculture sectors. Price increases and intensified market contests for limited resources because of trade policies have caused nations to adapt their strategies by finding new suppliers while reshaping global trading relationships.²³

The war has also transformed international trade operations through requiring nations to build diverse commercial ties as a response to conflict effects. After Russian trade being cut off due to sanctions and voluntary boycotts it now directs its business mainly toward Eastern countries but places specific emphasis on Chinese partnerships. Trade between Russia and the EU operated at important levels prior to the war with Russia contributing 3% of EU exports and 5% of its imports. The energy sector played a major role in European Union trade relationships since Russia supplied crude oil imports and 40% of natural gas imports and nearly half of their coal imports. EU sanctions in critical sectors have caused Russia to cut its trade volume with Europe necessitating a push for new trading partnerships across Asian continent and African and Middle Eastern markets. The



adjustment of energy exploitation along with export routes stands as an illustrative demonstration that countries use trade diversification to break their dependency on particular markets.

Figure 1.3: Euro Area Trade with Russia

²³ Ibid

ts overall economic development. Russia faces constraints to productivity growth because its trade diversions meet opposition to high tech imports with cheaper alternatives and because the new trade paths emphasize Russia's struggles with geopolitical challenges affecting worldwide supply networks.²⁴

²⁴ Demosthenes Ioannou, Laura Lebastard, Adrian Schmith et al, "A year of international trade diversion shaped by war, sanctions, and boycotts," *European Central Bank*, April 12, 2023, <https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog.230412~1d6e657dd5.en.html?>

This commentary highlights how structural and geopolitical constraints complicate trade diversification, even when alternatives like the China Central Asia, West Asia corridor emerge. ²⁵

Research Methodology

The research methodology employed in this thesis followed a qualitative approach. It included comprehensive analysis of academic books, peer-reviewed journals, articles, newspapers, and official websites of post-Soviet states. To support the qualitative findings, statistical data was obtained from reputable sources such as Pew Research, Gallup, World Statista, OECD, the UN Comtrade Database, and Trade Map. In-depth interviews were conducted with embassy officials, Russian scholars, and regional trade experts to gain nuanced perspectives on the continuity and transformation of trade patterns. Additionally, graphs and charts were developed using tools such as Microsoft Excel, Google Sheets, and Datawrapper to effectively visualize trends and present data in a clear and professional manner.

Significance of the Study

This study on the impact of the Russia Ukraine war on regional trade patterns among post-Soviet states holds significant importance on multiple fronts. Firstly, it provides critical insights into the intricate relationship between geopolitical wars and economic dynamics within the post-Soviet region. By analyzing how the war has reshaped trade patterns, the research offers policymakers a nuanced understanding of the region's economic vulnerabilities and opportunities for fostering stability and resilience. Moreover, the findings of this study have practical implications for businesses operating in the region, offering valuable insights into navigating trade disruption and managing geopolitical risks. Academically, the study contributes to the growing literature on international relations, geopolitics, and regional economics, advancing scholarly discourse and laying the groundwork for future research in the field. By shedding light on the impact of the war on regional trade patterns, this study aims to inform strategic decision making and contribute to broader efforts towards war resolution and cooperation in the post-Soviet region and beyond. This study adds to the broader understanding of how conflict reshapes regional economic networks by focusing on a post-Soviet states namely Georgia and Armenia in the South Caucasus, Moldova,

²⁵ Adam Saud, (Professor and Dean Faculty of Humanities and Social Sciences, Bahria University, Islamabad), Interviewed by Maheer Imran , Online Interview, May 8, 2025.

trade theory, and geopolitics, while applying them to a timely and ongoing conflict. The examples drawn from these five states allow for a grounded discussion of how theory translates into real world trade strategies in a fragmented and politically sensitive space.

This research provides a timely and evidence based analysis of how the Russia Ukraine conflict has influenced trade patterns in selected post-Soviet states. By focusing on these five countries, the study captures diverse economic trajectories, levels of dependency on Russia, and different responses to external shocks caused by the war and associated sanctions. Drawing on trade flow data, policy documents, and regional economic reports, the study documents measurable shifts in bilateral and multilateral trade dynamics. For example, Kazakhstan's reliance on Russian controlled pipelines for oil exports exposes it to risks that are not just logistical but also geopolitical. Similarly, Belarus, as a close Russian ally and EAEU member, has seen intensified economic interdependence with Moscow amid growing Western isolation. On the other hand, Georgia and Moldova, both oriented toward the EU, have responded with a gradual reorientation of trade strategies evident in their expanding trade volumes with European partners and attempts to bypass reliance on Russian transit routes. The study also highlights how shifts in policy such as Armenia's complex role as both a member of the EAEU and a mediator for circumventing certain sanctions have real consequences for regional trade flows. These observations are not speculative but are supported by changes in import export volumes, customs rerouting, and fluctuations in sectoral trade composition, especially in energy, machinery, and agricultural products.

Moreover, the research builds a comparative framework to illustrate how similar pressures (like sanctions on Russia or disruptions to energy infrastructure) have produced varied trade responses based on internal policy choices, geographic constraints, and existing economic alliances. The patterns identified here contribute to a better understanding of how regional trade systems react under stress, and how smaller economies adapt when caught between major powers. These insights are relevant not only to scholars but also to policymakers aiming to strengthen economic resilience and reduce exposure to geopolitical risks.

The findings of this study offer valuable guidance for decision makers in the post-Soviet region who are navigating a dramatically altered trade environment. The war has disrupted long-standing

supply chains, shifted energy routes, and forced countries to reassess their economic alignments. For example, Armenia and Kazakhstan both part of Russian- ed economic frameworks now face the challenge of balancing continued cooperation with Russia against the risks of secondary sanctions and international isolation. Understanding these trade-offs can assist governments in making informed choices about infrastructure investments, trade diversification, and regional agreements. At the same time, businesses operating in countries like Moldova and Georgia are grappling with increased uncertainty in trade logistics, market access, and currency fluctuations. This research identifies patterns in how states have responded such as seeking new trade corridors through Turkey, increasing trade volumes with the EU, or modifying customs processes to adapt to changing rules. These real-world examples can help companies anticipate and adjust to ongoing disruptions in regional trade flows.

Additionally, regional bodies and international development institutions can use the insights from this research to design support mechanisms that respond to the specific needs of affected countries. For instance, knowing that Georgia has accelerated efforts to build trade links with European partners could influence where technical assistance or infrastructure funding should be focused. In essence, this study serves as a tool for those involved in economic planning, regional diplomacy, and trade reform efforts who need a clearer picture of how the geopolitical landscape has reshaped commercial ties in Eastern Europe, the South Caucasus, and Central Asia.

Delimitation

In this thesis exploring the impact of the Russia Ukraine war on regional trade patterns among post-Soviet states, certain delimitations are necessary to ensure the research remains focused and feasible. Firstly, the study primarily focuses on the economic consequences of the war within the post-Soviet region and does not extensively examine broader geopolitical implications outside this geographical scope. Secondly, while acknowledging the multifaceted nature of trade relationships, the analysis primarily concentrates on bilateral trade patterns between Russia, Ukraine, and neighboring post-Soviet states, rather than global trade dynamics. Thirdly, while recognizing the potential influence of internal factors such as domestic policies and economic structures on trade patterns, the study primarily examines the impact of external geopolitical tensions, particularly the Russia Ukraine war, on regional trade dynamics. Finally, while efforts are made to utilize a

comprehensive research methodology, constraints such as data availability, access to stakeholders, and time limitations may necessitate certain methodological limitations or simplifications in the analysis. These delimitations are essential for maintaining the study's focus, relevance, and feasibility while providing a clear framework for the research.

Organizational Structure

Impacts of Russia Ukraine war on Transportation Infrastructure and Trade Flows

The Economic Sanctions on Russia and its Trade Relations in the Post-Soviet Space

1. The Trade Diversification Strategies of Ukraine Amidst the ongoing war
2. Regional Trade Dynamics in the Aftermath of Russia Ukraine war/Immediate and Long Term Effects of Russia Ukraine war on Regional Trade Flows
3. Conclusion

Key Terms

Russia Ukraine war, Post-Soviet States, Regional Trade Patterns, Geopolitical Dynamics, Economic Dependencies, Energy Politics, Resource Dependency.

Operational Definitions

Geopolitical Dynamics: The complex interplay of political, economic, and strategic factors that shape international relations and influence trade patterns, including territorial disputes, alliances, and power struggles.

Economic Dependencies: The degree to which a country's economy relies on external factors, such as trade partnerships, investment, or resource imports, impacting its vulnerability to trade disruptions and geopolitical events.

Energy Politics: The strategic use of energy resources, such as natural gas, oil, and pipelines, to exert influence, shape alliances, and advance national interests, influencing regional trade dynamics and geopolitical alignments.

Resource Dependency: The extent to which a country relies on specific natural resources, such as energy, minerals, or agricultural products, for economic development and trade, influencing its resilience to trade disruptions and geopolitical tensions.

Regional Trade Patterns: The volume, direction, and composition of trade activities, including imports, exports, and trade routes, among countries within the post-Soviet region, influenced by geopolitical dynamics and economic dependencies.

CHAPTER 2

IMPACT OF RUSSIAN UKRAINE WAR ON TRANSPORTATION INFRASTRUCTURE AND TRADE FLOWS OF POST-SOVIET STATES

Disruption of Trade Routes and Supply Chains

The Russia Ukraine war thus has deep implications for transportation infrastructure and post-Soviet state trade flows, particularly Belarus, Moldova, Georgia, Armenia and Azerbaijan and Kazakhstan. These countries have been disrupted in major trade routes and supply chains, and they have to adapt to that new reality and find alternative solutions. The conflict has resulted in huge disruptions to trade between Europe and Asia across the Trans Siberian Railway, an important trade route. The frequency and capacity of freight trains on this route are reduced considerably due to sanctions against Russia and reduced access to some ports. That has meant longer and more expensive transit times for goods going between Europe and Asia, but especially for Kazakhstan, which places high reliance on the railway for getting its goods to and from both regions. This has, therefore, forced Kazakhstan to consider substitutes for its primary land route, the Trans Caspian International Transport Route (TITR) or the Middle Corridor that takes a Tessel sag through the Caspian Sea where it links to Azerbaijan and Georgia.²⁶

The war has had a heavy impact on vital Black Sea shipping routes that connect Ukraine and Russia with Europe, essential for the export of grain and other commodities. As Ukrainian ports have been closed, and access to the Sea of Azov has been restricted, countries such as Moldova and Georgia have had to seek alternative export routes for their foods. Thus, transportation costs and transit times also have increased as more and more is being transported through Romanian and Bulgarian ports. An example is Moldova, which has had to reorient grain exports from the port of Constanta in Romania since diverting their exports through this port has increased costs and logistical burden. The conflict has exacerbated insurance premiums for Black Sea region vessels, making already problematic trade further difficult for trade between these post-Soviet states. The war has had a big impact on maritime trade patterns. Given the conflict zones, any shipping company has been forced to move their vessel to trajectories that are farther along, causing additional fuel time and expense.

²⁶ Tuba Eldem, "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity," SWP, October 28, 2022, <https://www.swp-berlin.org/10.18449/2022C64/>

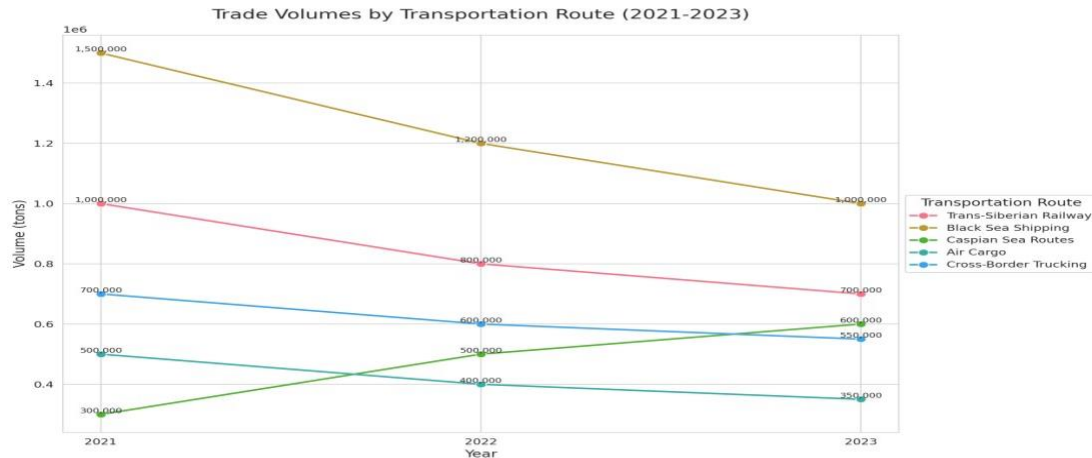
This has been particularly hard on Georgia and Azerbaijan, because the two have experienced a spike in traffic through their Black Sea and Caspian Sea ports, respectively. For example, shippers have been tapping into the port of Poti in Georgia as they seek alternative ports to Ukrainian ports, with container traffic surging there. Further afield along the Middle Corridor route, Azerbaijan's port of Baku has witnessed an increase in trade activity.²⁷ But many Western carriers have had to close Russian airspace to Europe and Asia air cargo routes. That has compelled airlines to run longer routes, meaning more time in the air and extra fuel burned. It means reduced capacity on air freight for Armenia and Georgia which depend on air connectivity for their trade and tourism as well as higher rates on affected routes. It has also been a challenge for Armenia to keep its air links to Europe after many flights that used to travel through Russian airspace now have to fly longer and more expensive detours. Also, cross border trucking and rail freight services in the region have been severely affected. More and more, border inspections and delays have become the norm, such as with Belarus, which borders both Russia and Ukraine. However, the country has struggled to stay a hub while both logistics companies and so many others chose another route through the Baltic states or Poland. In Moldova, too, cross border transport has been disrupted, and borders had been heavily congested after traders were looking for other routes to get around Ukraine.²⁸

Figure 2.1: Trade Volumes by Transportation Route (2021-2023)²⁹

²⁷ Stanislav Secieru, "How big is the storm? Assessing the impact of the Russian–Ukrainian war on the eastern neighbourhood," *European Union Institute for Security Studies*, October 6, 2022, <https://www.iss.europa.eu/publications/briefs/how-big-storm-assessing-impact-russian-ukrainian-war-eastern-neighbourhood>

²⁸ Wojciech Kość, "Belarus border blockade plans to stop trucks to Russia," *Politico*, April 6, 2022, <https://www.politico.eu/article/belarus-border-blockade-plan-stop-truck-russia/>

²⁹ "Poland says entry of trucks from Belarus slowed by sanctions," *Reuters*, July 11, 2024, <https://www.reuters.com/world/europe/poland-says-entry-trucks-belarus-slowed-by-sanctions-2024-07-10/>



Source: Author's own illustration based on data from articles "EU-Russia relations, Russia's foreign and security policy, Eastern Partnership (EaP) states" by Stanislav Secrieru and "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity" by Tuba Eldem.

The graph titled "Trade Volumes by Transportation Route (2021-2023)" was created by me using data visualization tools such as Microsoft Excel and Canva. This figure shows the changes in trade volumes and transportation traffic across various routes before and after the onset of the Russia Ukraine war. It highlights the shifts in reliance from disrupted routes to alternative transportation corridors.

Global supply chains have been shaken up badly by the war, particularly in energy, agriculture and manufacturing. For access to his oil, Kazakhstan, a major oil exporter, has had to rely on the Caspian Pipeline Consortium through Russia despite the risks, and also has been forced to accommodate pipeline and shipping route disruptions increasing its dependency on the pipeline to transport oil. Like Moldova and Georgia, agriculture is hit with reduced access to Russian and Ukrainian markets, leading to the search for new export outlets in the European Union.

Shortages of critical components and raw materials have also affected the manufacturing sector in these post-Soviet states. For instance, the great majority of electronic components for Armenia's growing tech industry are now difficult to obtain owing to disruption of global supply chains.

Azerbaijan's manufacturing sector, too, has had to deal with increased lead times and increased inventory costs, and the need to find new suppliers a result of the logistics disruptions.³⁰

Table 2.1: Comparative Analysis of Pre War and Post War Situation of Transportation, Infrastructure and Trade Flows Across Six Soviet States ³¹

Country	Pre War Situation	Post War Situation	Comparison and Impact
Belarus	Relied on the Trans Siberian Railway for exporting heavy machinery and potash to Asia and Europe; significant transit hub between Europe and Russia.	Diminished capacity and frequency on the Trans Siberian Railway due to sanctions; delays at border points; goods rerouted through Baltic states or Poland.	Increased transportation costs and transit times; loss of competitiveness in European markets; reduced role as a transit hub.
Kazakhstan	Heavy reliance on Trans Siberian Railway for exports to Europe and	Reduced rail capacity; shift to alternative routes like the Middle Corridor;	Increased transport costs; longer transit times; geopolitical
	Asia; significant oil exporter with multiple export routes.	reliance on the Caspian Pipeline Consortium.	risks associated with alternative routes.

³⁰ "War in Ukraine: Moldova to face severe economic shock, German Economic team," *German Economic Team*, April 2022, https://www.germaneconomic.team.com/wp-content/uploads/2022/04/GET_MDA_NL_70_EN.pdf

³¹ Elvira Mami, Amantay Kenzheali, "What is the economic impact of the war in Ukraine on Kazakhstan?" ODI Global, December 19, 2022, <https://odi.org/en/insights/what-is-the-economic-impact-of-the-war-in-ukraine-on-kazakhstan/cember-2022>

Moldova	Exported agricultural products (e.g., grains, wine) through Ukrainian Black Sea ports; relatively lower transportation costs.	Ukrainian ports disrupted; reliance on Romanian ports like Constanta; higher shipping costs and logistical challenges.	Increased costs and transit times; congestion at Romanian ports; reduced market access.
Georgia	Utilized Black Sea ports (Poti, Batumi) for regional trade; moderate traffic levels.	Increased traffic through Black Sea ports due to rerouting of maritime trade; congestion and higher operational costs.	Higher port congestion; increased port revenues but also a need for infrastructure investment.
Armenia	Depended on Georgian ports for trade access; relied on Russian airspace for air connectivity with Europe.	Disrupted air routes due to closure of Russian airspace; increased air freight costs; more competition for Georgian port resources.	Reduced air connectivity and increased shipping costs; heightened vulnerability due to limited trade routes.
Azerbaijan	Used both Black Sea and Caspian Sea routes for trade; stable export of energy products; moderate port activity.	Increased activity in Baku port; shifted trade flow to the Caspian and the Baku Tbilisi Kars railway; need for infrastructure upgrades.	Enhanced strategic role in regional trade; pressure on infrastructure; need for new investments.

The table compares how the transportation and trade situations in post-Soviet states like Belarus, Moldova, Kazakhstan, Georgia, Armenia, and Azerbaijan have changed due to the war. It shows

how countries are facing higher costs, longer delivery times, and new challenges in shipping and logistics as they try to find alternative routes and adjust to the disrupted trade networks.

Source: Created by self

Therefore, the post-Soviet states have been forced to adopt different tactics of mitigation. However, there has been a coordinated effort to expand a supplier and sourcing base with the goal of diversifying away from the current regional suppliers, which include Kazakhstan and Azerbaijan trying to improve ties with Central Asian neighbours, and China. As Moldova and Georgia try to get closer to European supply chains, the idea of nearshoring is becoming an important concept. In addition, the region has seen increased investments in supply chain visibility and risk management tools as businesses and government see the need for increased resilience due to its high geopolitical uncertainties. Based on these disruptions, the implications in the long term are likely to be significant, perhaps changing the global trade networks. Post-Soviet states are likely to be pulled more and more into new regional economic integration such as the EU's Eastern Partnership or China's Belt and Road initiatives. As the war has also shown, supply chain resilience matters, and businesses and governments in these countries are now evaluating their strategies to create more robust and diversified trade networks.

The conclusion of this section will be that the Russia Ukraine war has had a tremendous effect on the transportation infrastructure and trade flows of the post-Soviet states. These countries have had their share of difficulty in pulling off their countertrade practices but proved to have the ability and resilience to drive new trade routes, forge new partnerships and try new strategies. More likely these changes in the economy have long term effects which are going to reshape the economic landscape of the region for years to come, and perhaps even lead to new patterns of regional trade.

Alterations in Energy Transportation and Infrastructure

In post-Soviet states, war has severely affected energy transportation and infrastructure especially Belarus, Moldova, Georgia, Armenia, Azerbaijan and Kazakhstan. The conflict has disrupted these countries, and they have had to adapt to follow and look for alternative solutions to these disruptions. The war has dramatically changed oil and gas pipeline networks. Unexpected challenges have triggered the countenance of the traditional east west energy corridors, which have

been the backbone of energy transportation in the region for so long. The Druzhba pipeline, which carries Russian oil to several European countries through Belarus, has been stripped of its flows and made the subject of greater scrutiny. With forces at its disposal, this has forced Belarus to look for alternative oils supplies and to investigate new routes to use pipelines, so that it can remain a transit country.³² Kazakhstan, one of the world's largest oil producers, has had difficulty shipping its oil through the Caspian Pipeline Consortium (CPC) pipeline which carries oil through Russia to the Black Sea. To fill the gap, the country has been left with no choice but to seek new routes, like shipping more across the Caspian Sea to Azerbaijan's Baku Tbilisi Ceyhan pipeline.³³ Moldova now depends more heavily on alternate gas suppliers because Ukraine's gas routes continue to prove unreliable for their energy needs. They made the strategic choice for Moldova to connect its gas network with Romania as a way to decrease dependency on Russian natural gas. May 17th, 2023, marked the signing of a document which confirms continued support for natural gas and electricity network interconnection projects between Romania and Moldova.³⁴ Natural gas flows in the region have also been redirected by the war. Countries like Moldova have grown increasingly reliant on other sources for their gas and not necessarily because they want to, but because the traditional route through Ukraine has become more unreliable. Interconnecting Moldova's gas network to Romania has helped this country cut its reliance on Russian gas.³⁵ Similarly, Azerbaijan has now come into its own as a direct player in the Southern Gas Corridor, playing a role in supplying natural gas to Europe through the Trans Anatolian Natural Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP). Having added heft to Azerbaijan's strategic importance, it has additionally supplied an alternative gas supply route for countries in Southeast Europe.³⁶

³² "Belarus has stopped receiving oil from Russia via the Druzhba oil pipeline," *Eurasia Daily*, December 20th, 2024, <https://eadaily.com/en/news/2024/12/20/belarus-has-stopped-receiving-oil-from-russia-via-the-druzhba-oil-pipeline>

³³ "Middle Corridor: Secure Transportation of Kazakh Oil to New Markets," *The Astana Times*, June 4, 2024, <https://astanatimes.com/2024/06/middle-corridor-secure-transportation-of-kazakh-oil-to-new-markets/>

³⁴ Filip Derewenda, "Romania and Moldova to continue gas and power interconnection projects," *Ce energy*, May 22, 2023, <https://ceenergynews.com/oil-gas/romania-and-moldova-to-continue-gas-and-power-interconnection-projects/>

³⁵ "The EU offers emergency support to tackle the energy crisis in Moldova," *European Commission*, Jan 27, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_329

³⁶ Kanat Makhanov, "Back to European Integration: Resetting the Foreign Policy Priorities of Moldova", Eurasian Research Institute, <https://www.eurasian-research.org/publication/back-to-european-integration-resetting-the-foreign-policy-priorities-of-moldova/>

In the wake of the conflict, however, LNG transportation has undergone major shifts. LNG is becoming increasingly important as a flexible substitute for pipeline gas, with changes in shipping routes and terminal usage. For instance, Georgia is mulling the idea of an LNG terminal on its Black Sea coast to diversify its energy dependence, and potentially as an entry point for supplies of the liquefied gas to the broader region. To boost its export initiatives beyond pipelines, Azerbaijan has been looking at investments in LNG infrastructure to take advantage of the Caspian Sea position.³⁷ The war has also affected the electricity grids and cross border power transmission systems in these post-Soviet states. An important development in March 2022 was the synchronization of Ukraine and Moldova power grids with the Continental European Grid. That's prompted other countries in the region to accelerate their plans for greater integration with the European power grid. Traditionally, Kazakhstan was part of the unified power system of Central Asia and has been exploring ways to increase grid interconnections with its south neighbors to bolster its energy security.³⁸ During the war, the resulting disruptions have heightened reliance on alternative methods of energy transportation. Oil and coal shipments have brought rail transport into importance. For instance, Kazakhstan has been raising its use of rail to ship oil to China and to ports on the Caspian Sea for onshore shipment. The increased road transport of energy products has extended to the short distance and inadequate pipeline infrastructure, or unreliable pipeline infrastructure. This has meant countries such as Belarus and Moldova have to spend more on their

³⁷ Ibid

³⁸ 2 years since Ukraine and Moldova synchronised electricity grids with EU", *European Commission*, March 15, 2024, https://energy.ec.europa.eu/news/2-years-ukraine-and-moldova-synchronised-electricity-grids-eu-2024-03-15_en

road networks and thus investment in upgrading infrastructure. ³⁹

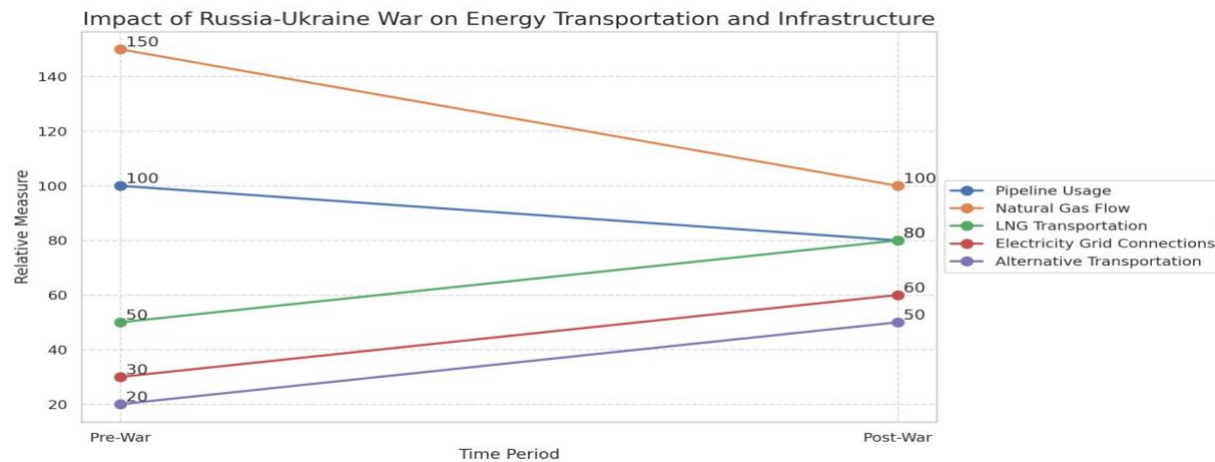


Figure 2.2: Impact of Russia Ukraine War on Energy Transportation and Infrastructure

Source: Created by self

The following line graph illustrates the changes in energy transportation and infrastructure across the post-Soviet states before and after the Russia Ukraine war, highlighting shifts in pipeline usage, Natural gas flows, LNG transportation, electricity grid connections, and alternative transportation methods.

The war has significantly impacted Europe's energy landscape, prompting a strategic shift towards diversifying energy transportation networks to reduce dependence on Russian gas supplies. A key component of this diversification strategy is the Southern Gas Corridor (SGC), designed to transport natural gas from the Caspian region to European markets. Central to the SGC is the Trans Caspian Pipeline (TCP) project, which aims to deliver gas from Turkmenistan to Azerbaijan across the Caspian Sea, subsequently connecting to the South Caucasus Pipeline (SCP), the Trans Anatolian Natural Gas Pipeline (TANAP), and the Trans Adriatic Pipeline (TAP). The TCP is envisioned to enhance Europe's energy security by providing an alternative route for Central Asian gas, thereby reducing reliance on Russian energy supplies. The expansion of the SGC's capacity is under consideration to accommodate additional gas volumes from the TCP and other sources. For instance, the TAP, which currently has a capacity of 10 billion cubic meters per annum (bcma),

³⁹ Vusala Abbasova, "Kazakhstan to Scale Up BTC Pipeline Oil Exports Thirteenfold", *Caspian News*, November 27, 2024, <https://caspiannews.com/news-detail/kazakhstan-to-scale-up-btc-pipeline-oil-exports-thirteenfold-2024-11-27/>

is planned to be expanded to 20 bcma through the addition of compression facilities. This expansion is contingent upon market demand and the outcomes of capacity booking processes. Similarly, the SCP and TANAP pipelines are designed for capacity enhancements to handle increased gas flows from the Caspian region. These developments underscore the strategic importance of the TCP and the broader SGC framework in reshaping Europe's energy supply routes in response to geopolitical tensions arising from the conflict. The war has significantly impacted Europe's energy landscape, prompting a revaluation of energy transportation networks to reduce dependence on Russian gas. A key focus has been the Southern Gas Corridor (SGC), which transports natural gas from the Caspian region to Europe. The SGC comprises several pipelines, including the South Caucasus Pipeline (SCP), the Trans Anatolian Natural Gas Pipeline (TANAP), and the Trans Adriatic Pipeline (TAP). Plans are underway to expand these pipelines to increase capacity and meet growing European demand. For instance, TAP's capacity is set to be expanded by an additional 10 billion cubic meters per annum (bcma) by 2027, contingent upon market demand and successful capacity booking phases.

In this context, the Trans Caspian Pipeline project has garnered renewed interest. The TCP aims to transport natural gas from Turkmenistan to Azerbaijan across the Caspian Sea, linking with the existing SGC infrastructure to supply European markets. This project is seen as a strategic move to diversify Europe's gas sources and routes, thereby enhancing energy security. However, the TCP faces challenges, including geopolitical tensions, environmental concerns, and substantial financial requirements. Despite these hurdles, the ongoing conflict has intensified efforts to explore and potentially realize such alternative energy transportation projects to mitigate reliance on Russian gas.⁴⁰

Impact of Economic Sanctions on Regional Transportation Network

The war has also had serious effects on Russia's neighbours' transportation networks, more specifically affecting post-Soviet states like Belarus, Moldova, Georgia, Armenia, and Azerbaijan and Kazakhstan. Economic sanctions have had an impact on several modes of transportation in the

⁴⁰Gulmira Rzayeva, "Expansion of the Southern Gas Corridor pipelines and future supplies to Europe," The Oxford Institute for Energy Studies, April 2023, [https://www.oxfordenergy.org/wpcms/wpcontent/uploads/2024/01/Expansion of the Southern Gas Corridor NG180.pdf](https://www.oxfordenergy.org/wpcms/wpcontent/uploads/2024/01/Expansion%20of%20the%20Southern%20Gas%20Corridor%20NG180.pdf)

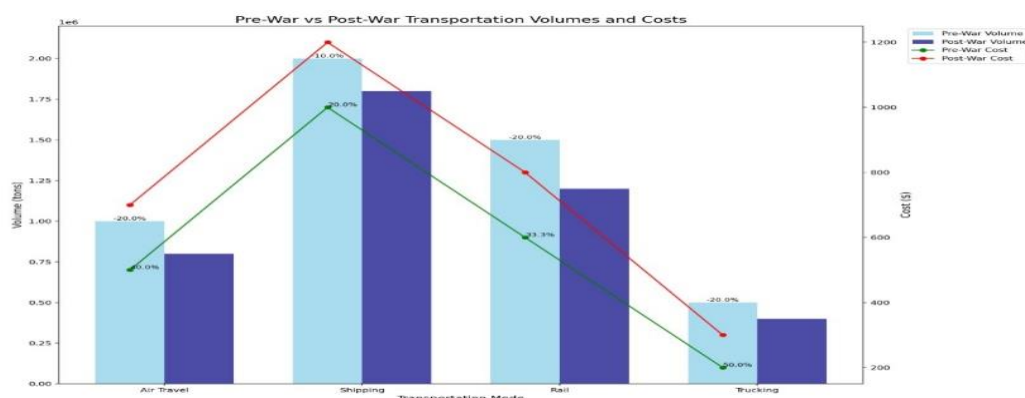
region and reshaped trade flows and infrastructure throughout. The sanctions and closed airspace have seriously impacted air travel. The ban on Russian airlines flying to EU airspace has forced them to redirect their flights now journey times will be longer and costs of fuel higher. Flights from Moscow to Minsk, for instance, are now taking circuitous routes to avoid Ukrainian airspace and EU countries. For not just passenger travel but air cargo operations, this has not just derailed supply chains but hampered travel or cargo by way of single or multiple air transport links. As a close ally of Russia, Belarus has struggled to keep its air connectivity, particularly since the European Union launched a ban on all flights to the country in 2011. Belavia, the national carrier, has had to cancel several routes to EU destinations, cutting off countries' tourism and business travel sectors. Like Air Moldova, its operations and operational costs have been hit, as flight paths had to be adjusted to avoid restricted airspaces.⁴¹ This has also held equal impact to shipping and port operations. The first are sanctions on Russian ports, which has re routed maritime traffic to countries like Georgia and Azerbaijan, respectively, whose ports are on Black Sea and Caspian Sea. Shippers looking for routes away from Russian ports have chosen the Georgian port of Poti for increased activity. But while the port is coming under pressure from increased volume, this has also had the effect of adding to congestion and logistical headaches. Although Kazakhstan didn't directly take part in the war, it's finding it hard to export its oil through Russian ports. Bush then says that the country's been forced to look for alternative routes and has accustomed itself to using the Trans Caspian International Transport Route, also referred to as the Middle Corridor, which avoids Russia by crossing the Caspian Sea to Azerbaijan and Georgia or Turkey. The EU has been hard hit by cross border rail services, particularly those linking it to Russia and Belarus. Between these regions, the sanctions have led to a large reduction in rail freight, suppressing those economies to which rail freight has played a crucial role in export. Specifically, rail freight between China and the EU through Belarus has dropped sharply, as shippers can no longer lease rail cars to use the route.⁴²

The disruption to rail services has been felt further afield by countries reliant on the efficiency of rail connections for their trade with EU countries and Russia, including Moldova and Armenia.

⁴¹ Hengcai Zhang, Lin Cong and Jiayin Zhang, "Assessing impacts of the Russia Ukraine conflict on global air transportation: From the view of mass flight trajectories," *Journal of Air Transport Management* 115(1):102522, March 2024, 10.1016/j.jairtraman.2023.102522

⁴² "Assessing the Impact of Russia's War against Ukraine on Eastern Partner Countries," OECD, 2023, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/01/assessing-the-impact-of-russia-s-war-against-ukraine-on-eastern-partner-countries_3fd0591/946a936c-en.pdf?

Now, these nations are trying to navigate alternative rail lines, generally longer and more complicated ones with higher costs and longer times to deliver. Severe impact has also been felt in the operations of international trucking. Border crossings have been closed, and other checks imposed which has led to still long queues at other crossing points. But the trucking companies from Belarus and Russia are barred from entering EU territory, while they are obliged to cross goods with European Union registered cars at the border, thus adding to transport time and cost. In the situation, there are chances for the trucking companies from countries such as Georgia and Armenia that have come to fill the gap in cross border transportation services. But along with the demand for their services have come increasing fuel costs and longer waits at border crossings as security has ramped up.⁴³ Rapidly adapting to realities in the region has been a necessity for logistics companies operating in the region. The suspension or curtailment of operations by many of the world's largest international logistics firms has deepened a vacuum that local companies have struggled to fill. The result has been the disruption of supply chains and increased costs for businesses throughout the region. Logistics companies in Kazakhstan have had to reconfigure their networks, changing routes which used to transit Russia. Buildings supported by the trans Caspian route are coming up, and logistics firms are investing in new infrastructure and services to support this line of shifts.⁴⁴



⁴³ Monika Kiss, Karin Jacobs and Jaan Soone, "Russia's war on Ukraine: Implications for transport," *European Parliament*, June 2022, https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733536/EPRS_BRI%282022%29733536_EN.pdf?

⁴⁴ Muhammad Rafiq, "Economic Gains of Kazakhstan in Wake of Shifting Supply Chains," *The Astana Times*, August 19, 2022, <https://astanatimes.com/2022/08/economic-gains-of-kazakhstan-in-wake-of-shifting-supply-chains>

This chart compares transportation volumes and costs before and after the imposition of economic sanctions. It highlights the disruptions and adjustments in air travel, shipping, rail, and trucking across post-soviet states.

Figure 2.3: Pre War VS Post War Transportation Volumes and Costs

Source: Created by self

Many countries in the region have become interested in the development of alternative transportation networks to get around sanctions. The Mid Corridor, from China to Europe through Central Asia, the Caucasus and Turkey, is generating a lot of interest. Those countries like Azerbaijan and Georgia that are part of the route are investing heavily in upgrading their port facilities as well as rail links to facilitate the movement of more traffic along the route.⁴⁵ Landlocked and in the past reliant upon Ukrainian ports for its maritime trade, Moldova hopes to forge closer relations with Romanian ports on the Black Sea. Such a shift demands significant investment of road and rail infrastructure aimed at increasing connectivity with alternative gateways. In Armenia too, long dependent upon overland routes through Georgia for international trade, steps are being taken to diversify options. To gain access to the Persian Gulf ports, the country is exploring the possibility of air cargo services and tries to improve its rail links with Iran.⁴⁶ Logistics companies in Kazakhstan are now forced to rethink their networks and stop using routes that entered Russia. That has in turn rekindled interest in developing the Trans Caspian route and, as logistics firms invest in new infrastructure and facilities to serve it, this shift has generated new opportunities to serve the region.⁴⁷ These countries have also seen transportation and logistics services accelerate into digitalization during the war. In that context we see an increase not only in the development of smart logistics solutions, but also of digital platforms aiming to optimize route planning, facilitate border crossing times, and increase the logistical efficiency overall as a reaction to new dynamic. It compares transportation volumes and costs, before and after implementation of

⁴⁵ Paulo Aguiar, "The Middle Corridor: A Route Born of the New Eurasian Geopolitics," *Geopolitical Monitor*, January 23, 2025, <https://www.geopoliticalmonitor.com/the-middle-corridor-a-route-born-of-the-new-eurasian-geopolitics/>

⁴⁶ Lilit Shahverdyan, John Horan, "Armenia, Iran eye warming ties despite divergent interests," *Eurasianet*, November 17, 2023, <https://eurasianet.org/armenia-iran-eye-warming-ties-despite-divergent-interests>

⁴⁷ Tamara Knyazeva, "Kazakhstan's Role in Shaping Trans Caspian Transport Route," *The Astana Times*, May 20, 2024, https://astanatimes.com/2024/05/kazakhstans-role-in-shaping-trans-caspian-transport-route/?utm_source

economic sanctions. It documents the dislocations and relocations that plague air travel, shipping, rail, and trucking in post-Soviet states).

Overall, the economic sanctions have been a very powerful blow to the regional transportation networks of the post-Soviet states. It has generated great challenges but also spurred innovation and the development of new transportation corridors. These changes are likely to have long term economic geography effects on the region, potentially resulting in more diversified and resilient transportation networks.

Adaptation and Reconfiguration of Trade Flows among Post-Soviet States

The war has had a major and multiple layered impact on the transportation infrastructure and trade flows of post-Soviet states, transforming regional economic patterns and compelling the countries to revise their trade relationships and logistics networks. A complex picture of disruption and adaptation emerges from deliberate changes in bilateral trade that characterize post-Soviet countries. Since Belarus is a close ally to Russia, its trade with Ukraine has almost come to a halt, and its economic dealings with Russia have boosted. As a result, many Belarusian goods have come to rely more and more on Russian markets and transport routes. Traditionally dependent on Russia transit roads for its exports, Kazakhstan has been forced to diversify its trade partners and transportation corridors. But the country has also boosted its trade with other Central Asian nations, and China, cutting its reliance on Russian infrastructure. Moldova, which relies heavily on trade with Russia as well as Ukraine has experienced challenges. The conflict has derailed Moldovan businesses' traditional trade routes forcing them to find new markets and shipping routes. As a result, trade with Romania and other EU members has grown, although at higher logistical costs. As for Georgia, Armenia, and Azerbaijan, a general trend has developed of reducing dependence

on the markets and infrastructure of Russian markets.

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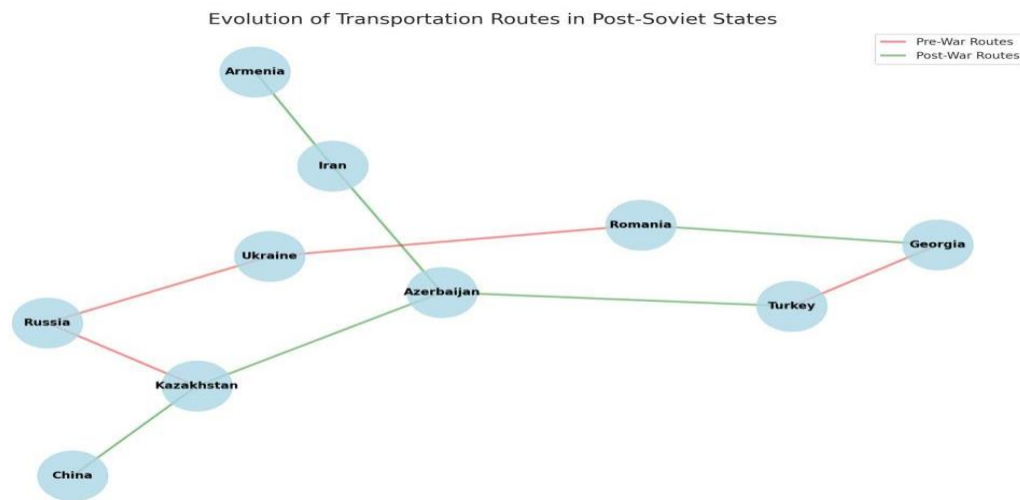


Figure 2.4: Evolution of Transportation Routes in Post-Soviet States

Source: Created by self

This network diagram shows the evolution of major transportation routes before and after the Russia Ukraine war. It highlights shifts from traditional routes through Russia and Ukraine to new alternatives that bypass these conflict zones.

Notably a consequence of the conflict has been the emergence of new trade corridors and transportation routes inside the region. The Middle Corridor or the Trans Caspian International Transport Route is the alternative to Russian controlled northern routes. This corridor is between China and Europe through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and Turkey. In fact, port facilities and rail links that have been constructed in Kazakhstan and Azerbaijan to facilitate this route have made such a route not only functional but also have been regarded as a strategic move that would enable Kazakhstan and Azerbaijan to play a greater role in Eurasian trade.⁴⁹ The war has majorly impacted the transportation infrastructure and trade flows of post-Soviet states, forcing countries to revise their trade relationships and logistics networks. Belarus, a close ally of

⁴⁸ “Assessing the Impact of Russia’s War against Ukraine on Eastern Partner Countries,” OECD, 2023, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/01/assessing-the-impact-of-russia-s-war-against-ukraine-on-eastern-partner-countries_3fdf0591/946a936c-en.pdf

⁴⁹ Meray Ozat, Haley Nelson, “The Middle Corridor: The Beginning of the End for Russia’s Northern Corridor,” CPC, July 30, 2023, <https://www.caspianpolicy.org/research/energy-and-economy-program/eep/the-middle-corridor-the-beginning-of-the-end-for-russias-northern-corridor>

Russia, has experienced a near halt in trade with Ukraine, leading to increased economic dealings with Russia. Consequently, many Belarusian goods now rely more on Russian markets and transport routes. Kazakhstan, traditionally dependent on Russian transit roads for exports, has been forced to diversify its trade partners and transportation corridors. The country has increased trade with other Central Asian nations and China, reducing reliance on Russian infrastructure. The war has disrupted traditional trade routes, forcing Moldovan businesses to seek new markets and shipping routes. As a result, trade with Romania and other EU members has grown, albeit at higher logistical costs. Georgia, Armenia, and Azerbaijan have also reduced dependence on Russian markets and infrastructure.⁵⁰

A notable consequence of the conflict has been the emergence of new trade corridors and transportation routes within the region. The Middle Corridor, or the Trans Caspian International Transport Route, serves as an alternative to Russian controlled northern routes. This corridor connects China to Europe through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Turkey. Port facilities and rail links constructed in Kazakhstan and Azerbaijan have made this route functional and strategically significant, enabling these countries to play a greater role in Eurasian trade.⁵¹ Shippers also are turning to Georgia's ports on the Black Sea which have grown busier with Batumi and Poti in particular benefitting from the rush to alternatives to Russian ports. As a key transit hub for the transit of goods from Central Asia to European markets the country has positioned itself. The 11th century landlocked republic, which was historically reliant on Georgian ports for maritime access, has tested new options such as closer cooperation with Iran to gain access via Persian Gulf ports. It is very important as regards the impact on the regional economic integration initiatives, such as the Eurasian Economic Union (EAEU). Western sanctions on Russia have made it difficult for the EAEU, which includes Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan, to set up coordinated strategies together. The union has tried to look united but individual member states have struggled to balance their membership in the EAEU with their own

⁵⁰ Irina Busygina, "The Impact of the War in Ukraine on the Eurasian Economic Union," Ponars Eurasia, May 17, 2024, <https://www.ponarseurasia.org/the-impact-of-the-war-in-ukraine-on-the-eurasian-economic-union/>

⁵¹ Arnold C. Dupuy, "There's an alternative to Russian based trade routes—but it needs support from the US, EU, and Turkey," Atlantic Council, May 22, 2024, https://www.atlanticcouncil.org/blogs/turkeysource/theres-an-alternative-to-russian-based-trade-routes-but-it-needs-support-from-the-us-eu-and-turkey/?utm_source

economic interests. For example, Kazakhstan has carefully adhered to Western sanctions without helping to exit the EAEU, creating a tenuous position in its trade policies.⁵²

In recent years, post-Soviet states have intensified efforts to diversify transportation routes and reduce dependence on Russian transit corridors. Kazakhstan, Azerbaijan, and Georgia have collaborated to establish alternative pathways, notably through the Middle Corridor, which connects China to Europe via Central Asia, the Caspian Sea, Azerbaijan, and Georgia. This initiative has led to the creation of joint logistics companies and the harmonization of rail tariffs to streamline transit processes.⁵³ A significant development in this diversification is the enhancement of the Khorgos dry port in Kazakhstan. Strategically located on the border with China, Khorgos serves as a pivotal transshipment hub, facilitating the transfer of goods between rail and road networks. This infrastructure is integral to the Trans Caspian International Transport Route (TITR), which aims to provide a reliable alternative to traditional Russian routes.⁵⁴

To contextualize the infrastructural shifts in the South Caucasus, an expert interview was conducted with Mr. Anton Dolgov, Lecturer at Moscow pedagogical state university. His perspective shed light on the post-conflict logistics recalibrations and the evolving dynamics of regional transport corridors.

Mr. Dolgov explained that following Azerbaijan's 2023 military operation, which effectively resolved the Karabakh issue by force, the medium term prospects for regional connectivity have shifted. Although the resolution occurred under tense conditions, he emphasized that Armenia is unlikely to reopen the territorial dispute, thereby lowering immediate barriers to infrastructural cooperation.

One such initiative is Armenian Prime Minister Nikol Pashinyan's "Crossroads of Peace," proposed in October 2023, which aims to reconnect Armenia's transport networks with both Turkey and Azerbaijan. While Baku responded coolly and continues to advocate for its own vision

⁵² Ibid

⁵³ [Almaz Kumenov](https://eurasianet.org/azerbaijan-georgia-kazakhstan-harmonize-efforts-on-route-bypassing-russia), "Azerbaijan, Georgia, Kazakhstan harmonize efforts on route bypassing Russia," Eurasianet, June 28, 2023, <https://eurasianet.org/azerbaijan-georgia-kazakhstan-harmonize-efforts-on-route-bypassing-russia>

⁵⁴ "Khorgos gateway The building of a new Dubai in China," *South China Morning Post*, Access February 8, 2025, [https://multimedia.scmp.com/news/china/article/One Belt One Road/khorgos.html?](https://multimedia.scmp.com/news/china/article/One-Belt-One-Road/khorgos.html?)

“The Zangezur Corridor”, Mr. Dolgov noted that both proposals underscore the new focus on infrastructural diplomacy in the region.

Furthermore, Armenia’s ratification of the Ashgabat Agreement demonstrates its intent to deepen east-west transit integration, even independently of Azerbaijan. Dolgov pointed out that while concrete implementation remains uncertain, these strategic alignments could increase Armenia’s attractiveness as a transit state within broader Eurasian logistics frameworks.

He also highlighted growing bilateral infrastructural collaboration, particularly between Azerbaijan and Georgia, which continue to advance joint projects. However, he cautioned that Azerbaijan’s long-term infrastructure priorities may pivot toward larger partners like Turkey, potentially slowing trilateral integration in the Caucasus.

According to Dolgov, the reconfiguration of trade and transport corridors in the South Caucasus is underway but remains conditional on sustained diplomatic normalization, institutional cooperation, and the ability of states to balance competing pressures from Russia, Turkey, and the EU. In this light, transport initiatives are not merely economic tools, but instruments of political signaling and regional alignment in the post-war landscape.⁵⁵

The Belt and Road Initiative (BRI) has further bolstered these efforts by financing infrastructure projects along the Middle Corridor. China’s investments have focused on developing key transit points, such as the Khorgos dry port, and enhancing rail connectivity to support the efficient movement of goods between Asia and Europe.⁵⁶ Additionally, the International North South Transport Corridor (INSTC), which connects India to Russia via Azerbaijan and Iran, has gained prominence as an alternative trade route. Azerbaijan’s investment in upgrading its rail network is a strategic move to complement its role in both the Middle and North South corridors, thereby enhancing its position as a transit hub between Asia and Europe.⁵⁷ These developments underscore

⁵⁵ Anton dolgov, Interviewed by Maheer Imran , Online Interview May 23, 2025

⁵⁶ Avinoam Idan, “China's Belt and Road Initiative: Relieving Landlocked Central Asia,” CACI Analyst, May 1, 2018, [https://cacianalyst.org/publications/analytical articles/item/13510 chinas belt and road initiative?](https://cacianalyst.org/publications/analytical%20articles/item/13510%20chinas%20belt%20and%20road%20initiative/)

⁵⁷ Rahimbek Abdrahmanov, Kamshat Zhumagulova, “Trans Caspian Route: Kazakhstan’s Gateway to Europe,” *The Diplomat*, August 16, 2023, [https://thediplomat.com/2023/08/trans-caspian-route-kazakhstans gateway to europe/](https://thediplomat.com/2023/08/trans-caspian-route-kazakhstans-gateway-to-europe/)

a regional shift towards greater economic integration and resilience, as countries collaborate to establish diversified and sustainable transportation networks that bypass traditional Russian routes.

Finally, this paper concludes that the war has ushered in major shifts in the transportation infrastructure and trade flows of post-Soviet states. The conflict has certainly had its downsides, but it's also been the driving force behind innovation and cooperation in inventing new trade routes and logistics solutions. These changes are probably going to have a considerable long term effect of making a more diversified and tolerant regional transportation network, where Kazakhstan, Azerbaijan and Georgia become more and more important players in the Eurasian transportation trade. But realization of the new patterns will hinge on continued investment in infrastructure, regulatory harmonization and the countries' capacity to navigate the tangled geopolitical fray of the region.

Rival bids to disrupt traditional trade routes and transportation networks in post-Soviet states have dealt a massive blow to regional trade flows due to the war. Neither of these has remained as an option in the conflict, forcing countries to seek new trade routes through Russia and Ukraine. Heavily relying on Russian transit routes, Kazakhstan is also beginning to invest in alternative routes, such as the Middle Corridor, which runs through Central Asia, the Caspian Sea and the South Caucasus. Like Georgia's ports, their activity in Georgia is on the rise as major hubs for goods moving between Central Asia and Europe. This has in turn stimulated closer cooperation among countries such as Kazakhstan, Azerbaijan and Georgia, working on infrastructure to support these new routes. War has made digital innovations, like block chain for cargo tracking and electronic customs systems, practical tools to overcome the logistical challenges it has caused. While these further shifts present new opportunities, they also demonstrate a systematic need for post-Soviet states to diversify away from the infrastructure of any particular country on a trade network, and notably in an unpredictable geopolitical environment.

CHAPTER 3

THE ECONOMIC SANCTIONS ON RUSSIA AND ITS TRADE RELATIONS IN THE POST POST-SOVIET SPACE

The 2022 Russian invasion of Ukraine is a flashpoint in modern global politics, with the war re-stoking smouldering conflict between Russia and Ukraine, prompting far-reaching Western sanctions. This ruling, coupled with the changing global landscape in trade and politics, has created ripple effects through Russia et al. For countries like Belarus, Kazakhstan and Moldova that are economically interconnected with Russia by energy, trade or infrastructure networks, the challenge is even greater. With these countries having shaped a new geo-political environment and an alternative pattern in the regional trade emerges that indicates robustness of their strategies. As a major supplier of oil, gas and minerals (primarily but not exclusively to the Far East), Russia's connection with the global economy goes beyond merely its direct trade. The sanctions, which hit Russia's energy, financial and defence industries in an attempt to exert economic pain that would limit Moscow's influence over Western capitals by limiting access to capital, technology or markets. Russia is still the dominant partner for many post-Soviet states including Belarus, meaning difficult decisions like whether to join in Western sanctions, and take a possible economic hit, or keep trading with Russia risking diplomatic cold shoulder. With every country in the post-Soviet space guided by its own doctrine shrugging off previous constraints and reshaping trade dynamics within the region.⁵⁸ The war has deep historical roots with Ukraine and Russia having shared Cultural, Linguistic & Economic ties for centuries. But Ukraine's independence in 1991 left it caught between Russia and Europe. Russia's annexation of Crimea in 2014 was a turning point, prompting Western sanctions that hurt the Russian economy but did not discourage its ambitions. The full-scale invasion of Ukraine in 2022 resulted in an escalation of sanctions that virtually isolated Russia from the West. This discord plays out the struggle between two alternative futures for Europe, an independent pro-Western Ukraine or a vassal region led from Moscow.⁵⁹

⁵⁸ “Assessing the Impact of Russia's War against Ukraine on Eastern Partner Countries,” OECD, Access February 8, 2025, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/01/assessing-the-impact-of-russia-s-war-against-ukraine-on-eastern-partner-countries_3fdf0591/946a936c-en.pdf

⁵⁹ Jonathan Masters, “Ukraine: Conflict at the Crossroads of Europe and Russia,” *Council on Foreign Relations*, February 14, 2023, <https://www.cfr.org/background/ukraine-conflict-crossroads-europe-and-russia?>

The new crippling US sanctions are among the toughest ever imposed in modern history and have targeted major sectors including energy, finance technology and military exports from Russia. The aim was to curtail Russia's ability to support its military intervention in Ukraine. The initial sanctions included the asset freezes, travel bans and restrictions on exports of critical technology including semiconductors, all crippling blows to Russian tech firms and defence.⁶⁰ But as time went on, so did the sanctions and they began taking aim at Russia's biggest industry: energy. With a sizeable portion of all revenue that reaches Moscow coming from gas and oil companies, this would cause some major problems over there. While difficult to enforce, the embargo on Russian revenues from its enormous oil and gas reserves is still crucial for undermining Russia's economy.⁶¹

Such sanctions have a wide impact even on the post-Soviet space. Take Kazakhstan: because so much of the country's oil passes through Russian pipelines, sanctions involving key transportation hubs in Russia have the potential to wreak havoc on Kazakhstan's own enormous oil trade. Armenia and Belarus could also suffer economic repercussions have extensive financial ties with Russia. Hit by its own sanctions in favour of Russia, Belarus is increasingly reliant on Russian financial and military backing meaning that has less leeway for facing potential new measures.⁶² The sanctions have also spawned gray trades networks, with some like Armenia and Georgia at times serving as intermediaries for Western sanctioned goods. This complex web of dependencies highlights the difficulties countries in a post-Soviet environment have when walking through trade amidst sanctions, whereby not only direct but also indirect and systemic effects play into national policies and strategic perceptions.⁶³

Historical Context of Post-Soviet Trade Relations

The fall of the Soviet Union in 1991 reorganized the political and economic topography and transformed several nations with different economic goals. Although these newly sovereign states

⁶⁰ Brian J. Egan, Eytan J. Fisch, Ondrej Chvosta, et al, "Russia's Energy, Financial and Defense Sectors Are the Focus of the Last Round of Sanctions Under Biden," Skadden, January 23, 2025, <https://www.skadden.com/insights/publications/2025/01/russias-energy-financial-and-defense/>

⁶¹ "Treasury Intensifies Sanctions Against Russia by Targeting Russia's Oil Production and Exports," *US Department of the Treasury*, January 10, 2025, <https://home.treasury.gov/news/press-releases/jy2777?>

⁶² Anar Khalilzade, "Effects of increasing sanctions against Russia on post-Soviet countries," *UNEC*, Access January 8th, 2025, <https://www.unectf.org/en/effects-of-increasing-sanctions-against-russia-on-post-soviet-countries/>

⁶³ Erekle Pirveli, "Georgia's Role in Sanctions Evasion: A Transit Hub for Russia?" *Forbes*, October 24, 2024, <https://forbes.ge/en/georgia-s-role-in-sanctions-evasion-a-transit-hub-for-russia/>

liberated themselves from centralized control after decades, they had a highly integrated economy with industrial linkages, division of labor and many times the trade links of the era of Soviet states. The authors cited that in the course of transformation from the Soviet command economy to a new, post-Soviet market organization of trade relations many states were problematic, but still they persisted in relying on Russia as their largest previous trading partner. To these countries Russia was not only a geographical Neighbour but was also a provider of oil and natural gas/ minerals and an important customer for their exports. Nevertheless, this constant interaction once the newcomers gained their independence remained the indicator of the interdependence that the Sanctions and the Geopolitical Struggle would test decades later.⁶⁴

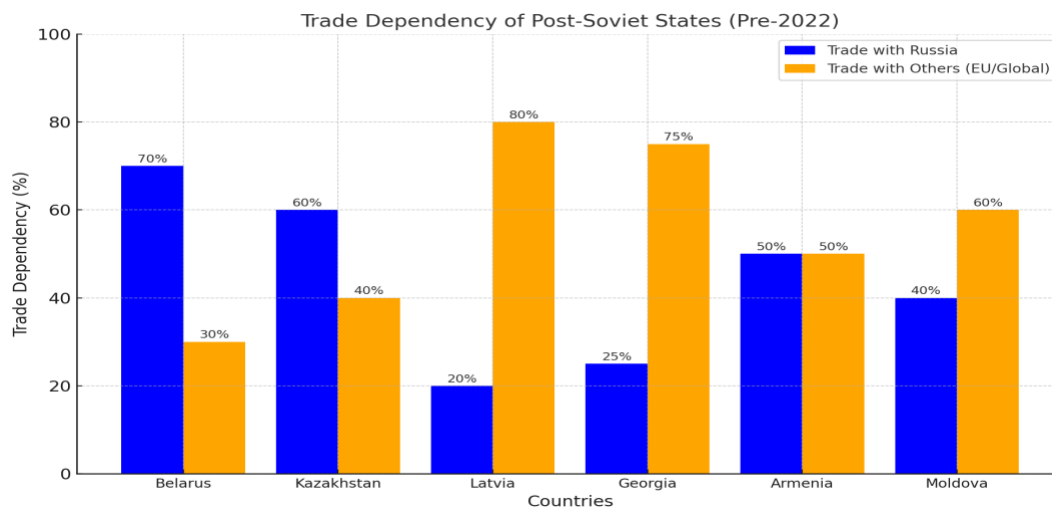


Figure 3.1: Trade decency of Post-Soviet States (Pre 2022)

Source: Compiled by self

This bar chart shows the trade relationships of six nations in Russia's former Soviet sphere before 2022 both with Russia and other partners especially the EU. Belarus and Kazakhstan rely heavily on Russia for trade and energy because they have joined the Eurasian Economic Union plus rely on Russian energy imports. Both Latvia and Georgia have invested in multiple trade partners lessening their reliance on Russia to 20% and 25%. They focus more on EU trade connections. Both Armenia and Moldova depend moderately on Russia's economy for fifty percent and forty percent of their trade respectively. They maintain balanced economic relations between Russian

⁶⁴ Marek Dabrowski, "Thirty years of economic transition in the former Soviet Union: Microeconomic and institutional dimensions," *Russian Journal of Economics*, April 13, 2023, <https://rujec.org/article/104761/>

and other global partners. These nations experienced different levels of trade relationship with one another before 2022 emerged.

After the independence period, a peculiar situation prevailed to link post-Soviet states with Russia in terms of infrastructure, including supplies. The cooperation of the former Soviet republics is a member of an organization that was commissioned in 1991 known as the Commonwealth of Independent States (CIS). CIS enforces some level of coordination in the area of trade policies, labor migration and transport infrastructure with an aim of ensuring integration in order to prevent being locked out of the world economy.⁶⁵ Nevertheless, the dynamic and selective economic development together with unequal resource base tended to drive member states in opposite directions: many of them searched for the new alliances outside the Russian orbit. For example, states such as Latvia and Georgia started to turn their focus more westwards and increasingly integrated into European, other international trade networks. On the other hand, both Belarus and Kazakhstan continued to exhibit trade relations with the Russian trade policies due to the Russian initiated EAEU, aimed at enhancing economic cooperation in the region.⁶⁶

Before the war and the sanctions trade integration among post-Soviet countries was a mixed phenomenon where each country had developed its own set of rules on its relationship with Russia depending on the peculiarities of its economic interest and politico strategic orientation. As being one of the most dependent on Russia in terms of both energy and agricultural markets, Belarus preserved one of the most profound cooperation. The country was vital for its industrial segment especially the refining facilities that imported Russian crude oil and exported finished goods back to Russia, and beyond. This interdependence provided Belarus some degree of economic stability while seriously circumscribing efforts to diversify trade relationships.⁶⁷ Kazakhstan also had very positive trends in the trade turnover with Russia based on the proximity and shares in the CIS countries and its natural resources. There was interconnectivity in the energy field with the pipelines extending over the Kazakh Russian border to deliver Kazakh oil and natural gas to Russian consumers and beyond, to Europe. In 2010, signing the agreement on Kazakhstan's

⁶⁵ "Eurasian economic integration," Wikipidea, Access January 8th, 2025, https://en.wikipedia.org/wiki/Eurasian_economic_integration?

⁶⁶ Viachaslau Yarashevich, "Post Communist Economic Integration : Belarus, Kazakhstan, and Russia," *JEI*, Vol.29 No.4, December 2014, 582~623, https://www.ejei.org/upload/JEI_29_4_582_623_2013600055.pdf

⁶⁷ Kluczewska, K., & Silvan, "Post-Soviet Dependence with Benefits? Critical Geopolitics of Belarus's and Tajikistan's Strategic Alignment with Russia," *Geopolitics*, 2024, <https://doi.org/10.1080/14650045.2024.2368621>

accession to the EAEU, together with Belarus and Russia, put aside such cooperation. Thus, while Kazakhstan had conducted Foreign Trade, the EAEU arrangement ensured that Russia became its largest trading partner especially industries that needed Industrial products and chemicals, Machinery, etc. Meanwhile, Latvia's pre 2022 trade balance with Russia was considerably more nuanced. Since Latvia joined the European Union in 2004, it cultivated some level of trade relations with Russia, but concentrated more on EU integration, pulling out of Russian markets. Riga and other Latvian ports through which Baltic Sea acted as Russian logistical points in the European market benefited from Russian requirement to access European markets. However, although Latvia shifted to the western orbit, Latvia at the same time, reduced economic vulnerability to Russia and thus had more balanced trade structure.⁶⁸

Trade relations between Georgia and Russia were also conflict ridden. Russo Georgian War of 2008 led to near collapse of diplomatic relations and the losses in trade continued for several years. However, within three years from the implementation of the Russian trade ban, Russia was ease gradually back into Georgia's large trading partners again mostly in exportations of wine, mineral water, and agricultural products. Nevertheless, Georgia has been seeking a greater economic interaction with the EU, employing the Association Agreement signed in 2014 that which points to the process of westernizing economic orientation and diversifying away from Russia.⁶⁹ Like most states in the South Caucasus, security considerations have been as important to Armenia's relationship with Russia as economic factors. Armenia, a landlocked country that borders I rage and turbulent areas, relied on Russia for many of its needs, including defense, fuel and energy. It became a member of EAEU in 2015; Russia's products which accounted for more than one third of Armenia's imports, were entirely duty free after joining the organization. While Armenia aimed at diversifying its foreign connections in terms of trade relations, its economic and strategic conditions predetermined its mostly Russian oriented trade vector.⁷⁰ Moldova was yet another special case amongst all these. Geographically located between Europe and Russia, Moldova had

⁶⁸ Viesturs Pauls, *Latvian foreign trade and investment with Germany and Russia: past and present*, No. 4/10. Discussion Paper, 2010, <https://europa.kolleg.hamburg.de/wp-content/uploads/2019/02/Latvian-foreign-trade-and-investment-with-Germany-and-Russia-past-and-present.pdf>

⁶⁹ Emil Avdaliani, "Playing with Fire: Georgia's Cautious Rapprochement with Russia," *CARNEGIE POLITIKA*, July 21, 2023, <https://carnegieendowment.org/russia-eurasia/politika/2023/07/playing-with-fire-georgias-cautious-rapprochement-with-russia?lang=en>

⁷⁰ Benyamin Poghosyan, "The Eurasian Economic Union: A View from Armenia," *ISPI*, February 3, 2025, <https://www.ispionline.it/en/publication/the-eurasian-economic-union-a-view-from-armenia-199077>

the task anew of articulating relations with both. Despite being highly reliant on the Russian energy sector, Moldova looked for connexions with the EU and in 2014 signed the DCFTA agreement. Moldova's agriculture sector remained largely dependent on Russia with Moldovan wine being shipped to Russia, however this exporting was open to sanctions during strained relations between Moldova and Russia. This balancing act represented Moldova's pre 2022 trade policy, meaning trying to diversify the structure while keeping the need for Russian markets.⁷¹

Nature and Scope of Economic Sanctions on Russia

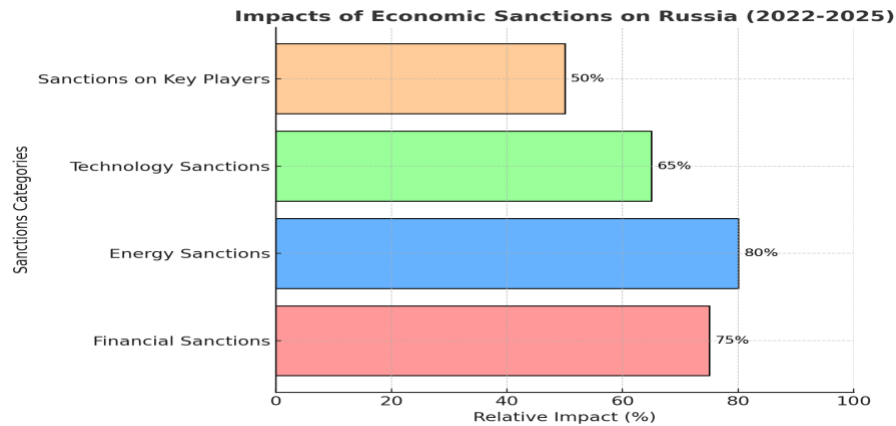
One of the most extreme, complex and coordinated endeavors ever to isolate a major global economy is the economic sanctions used against Russia as a result of its invasion in Ukraine in 2022. The idea was to effectively block hold Russia from the main economies of the world, thereby shutting Russia down economically and effectively crippling the war in Ukraine. Unlike traditional sanctions that may target specific individuals or companies, the scope of these sanctions reaches nearly all major economic pillars of Russia: Its cultural ties, energy resources, high tech imports and its financial institutions. What is truly significant about these sanctions is not just that they are being undertaken by the established geopolitical players, the EU and the US, but also by Japan and Australia, nations that historically have less direct involvement in European conflicts. That is why the sanctions are in particular unprecedented in their scope, not only to prevent the Russian economy from functioning for the time being but to drastically decrease Russia's international standing forever.⁷²

The swiftness of the sanctions, the far reaching scope of them, and the global nature of the economic tools being employed is a bold sign of a sea change in global economic governance, the international community is no longer relying on capitalism alone but has increasingly turned to economic tools as powerful instruments of diplomacy and punishment. These sanctions target exactly what has sustained much of Russia's past: its energy based economy and heavy industry reliant on global interconnectedness, from which Russia's government and military now must be

⁷¹ "Is the DCFTA good for Moldova?: analysis of Moldova's trade options using a dynamic computable general equilibrium model (English). Moldova trade study|note 2 Washington, D.C.: *World Bank Group*, <http://documents.worldbank.org/curated/en/281771467991921364>

⁷² Oleg Itskhoki, Elina, "The economics of sanctions: From theory into practice," Brookings, September 25, 2024, <https://www.brookings.edu/articles/the-economics-of-sanctions-from-theory-into-practice>

denied revenue streams. To this extent, by imposing these sanctions, Russia is not being punished merely economically but rather hit at its infrastructure and technological capabilities in such a



debilitating fashion that it could position Russia as a very different player in the global arena for years, even decades to come. The multidimensional nature of this sanctions programme represents a radical break from previous sanctions programmes against, for example, Iran or North Korea, which targeted a country having far fewer economic linkages.⁷³

Figure 3.2: Impacts of Economic Sanctions on Russia (2022 2025)

Source: Created by self

This chart shows how economic sanctions against Russia work differently in each sector. Energy sanctions produce the strongest impact at 80% because they cut into Russia's main source of income. Financial and technology restrictions rank next at 75% and 65% respectively. A combined international response must harm Russia more than 50% through consistent actions.

Financial, energy, and technology sanctions imposed on Russia can, roughly speaking, be split between sanctions crushing key economic pillars of Russian power. Some of the most immediate and effective measures to limit Russia's ability to sell into global markets have been financial sanctions. Sberbank, VTB and Gazprombank were taken off the SWIFT international payment system, severely limiting their capacity to undertake deals with abroad. It is a critical blow to the daily Russian bank operations and to international financial flows to Russia because it prevents

⁷³ Ibid

Russian banks from using SWIFT.⁷⁴ The United States also frozen the foreign reserves of the Central Bank of Russia, worth over \$300 billion, along with the European Union. Frozen reserves are meant to insulate the Russian economy from external shocks; they cut off Russia's capacity to stabilize the ruble or finance its wartime deficit. In debt markets, also, Russia is proscribed from borrowing in major foreign currencies, limiting its ability to finance government operations or to refinance debts.⁷⁵ This is particularly true, however, because Russia relies so heavily on energy exports as a major source of revenue. Take for example Russian oil in 2021 when more than half of the federal Russian budget was financed by oil and gas export. This means that sanctions imposed on the Russian energy sector go right to the heart of its economic power. Since appealing to Belarus, Russia's only remaining energy customer to join the sanctions, Russia's largest energy customer, the EU has been progressively moving to reduce dependency on Russian oil, coal, and, eventually, natural gas imports.⁷⁶ In December 2022, the EU introduced a full ban on Russian seaborne crude oil and, alongside a G7 led oil price cap, to ensure reduced revenue from oil exports by Russia into other countries. While these bans and price caps have primarily impacted Europe, these bans also kneecap global markets by shriveling Russia's diplomatic clout in international energy pricing. In return, Russia has funneled some of its energy exports to markets such as China and India, but those countries aren't able to buy as much as Russia once sold to Europe, creating an oversupply and forcing Russia to sell at an enormous discount.⁷⁷

The third major category of technology sanctions are directed at depriving Russia of access to advanced equipment and know how used, among other things, by Russia's military. The U.S. and EU have forbidden exports of high tech goods to Russia, such as semiconductors, telecommunications equipment and specialized machinery upon which key industries such as aviation and defense depend. To give an example, Russian airlines struggle to maintain their fleet of aircraft produced by Boeing and Airbus, for instance, these have no access to Western avionics

⁷⁴ Christian Perez, "What Does Russia's Removal From SWIFT Mean For the Future of Global Commerce?" FP Analytics, access January 8, 2025, <https://foreignpolicy.com/2022/03/08/swift-sanctions-ukraine-russia-nato-putin-war-global-finance/>

⁷⁵ "Russia's War on Ukraine: Financial and Trade Sanctions," Congressional Research Service, February 22, 2023, <https://crsreports.congress.gov/product/pdf/IF/IF12062?>

⁷⁶ "Tracking the impacts of G7 & EU's sanctions on Russian oil," CREA, Access January 9, 2025, <https://energyandcleanair.org/russia-sanction-tracker/>

⁷⁷ Siyi Liu, Chen Aizhu and Nidhi Verma, "Russia oil trade to China, India stalls as sanctions drive up shipping costs," *Reuters*, January 28, 2025, <https://www.reuters.com/markets/commodities/russia-oil-trade-china-india-stalls-sanctions-drive-up-shipping-costs-2025-01-28/>

and therefore cannot be sustained. Restrictions on dual use technology, technology that has both civilian and military applications are also meant to slow Russia's tech advances, including in missile tech, artificial intelligence, and cyber weapons. Without a self sufficient semiconductor industry, Russia is unable to produce or repair high tech military and consumer goods of all kinds, weakening its technological competitiveness and long term innovation potential.⁷⁸

➤ **Sanctioning Russia's Key Players**

The international coalition enforcing sanctions on Russia is a complex web of countries, institutions and organizations all with very different interests and motivations. The U.S. and the European Union are leading this coalition: both hold considerable economic leverage over Russia and can be relied upon to enforce these kinds of sanctions, should they be imposed. But as other nations followed a similar path to U.S. leadership to impose direct sanctions on Russian assets and individuals, the U.S. has also made diplomatic efforts to bring other nations under a common framework. It follows that the Office of Foreign Assets Control (OFAC) at the U.S. Department of the Treasury has played a vital role in developing and implementing sanctions and using its worldwide financial networks to enforce them. But the European Union has a considerable role to play largely because of historical and economic ties with Russia, especially in energy. However, embargoes on Russian oil while supported by Hungary and Germany helped the EU coordinate and limited financial restrictions on Russia, all of which represent unprecedented unity. The EU has also been trying to force forward its own energy transition, reducing its reliance on Russian gas and instead turning to renewable sources and alternative suppliers, by collectively sanctioning Russia.⁷⁹

Canada, Japan, the UK and Australia have also stepped in as vital players in the sanctions regime, with parallel measures designed to parallel sanctions by the U.S. and EU. Since Japan, for all its geographical proximity to Russia, has always been rather ambivalent at heart regarding any conflict with its northern Neighbour, its sanctions are particularly notable. Japan has also gone ahead and froze Russian assets, especially in the finance and technology sector, and barred some luxury

⁷⁸ Iryna Bogdanova, "The Role of Technology Sanctions in Crippling Russia's War Machine," IISD, September 26, 2022, <https://www.iisd.org/articles/policy-analysis/technology-sanctions-russia-war?>

⁷⁹ "EU sanctions against Russia explained," *European Council*, December 6, 2024, <https://www.consilium.europa.eu/en/policies/sanctions-against-russia-explained/?>

exports to Russia.⁸⁰ Because of the degree of global consensus, smaller nations like Norway, and even Switzerland, have also aligned with the sanctions. Of course, but what is particularly interesting is Switzerland's involvement, just by virtue of being neutral historically, how involved it is with the international community in the extent of freezing of Russian assets, there is a great deal of sense to that and it shows there is a significant sense of seriousness from the international community about this. South Korea and Taiwan, while less loudly so, have also joined by curbing exports of semiconductors and electronics, essential components that Russia cannot easily produce at home.⁸¹

➤ **Sanction's Objectives and Expected Impacts**

Sanctions are meant to hobble Russia's ability to bankroll and endure its war in Ukraine by harming its economic foundations. The sanctions target specific sources of revenue such as energy exports and financial reserves with the intention of battering Russia's financial resilience and forcing its government to end the conflict (at home). The sanctions also intend to erode long term economic stability of Russia by limiting the ability to gain access to the advanced technologies and comfortably compete in the areas of services other than raw materials and energy. For example, Russia will find itself handicapped in the global competitiveness of industries such as consumer electronics and defense for their reliance on semiconductor imports.⁸² Furthermore, the sanctions are meant to further their social and political consequence within Russia itself but by way of action upon Russia's population. No matter what; Russian citizens are likely to be dissatisfied as inflation, a shortage of consumer goods, and a decline in the quality of life are expected to take place. The exodus of Western companies, from consumer brands like McDonald's and tech giants like Apple and Microsoft, has shaken the daily lives of average Russians, displacing access to products and services that have become an everyday part of life. The combination of job losses in industries hit by sanctions and falling income from these jobs creates an environment of frustration that the international community is hoping will pressure the Russian government to think anew about its

⁸⁰ "Russia's 2022 Invasion of Ukraine: Overview of U.S. Sanctions and Other Responses," Congressional Research Service, October 21, 2022, <https://crsreports.congress.gov/product/pdf/IN/IN11869/13>

⁸¹ Ibid

⁸² Benjamin Hilgenstock, Elina Ribakova, Guntram B. Wolff, "Toughening Financial Sanctions on Russia," *Intereconomics*, Volume 58, 2023 · no 4 · pp. 201–208, https://www.intereconomics.eu/contents/year/2023/number/4/article/toughening_financial_sanctions_on_russia.html

actions in Ukraine. On the global scale, sanctions are meant to express to other states what are the costs of an aggressive unilateralist approach to territorial violations, bad human rights conduct.⁸³

Impact of Sanctions on Russia's Economy

The imposition of economic sanctions on Russia, particularly following its actions in Ukraine in 2014 and the subsequent intensification of sanctions post 2022, has fundamentally reshaped the landscape of its economy. Sanctions targeting financial institutions, major exports, and technology sectors have not only disrupted Russia's economic ties with Western nations but have also instigated structural shifts within its domestic economy. Sanctions are generally designed to exert economic pressure through restricted access to financial markets, technology embargoes, and trade bans on key commodities. These restrictions have yielded both immediate and enduring economic impacts, influencing growth trajectories, fiscal stability, and trade dependencies.

a) Short Term and Long Term Economic Effects

While the initial wave of sanctions from Western countries also initially disrupted Russia's economy, leading to a sharp depreciation of the ruble and eroding investor certainty, the longer term impact may yet be far more pernicious. Discounted imported goods make them more appealing, increasing prices and making inflations really difficult to control: Russia's central bank had to raise interest rates drastically. For instance, in 2022 the ruble was devalued to negative numbers in just a matter of a few weeks and even hit over 40% in just a few weeks, plunging into consumer panic of stable currencies and goods. The financial restriction likewise blocked out Western funding for Russian companies, including key state owned enterprises, which were forced to look elsewhere for financing. For example, major energy players such as Gazprom and Rosneft had to increasingly rely on domestic and non Western financing in order to keep operations in hand.⁸⁴

Sanctions have over the long term forced Russia's flip into an economic strategy that progressively, but significantly, decreases Western economic influence. In both energy and manufacturing, Russia

⁸³ Rachel Lyngaas, "Sanctions and Russia's War: Limiting Putin's Capabilities," *U.S. Department of Treasury*, February 14, 2023, <https://home.treasury.gov/news/featured-stories/sanctions-and-russias-war-limiting-putins-capabilities>

⁸⁴ Oleg Itskhoki, Elina Ribakova, "The Economics of Sanctions: From Theory Into Practice," *Brookings*, September 26 27, 2024, https://www.brookings.edu/wp-content/uploads/2024/09/6_ItskhokiRibakova.pdf

has had to downscale some of its most ambitious industrial projects under restrictions on access to advanced technology sustained. And nowhere is that more evident than in the energy sector, where companies have found it hard to replace Western technology, vital to extracting oil and gas from difficult conditions like offshore and Arctic wells. For instance, Russia has been hit with delays and reduced output in vitally important energy infrastructure, making it difficult for it to follow a long term energy strategy, without European expertise and machinery. And Russia's GDP growth, which during pre 2022 had been averaging some 1.5 2 percent, has been stagnant or in contraction, with prospects for recovery under continuing sanctions pressure weak.⁸⁵

b) Changes in Russia's Trade Policies and Strategies

Given these new sanctions environment, Russia has carried out many major changes in its trade policies and strategies. Among the most notable changes had been its bend towards the Asian region, and that means in particular becoming closer to China and India. For instance, Russia has swiftly cut its oil and gas exports to Europe and now the Chinese market is its primary customer. Last year, Russia continued to vastly expand its exports of crude oil to China, using preferential pricing and trade in local Chinese currencies to skirt the dollar dominated financial system, up to record levels. It also represents a growing reorientation towards the Shanghai Cooperation Organization (SCO) and Eurasian Economic Union (EAEU) as means to establish intra regional trade partnerships for substituting the declining inter regional trade with the EU and the United States.⁸⁶

Russia has also conducted import substitution policies as the means to reduce the dependence on products from the West. Formally after the first sanctions in 2014, this strategy is now being applied across sectors like agriculture, technology and machinery. At first, this policy languished but took off as Western goods grew harder to come by or more expensive. Russian agriculture has been very successful particularly in grain production, where it has nearly become self sufficient, decreasing its reliance upon European agricultural imports. But such difficulties continue in high tech industries, where the products of trade with Western technologies cannot be replicated as easily at

⁸⁵ Ibid

⁸⁶ Maria Shagina, "Drifting East: Russia's Import Substitution and Its Pivot to Asia," CESS, April 2020, <https://www.cees.uzh.ch/dam/jcr/%3A19d4d0ecba85490b8909a6b327c51f6e/CEES%20Working%20Paper%20No.3.pdf>

home. The gap has largely confined Russia's industrial development, with automobiles failing to keep pace, as Western carmakers reduced their presence in the market or altogether quit operating.⁸⁷

c) Adaptation Measures by Russian Businesses and Government

For Russian businesses and the government, the adaptation to sanctions has been to develop new ways of sustaining economic activity in an ever more marginalized environment. To maintain operations, Russian businesses have been forced to innovate on the fly many times at the expense of efficiency or profitability. We can clearly see a key example: in the technology sector, the companies that sold the components that are essential to the work have been relying on China and other Asian markets. Technology in areas such as `telecommunications and consumer electronics are now supplied by Chinese counterparts of Western technology, though often inferior to the originals, and upon which production must be kept if firms are to survive.⁸⁸

One of the most important measures from the governmental side has been the creation of the National Welfare Fund (NWF), a shock absorption device. Russian government can to a certain degree attenuate the negative effect of the sanctions on immediate investors by investing a greater part of the fund in gold and foreign currency reserves, in particular stabilizing ruble when the currency is violently fluctuating. For example, in 2022 and 2023 the NWF helped finance key industries and companies owned by the state, which were restricted from utilizing their foreign exchange reserves thanks to the financial sanctions. The Russian government is attempting to build autonomy in technology and reduce reliance on the West through innovations like “Made in Russia”. Whilst boosting local appeal towards Russian products, it also aims to create self reliant citizens willing to display patriotism. Moreover, Russian investments on digital and financial sovereignty have been substantial to assist the development of local software and hardware replacements for Western systems.⁸⁹ Additionally, Russia has pushed several governments sponsored initiatives to foster domestic innovation and resilience. For example, the “Made in Russia” campaign seeks to increase local consumption of Russian brands and products following

⁸⁷ Simola, Heli, “Recent trends in Russia's import substitution of technology products,” Econstor, June 5, 2024, <https://www.econstor.eu/bitstream/10419/297996/1/1890872679.pdf>

⁸⁸ Ibid

⁸⁹ “Is Russia's National Wealth Fund deep enough to counteract sanctions?” *Reuters*, March 2, 2022, <https://www.reuters.com/business/finance/is-russias-national-wealth-fund-deep-enough-counteract-sanctions-2022-03-02/>

Russia's invasion of Ukraine, helping along a sense of self reliance, patriotism. In addition, the government has also invested very heavily in digital and financial sovereignty, pushing against western platforms and favoring alternatives. But these measures haven't worked out as effectively as they might have. Though Russia has managed to keep some economic sectors' level of functionality, there has been no growth for losses of global competitiveness and market access.⁹⁰

Regional Trade Patterns and Shifts

It is important to first understand how those economic relationships within the post-Soviet space all are tied together before delving into how sanctions against Russia have shaped regional trade patterns. These were the nations of Belarus, Moldova, Kazakhstan, Georgia, Armenia and Latvia, which had very much historical and economic ties with the former Soviet system, as they had performed each a particular role within a centralized economy. Following the dissolution of the Soviet Union in 1991, these states have sought economic independence, and formed trade links with other states, while Russia continued to play a central role in its economic networks. For the first few decades, the trade structure in this region continued to be mainly Russia centric; Russia acted typically as supplier of raw materials and a major market. The economic dependence was not the only side, because Russia had some influence on these countries in their political sphere to an extent, after all, it maintained strong trade relations, in many cases connected to energy, with these countries.⁹¹

1. Trade Data Analysis Pre and Post Sanctions

Before and after the sanctions, trade data show dramatic changes in the economic configuration of these post-Soviet states. A great example is Belarus, a country very interwoven with Russia in both the political and the economic. Half of Belarusian exports, in sectors such as machinery, chemicals and agriculture, used to go to Russia before sanctions ramped up. But that wave of sanctions against Russian industries have affected Belarus in a roundabout way. Belarus itself has faced Western sanctions, which hobble its ability to sell to some markets, and cannot sell in European Union (EU)

⁹⁰ Justin Sherman, "Russia's digital tech isolationism: Domestic innovation, digital fragmentation, and the Kremlin's push to replace Western digital technology," Atlantic Council, July 29, 2024, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/russias-digital-tech-isolationism/>

⁹¹ Marek Dabrowski, "Thirty years of economic transition in the former Soviet Union: Microeconomic and institutional dimensions," *Russian Journal of Economics* 9(1): 1-32, <https://doi.org/10.32609/j.ruje.9.104761>

markets because of Russia. Since 2022, Belarus has sharply reduced exports to the EU, which were banned for critical goods. Now advancing its trade with China and other non Western economies against these losses, Belarus is not yet fully compensated for the lost European demand.⁹² In contrast, Moldova is a different case, because its trade patterns have changed dramatically since the sanctions. Moldova was gradually upping its trade with the EU and now counts for about two thirds of its exports, before the conflict. Moldova's biggest trade partner, Russia, once had more influence in the field, but Russia in recent years has banned Moldovan agricultural products, especially wine and fruits, and restricted other goods in a tit for tat move in reaction to Moldova's alignment with Western policies. Moldova has in turn, introduced varied kinds of trade with countries such as Romania and Germany in EU. However, in terms of economic impact the story has been tangled, Moldova got a more stable trading partner with the EU and has lost an important export market with Russia that has affected some domestic industries which depend on Russian demand.⁹³

Kazakhstan was also considering the borders and Russian markets. Kazakhstan's economy was based largely on oil, gas and mineral exports with Russia a key partner in the country's transportation infrastructure. Kazakhstan has been pressured indirectly by the sanctions to find new partners and alternate trade routes to keep trade running. Taking this into consideration, Kazakhstan has more frequently aimed to trade with China and also increased its participation in the Belt and Road Initiative, a system of countries that allows the country to have access to international markets without going through Russia. But such redirection has a catch, logistical and infrastructural bottlenecks as Kazakh goods now have to travel through new and less proven routes. Kazakhstan in partnership with Azerbaijan and Turkey has developed an 'alternative path' of the Caspian Sea region as it creates the 'Middle Corridor' towards Europe. This route shows promise but it's still lagging and increases costs of Kazakhstan's exports, making it harder to pivot away from Russia.⁹⁴

⁹² "Assessing the Impact of Russia's War against Ukraine on Eastern Partner Countries," OECD, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/01/assessing-the-impact-of-russia-s-war-against-ukraine-on-eastern-partner-countries_3fdf0591/946a936c-en.pdf

⁹³ Ibid

⁹⁴ Nuray Alekberli Museyibova, "Kazakhstan Turns Toward China Amid Cooling Relations with Russia," *Eurasia Daily Monitor Volume: 20 Issue: 181*, November 28, 2023, <https://jamestown.org/program/kazakhstan-turns-toward-china-amid-cooling-relations-with-russia/>

The graph shows how post-Soviet states modified their trading relationships as a result of Russia sanctions. Both Latvia and Georgia moved 80% and 85% of their trade from Russia to new overseas markets. Many nations besides Moldova and Kazakhstan are expanding their trading partners successfully yet must manage particular market risks.

Trade Shifts and Adaptations Among Post-Soviet States Post-Sanctions

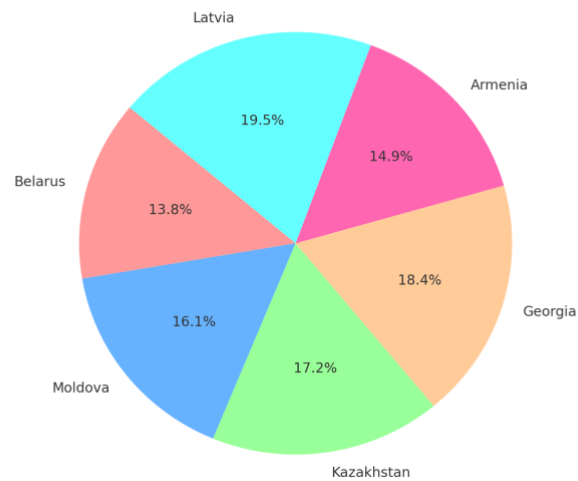


Figure 3.3: Trade Shifts And Adaptations Among Post-Soviet States Post Sanctions

2. Case Studies of Regional Adaptations

Georgia's trade post sanctions reveal regional balancing act changing direction. Georgia, which has been at odds with Russia since the 2008 conflict over South Ossetia and Abkhazia, maintained limited trade links with Russia through sectors such as wine, mineral water and tourism. Yet the sanctions regime against Russia threatens, and expands, Georgia's trade options. The Georgian products are coming at a time when there is decreased competition from Russia in the region due to the declining Russian imports and thus give the Georgian products new markets. Georgia's trade with the EU has also increased thanks to the EU Georgia Deep and Comprehensive Free Trade Area (DCFTA). In doing so Georgia has increasingly exported more to the EU's east than to Russia in the west, strengthening its alignment with the West and reducing its exposure to Russian economic volatility. Nevertheless, the change has generated new dependencies and a requirement on Georgian businesses to fulfil severe EU requirements, a difficult maneuver for small and medium sized enterprises.⁹⁵ Landlocked, and vastly dependent on trade and security guarantees from Russia, Armenia presents a remarkably different set of problems. Russia is a security ally to and a trade partner of Armenia in terms of its significant share in Armenia's imports, in particular in energy

⁹⁵ "EU Georgia Deep and Comprehensive Free Trade Area," *European Commission*, Access January 9, 2025, <https://trade.ec.europa.eu/access-to-markets/en/content/eu-georgia-deep-and-comprehensive-free-trade-area?>

and consumer goods. Armenia's balance has been a careful one, it has had to rely on Russia while also expanding trade relations elsewhere, while Russia's economy is coming under pressure from sanctions. In one attempt to keep some of the imports and exports that have become less attractive through the Russian channels, it has been trying to increase its trade with Iran and the Eurasian Economic Union (EAEU) countries. In addition, Armenia has pursued greater trade with Georgia as a transit route, but at a rate far below the pre-existing Russian routes. The adaptations show Armenia's attempt to hold its economy afloat in the face of existential geopolitical shifts.⁹⁶

In recent decades, Latvia has changed the orientation to the European market and has reduced the dependence on Russia, as a result of its EU membership. Latvia has traditionally functioned as a transit country for Russian goods into Europe and economically benefited from such a role. But the sanctions have cut Latvia's trade volume with Russia dramatically down and overtime Latvia may feel the economic consequences too, especially when it comes to its logistics and transit sectors. Not least are Latvian ports, which stopped handling a large share of Russian oil and coal, reducing the activity at ports vital for the local economies built on port revenues. To fill this gap, Latvia has promoted its ports and railways as gateways to the Nordic countries and to Western Europe. Additionally, it has boosted in lessening dependence and stabilizing its economy further by increasing imports originating from Germany and Poland.⁹⁷

3. Shift in Trade Routes and Partners

Sanctions have encouraged a startling reversal of trade routes across the post-Soviet region. A prime example is the increasing significance of the Trans Caspian International Transport Route (the Middle Corridor) cited above. Countries such as Kazakhstan, Azerbaijan and Turkey have invested in this route as they seek to bring an end to NATO's Northern Route centered in Russia. The Middle Corridor offers a viable, if more expensive, alternative to those traditional routes, through Russia,

⁹⁶ Onnik James Krikorian, "Armenia Moves Toward Europe While Still Dependent on Russia," *Eurasia Daily Monitor* Vol: 22 Issue: 9, January 28, 2025, <https://jamestown.org/program/armenia-moves-toward-europe-while-still-dependent-on-russia/>

⁹⁷ Žygimantas Mauricas, "The effect of Russian economic sanctions on Baltic States," Access January 2, 2025, <https://corporate.nordea.com/api/research/attachment/17231>

with investments in railways, ports and logistics. But the full emergence of this route is hampered by infrastructure capacity problems and higher costs than Russia's established corridors.⁹⁸

It has also shifted some of its exports to new markets in the Middle East and Asia in a bid to lessen dependence on the EU and Russia. Like this, Armenia has been researching new trade opportunities with Iran, exploiting the Armenia Iran border, where it would import essential goods, it wouldn't be able to receive from Russia otherwise. It not only helps Armenia's economy through increased trade with Iran but also adds to bilateral ties that help Armenia navigate around any potential Russian economic downturns. The Black Sea ports, particularly Port of Poti, have also become important in supporting redirected flows of trade, thus raising Georgia's strategic importance as a transit country for goods from Asia to Europe.⁹⁹ Of course, a big change has been that Latvia has joined in joint development of the Baltic Scandinavian routes of trade ability for Latvia, both imports and exports, to the Baltic markets the country doesn't have to use any Russian ports or railways. The shift also lowers Latvia's dependence on Russia and complies with policies of EU cooperation in intra European trade.¹⁰⁰

As a result, economic sanctions against Russia have introduced a reconfiguration of trade patterns between the post-Soviet space, where every country adopted new economic pathways to mitigate adverse effects of sanctions while opening new economic grounds. The subsequent reshaping has accelerated trends that were already underway towards diversification, particularly in those countries that were beginning to strengthen their EU ties, such as Moldova, Georgia, and Latvia, and in gaining regional cooperation outside of Russia, as in the cases of Kazakhstan and Armenia. But while new routes and trade partners offer logistical, financial, and political challenges, they also bring these adaptations, though at a cost. This transformation of the regional trade networks is a profound economic shift likely to have long running effects on economics, and geography of the post-Soviet states.

⁹⁸ John C. K. Daly, "Trade Along Trans Caspian International Transport Route Surges," *Eurasia Daily Monitor*, Vol: 22 Issue: 9, January 28, 2025, <https://jamestown.org/program/trade-along-trans-caspian-international-transport-route-surges/>

⁹⁹ Nicholas Castillo, "Armenia's Ties to Iran: A Potential Wrinkle in Yerevan's Pivot West," CPC, June 6, 2024, <https://caspiantpolicy.org/research/armenia/armenias-ties-to-iran-a-potential-wrinkle-in-yerevans-pivot-west?>

¹⁰⁰ "The changing Baltics," SEB, May 2022, <https://sebgroupp.com/our-offering/reports-and-publications/nordic-outlook-highlights/highlights-may-2022/theme-the-changing-baltics?>

Economic and Political Responses of Post-Soviet States

Following the Ukraine invasion, post-Soviet states had to respond very quickly and in multiple, often uncoordinated, ways to manage the economic and political shocks induced by economic sanctions against Russia. It is the reorientation of regional alliances and economic dependencies that these responses must be understood as far more than survival strategies. Each nation was to respond according to each country's own economic structure and political alignment, as well as proximity to Russia. This section explores the range of economic and political reactions, showing such policy changes, economic reforms, diplomatic re-alignments, combined with changes in regional organizations such as the Eurasian Economic Union (EAEU).

➤ Economic Reforms and the Policy Adjustments

Integrating post-Soviet states into the Russian economy through trade, labor migration, and remittances have left many post-Soviet states subject to immediate, economic impacts of sanctions against Russia. This adaptation was done by countries like Kazakhstan, Armenia and Belarus, through specific economic reforms. Kazakhstan, for instance, moved quickly to lighten the load on its Russian transport routes, which are vital to shipping oil and metals to global markets. Kazakhstan began to actively diversify the country's transport infrastructure in 2023 and to speed up development projects on the Trans Caspian International Transport Route that removes the Russian territory and links Europe with the Caspian Sea via Azerbaijan and Georgia. The elites spent these decades upgrading Kazakhstan's decrepit infrastructure, which enabled Kazakhstan to stabilize and diversify its trade routes (and foster new partnerships with the EU and Turkey).¹⁰¹ Armenia's GDP is also heavily reliant on remittances from migrant workers in Russia and when the country initiated measures to cushion its pocket when the blows of sanctions could hit hard. Armenia recognized the volatility of the ruble and could lose jobs in Russia, and instead incentivized creation of jobs through tech work in the domestic market. Armenia's developing IT

¹⁰¹ Pauline Jones, "Russia's War Against Ukraine and the Future of Kazakhstan's Foreign Policy," *Journal of International Affairs*, Vol. 75, No. 2, (Spring/Summer 2023), <https://jia.sipa.columbia.edu/content/russias-war-against-ukraine-and-future-kazakhstans-foreign-policy>

sector was supported by government subsidies and thrived, offering an alternative to Russian labor dependency and a growing element of local resistance to the economic vulnerability.¹⁰²

At the same time, though, Belarus, a close ally of Russia, followed Russian policies straightforwardly, looking for substitute trade with Asia to ensure a compensation for its reduction in Western trade. It also sought to redirect its manufacturing exports (machinery and agricultural products) to Russia and other non Western countries, such as China and Iran, under state led economic reforms. Changes in production processes and standards were needed to accommodate these new markets and thus Belarus had to also change its industrial strategy.¹⁰³

County	Economic Reforms	Diplomatic Realignments
Kazakhstan	Diversified transport routes by developing the Trans Caspian International Transport Route to bypass Russia.	Maintained a balanced approach; remained neutral in UN resolutions and emphasized respect for Ukraine's territorial integrity.
Armenia	Promoted domestic job creation in the tech sector to reduce reliance on remittances from Russia.	Sought to strengthen relations with the EU through the Comprehensive and Enhanced Partnership Agreement.
Belarus	Redirected exports to Russia and non-Western countries; sought alternative trade partners in Asia.	Deepened strategic and military ties with Russia, including allowing Russian military operations from its territory.

¹⁰² Tinatin Akhvlediani, "The EU and the South Caucasus: Geoeconomics at Play," Carnegie Europe, October 2, 2024, <https://carnegieendowment.org/research/2024/10/the-eu-and-the-south-caucasus-geoeconomics-at-play>

¹⁰³ Veronica Anghel, "Europe Turns East – Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine," RevDem, Access January 10, 2025, <https://revdem.ceu.edu/2024/05/16/europe-turns-east-armenia-azerbaijan-belarus-georgia-moldova-ukraine>

Georgia	Focused on strengthening economic ties with Western nations.	Enhanced diplomatic relations with the EU and NATO as a safeguard against Russian influence.
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Table 3.1: This table highlights the varied strategies adopted by these nations in response to the geopolitical and economic challenges arising from the conflict.

Source: Constructed by self

➤ Diplomatic and Political Realignments

The countries also reconfigured their political alliances after being forced to do so by the sanctions. Some went for closer ties with Russia, others for a more Western oriented diplomatic stance. For example, Georgia increased its pro Western alignment in the face of the opportunity to oust Russian influence. By 2023 Georgia had strengthened its diplomatic ties with the EU and NATO, both because it was seen as a strategic safeguard from annexation and because it was seen as a possible route to economic support. Throughout the 1990s, Georgian leaders used connexions to European states to bolster foreign aid and trade agreements under the guise of Georgian leaders disclosing the country's commitment Western democratic values.¹⁰⁴ Unlike, quite obviously, Kazakhstan, which pursued a more balanced diplomatic approach, somehow managing to dance gracefully with both Russia and the West. By remaining neutral in UN resolutions to Russia's Ukraine actions and openly stating that it would respect Ukraine's territorial integrity, Kazakhstan publicly showed its diplomatic independence. This careful balance allowed for the Kazakhstani alphabet to attract Western investment, while also keeping things on the Eurasian continent that did not seem so attracted to Western influence. Kazakhstan's stand against recognizing the independence of Russian occupied territories in Ukraine underscored the country's wary distance from Moscow's policies, and President Kassym Jomart Tokayev's public stance.¹⁰⁵

¹⁰⁴ "Is Georgia's Dream of a Future Alignment with the West still a Possibility?" The SAIS Review of International Affairs, November 6, 2024, <https://saisreview.sais.jhu.edu/is-georgias-dream-of-a-future-alignment-with-the-west-still-a-possibility/>

¹⁰⁵ Kate Mallinson, "Russia's influence in Kazakhstan is increasing despite the war in Ukraine," CHATHAM HOUSE, February 29, 2024, <https://www.chathamhouse.org/2024/02/russias-influence-kazakhstan-increasing-despite-war-ukraine>

Belarus instead chose to strengthen its ties with Russia, and not out of mere political motives, but out of uneasy economic ones as well. Belarusian President Alexander Lukashenko strengthened the country's strategic and military relations with Russia and permitted the use of Belarusian territory as a place of staging military operations of Russian troops. This is a symbiotic dependence for Belarus to get this Russian subsidies and energy discounts for loyalty and the Belarus sacrificed for their own opportunities for economic diversification and regional autonomy.¹⁰⁶

➤ **Impact on Regional Organizations: Eurasian Economic Union**

Sanctions also reached the ripple effects of the Eurasian Economic Union, which comprises Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan, the main organization for economic integration of post-Soviet states. The aim of the EAEU is economic cooperation, and the sanctions shattered the union's solidarity exposing discordant interests and divergent strategic priorities. Kazakhstan and Armenia, fearing secondary sanctions, were looking for ways for them to reduce their dependence on Russian markets without leaving the union. Kazakhstan is leading this path of diversification of its economy within EAEU member states by expanding their trade with China and the EU. Also, objections are raised to the EAEU's customs and trade policies. Both Kazakhstan and Armenia voiced concerns about their alignment being overly close to Russia and becoming vulnerable by the secondary sanctions; the discussions on how to avoid by EMU regulation revision more flexibility for member states in individual foreign trade deals. The debates within the EAEU over recalibrating that balance between economic integration and national sovereignty have been sparked by this tension.¹⁰⁷ Additionally, Russia's stationing of its giant economy within the EAEU has become increasingly entrenched because of the country's demands for supportive economic friends, whose combined net worth runs totaling hundreds of thousands of US dollars. But some are unwilling to follow Russia's lead in taking a more unified stance against sanctions policies. For example, Armenia wanted to further strengthen its relationship with the EU by means of the Comprehensive and Enhanced Partnership Agreement, so it wanted to go beyond the EAEU. This

¹⁰⁶ Jonathan Masters, "The Belarus Russia Alliance: An Axis of Autocracy in Eastern Europe," Efr, September 27, 2023, <https://www.cfr.org/background/belarus-russia-alliance-axis-autocracy-eastern-europe/>

¹⁰⁷ Elvira Aidarkhanova, "Why Is the Eurasian Economic Union Broken?" *The Diplomat*, November 23, 2023, <https://thediplomat.com/2023/11/why-is-the-eurasian-economic-union-broken/>

collective moves Russia's aggressive stance to force member States to find alternative solutions, weakening cohesion of the union in the long term.¹⁰⁸

Finally, the sanctions were never removed on Russia, and they decided their own economic reforms, diplomatic changes, and policy retooling as each of the post-Soviet states grappled with the economic aftereffects. They capture broader regional developments of diversification and realignment, helping create a new political and economic map of the post-Soviet space. Some countries have drawn closer to Moscow's orbit, while others have taken advantage of the crisis to form new ties to the West or strengthen domestic resilience. The EAEU is at a crossroads in this evolving geopolitical environment and is negotiating a future in which its role and relevance in the regional trading system of post-Soviet states may no longer be as it is today.¹⁰⁹

Emerging Trade Opportunities and Challenges

Russia's war on Ukraine is reverberating across the post-Soviet space and becomes more frequently a search for alternatives to trade in Belarus, Moldova, Kazakhstan, Georgia, Armenia and Latvia, those countries more or less over reliance on Russian markets. As a result, there has been considerable interest catalyzed to form new partnerships and trade agreements with non Russian actors, especially the European Union, China and Middle Eastern countries. Moldova, bound traditionally to Russia through its agricultural exports, has taken big steps to join the EU. Moldova has signed an Association Agreement with the EU, which enables it to enter European markets under the terms of the Deep and Comprehensive Free Trade Area (DCFTA) in 2014. This has allowed Moldova to improve its exports to the EU of the fruit, vegetables and wine, while reducing reliance on the Russian market where it has imposed embargoes on Moldovan products as a target of political pressure.¹¹⁰

¹⁰⁸ "The EU and Armenia Comprehensive and Enhanced Partnership Agreement enters into force," The Diplomat Service of European Union, February 28, 2021, https://www.eeas.europa.eu/eeas/eu-and-armenia-comprehensive-and-enhanced-partnership-agreement-enters-force_en

¹⁰⁹ Vladislav Inozemtsev, "Sanctions and the Eurasian Economic Union," Iddle, January 23, 2025, <https://ridl.io/sanctions-and-the-urasian-economic-union/>

¹¹⁰ "EU trade relations with Moldova. Facts, figures and latest developments," *European Commission*, accessed January 8, 2025, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/moldova_en

Kazakhstan has also broadened its trade with China, as it's become one of China's biggest trading partners, particularly with the Belt and Road Initiative (BRI). Transcontinental rail routes have developed which make Kazakhstan an ideal logistical bridge between China and Europe. The border of China and Kazakhstan, Khorgos Gateway, grew as a major utopia of goods transportation between the two continents. This growing trade relationship offers Kazakhstan an alternate to Russian trade channels, and a less reliance on Russian trade channels and disruptions in Russian transportation networks.¹¹¹ Its strategic location on the Black Sea has also made Georgia further strengthen trade links with the EU. Wine, nuts and mineral water exports from Georgia to European markets have been made possible thanks to the EU Georgia Association Agreement. In reality, the EU has become the major export destination for Georgia, more than 25 percent of Georgian exports now go to the EU. Georgia in turn is looking for more cooperation with Turkey and the Middle East based countries as a response to the growing political ambiguities in the conflict.¹¹²

However, the efforts to diversify trade continue to increase but post-Soviet countries still have a hard challenge to reduce their dependency on Russia. Many of these economies are pretty deeply embedded in the Russian markets and in the Soviet time, so this is not an easy thing to unwind. For instance, the trade relationship between Belarus and Russia can be described as a double edged sword. It is beneficial in some ways, but detrimental in others. It is very important for Belarus strengthens the trade links economically with the EU but given the history of Belarus's reliance on trade with Russia, achieving that will be quite challenging. Since the onset of the war, Belarus exports surpassed 60% due to many factors, such as sanctions on Russia and the absence of the Ukrainian market, which were positive for the Belarusian economy at the time. As a result, recessing sanctions on Russia resulted to widespread benefits for Belarusian traders.¹¹³ Belarus's debt structure underscores this dependency further. Of the country's approximately \$17.0 billion in external debt, about 65% is owed directly to Russia or Russia controlled entities like the Eurasian

¹¹¹ Assel Satubaldina, "Close Up Look at Kazakhstan's Foreign Trade: China Becomes Top Trade Partner, as Non - Commodity Exports to Asia Rise," *The Astana Times*, February 27, 2024, <https://astanatimes.com/2024/02/close-up-look-at-kazakhstans-foreign-trade-china-becomes-top-trade-partner-as-non-commodity-exports-to-asia-rise>

¹¹² "EU trade relations with Georgia. Facts, figures and latest developments," *European Commission*, Access January 9, 2025, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/georgia_en

¹¹³ Dzmitry Kruk, "Belarus's Progressing Economic Dependence on Russia and Its Implications," *FreeNetwork*, October 21, 2024, <https://freepolicybriefs.org/2024/10/21/economic-dependence/>

Fund for Stabilization and Development. In 2022 2023, Russia granted Belarus a six year deferment on debt repayments, providing crucial breathing room for the regime.¹¹⁴

One of the biggest challenges is the degrees of technological and infrastructural dependency. Despite the transit networks being largely designed to push goods through Russia, which controls the pipelines, railroads and roads that were essential to North Korea's economy, few resources were devoted to remaining connected to the networks. For instance, landlocked Armenia has depended heavily on Russia's transportation networks for international market access, which is particularly the case with the nation's closed borders with Azerbaijan and Turkey. Furthermore, the technological standards of those sectors, notably energy and industrial production, are often harmonized with the Russian standards, complicating the transition from the structure of partnership with other, international players operating in different accordance with standards.¹¹⁵ Kazakhstan and other Central Asian nations are dealing with complex political pressures but also need to diversify their trade. The region is politically shaped by Russia and any steps by these countries to curtail economic ties can incite political backlash. For instance, Kazakhstan has come under pressure from Moscow because of growing economic links with China. Countries like Kazakhstan, with sufficient importance in Russia, but trendsetting economic partnerships with other nations, must balance very delicately between the two.¹¹⁶

Mr. Adam Saud shed further light on the political challenges faced by post-Soviet states in diversifying their trade relationships. He pointed out that while some countries seek closer economic engagement with the EU and the United States, their institutional affiliations with Russia particularly through security arrangements like the Collective Security Treaty Organization (CSTO) limit their diplomatic space.

Mr. Saud emphasized that this dual alignment creates a geopolitical dilemma. Countries like Kazakhstan and Armenia find it difficult to negotiate independent trade routes with Western

¹¹⁴ Ibid

¹¹⁵ Richard Giragosian, "Paradox of power: Russia, Armenia, and Europe after the Velvet Revolution," ECFR.EU, August 7, 2019, https://ecfr.eu/publication/russia_armenia_and_europe_after_the_velvet_revolution

¹¹⁶ "Kazakhstan's Diversification Push Won't Spur Russian Retaliation for Now," Worldview, November 10, 2023, <https://worldview.stratfor.com/article/kazakhstans-diversification-push-wont-spur-russian-retaliation-now>

partners while maintaining strategic security ties with Moscow. The result is a cautious, often fragmented trade strategy that economic dependencies on Russian markets, remittances, and energy supplies further constrain the freedom of post-Soviet states to reorient their trade policies in response to Western sanctions on Russia.¹¹⁷

Foreign investments and international organizations are important factors in diversification attempts of post-Soviet countries. Funding for infrastructure projects designed to boost trade connectivity with regions outside of Russia have been provided by the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB). The EBRD has supported improvement of transport corridors in Moldova and Georgia, which has led to improved communication with the European market. In 2018 alone, the EBRD invested over €130 million in Moldova's road infrastructure so the country can expedite the shipping of goods to the EU.¹¹⁸ These are investments so that post-Soviet states can build the logistical capacity that allows them to pursue alternative trade routes. And the World Bank has also helped these countries with their economic reforms and bolstering of better governance structure in order to attract foreign investments. Through technical assistance and policy advice, the World Bank has supported the needed reforms in areas including taxation, customs regulation and trade facilitation as countries look to enter new markets. World Bank led initiatives addressing the improvement of Armenia's business environment has been of advantage for Armenia and made it more attractive to foreign investors for example.¹¹⁹

To enhance the analysis of regional trade reorientation, an expert interview was conducted with Ms. Shabnam Gull, former Director of the National Counter Terrorism Authority (NACTA) and currently Head of the International Relations Department at Lahore College for Women University. Drawing upon her diplomatic and academic experience, Ms. Gull offered critical insights into how

¹¹⁷ Adam Saud, (Professor and Dean Faculty of Humanities and Social Sciences, Bahria University, Islamabad), Interviewed by Maheer Imran , Online Interview, May 8, 2025.

¹¹⁸ "Georgia Investing for Change," *European Bank*, access January 28, 2025, file:///Users/user/Downloads/Georgia%20investing%20for%20change.pdf

¹¹⁹ "Georgia and the World Bank Group 25 years of Partnership," *World Bank Group*, 2017, [https://thedocs.worldbank.org/en/doc/cb5140131803c6a409c3e1cc8d4488bd_0080012021/original/Georgia and the World Bank Group 25 Years of Partnership.pdf](https://thedocs.worldbank.org/en/doc/cb5140131803c6a409c3e1cc8d4488bd_0080012021/original/Georgia%20and%20the%20World%20Bank%20Group%2025%20Years%20of%20Partnership.pdf)

post-Soviet countries are strategically adjusting their trade policies to balance long-standing ties with Russia and emerging global markets.

She noted that in the immediate post-Soviet period, many former republics were heavily dependent on Russia for trade, but recent geopolitical developments particularly Russia's annexation of Crimea in 2014 and the subsequent sanctions have accelerated the need for diversification. Ukraine, as a key example, has significantly reduced its dependency on Russian trade, shifting focus toward the European Union under agreements like the Deep and Comprehensive Free Trade Area (DCFTA). By 2021, trade with Russia had dropped below 10%, while economic integration with the EU expanded.

Ms. Gull highlighted that Central Asian states are also embracing multi-vector strategies. Kazakhstan's partnership with China under the Belt and Road Initiative (BRI), while simultaneously being a member of the Russia led Eurasian Economic Union (EAEU), exemplifies this dual-track approach. Similarly, Uzbekistan has enacted economic reforms and strengthened ties with Turkey, South Korea, and the EU whereby the EU had become Uzbekistan's second-largest trading partner by 2021.

In the South Caucasus, Armenia is balancing its membership in the EAEU with closer ties to the EU through the Comprehensive and Enhanced Partnership Agreement (CEPA). On the other hand, Belarus has remained closely tied to Russia, with over 50% of its exports directed there, making it more vulnerable to external shocks and sanctions.

According to Ms. Gull, this broader trend reflects a regional strategy of pragmatic diversification. Rather than severing traditional relationships altogether, post-Soviet countries are seeking to reduce overdependence on any single actor. This flexible realignment is aimed at enhancing economic resilience, strategic autonomy, and access to a multipolar array of trade partners in an increasingly volatile global environment.¹²⁰

¹²⁰ Shabnam Gul (Chair Person International Relations Department, Lahore college for Women), Interviewed by Maheer Imran , Online Interview, May 22, 2025

Central Asian countries have received significant investment through its Belt and Road Initiative, initiated by China. Through its Chinese investments in Kazakhstan, including the Khorgos dry port and the Aktau Sea Port, Kazakhstan plays an important role in the Asia to Europe transit corridor. But these investments will also give Kazakhstan the chance to trade directly with European and Middle Eastern markets independently of Russia. But then there are the challenges of these foreign investments. Cautious about overreliance on Chinese financing, many countries from the post-Soviet space are concerned that debt sustainability concerns and a risk of losing sovereignty over strategic assets make such dependence unviable.¹²¹ In trade diversification efforts of these countries, Eurasian Economic Union (EAEU), a regional organization led by Russia, plays a complicated role. While the EAEU makes preferential trade terms available to its members with Russia and other member countries, it hampers them from being able to do so unilaterally with third countries. These limitations have also been taken advantage of by Belarus and Kazakhstan, both EAEU member countries. As such, one example would be Kazakhstan, which has struggled to reconcile its aspirations for deeper economic ties with the EU and China with EAEU rules designed to ensure trade preference within the union. Post-Soviet states attempting to diversify their trade without undermining the gains that they derive from the EAEU face a balancing act.¹²²

In conclusion, post-Soviet countries are keen to find new trade partners and to diversify their economic ties, and yet these are processes marked by difficulty linked to historical dependencies, infrastructural constraints and political impediment. International organizations and foreign investments are supporting efforts to reorient their economies, yet the path forward lies in sensitive balancing out of interests while also managing these potential new trade opportunities in a strategic fashion.

Conceptual Analysis

The core conceptual framework of this chapter is based on understanding the transformative economic changes in post-Soviet trade relationships in response to the war and subsequent

¹²¹ “The building of a new Dubai in China,” *South China Morning Post*, Access January 28, 2025, <https://multimedia.scmp.com/news/china/article/One Belt One Road/khorgos.html>

¹²² Aijan Sharshenova, “The Eurasian Economic Union: Pros and Cons for Smaller Member States,” ISPI, February 3, 2025, <https://www.ispionline.it/en/publication/the-eurasian-economic-union-pros-and-cons-for-smaller-member-states> 199114

sanctions against Russia. Central to the chapter is how these events threaten not only traditional patterns of trade but also the rethinking of economic dependencies and regional alliances at their foundation. The situation is the historical ties from the Soviet era that shaped these countries' infrastructure, economy policies as well as trade channel, which have caused them to be tied with post-Soviet countries like Belarus, Moldova, Kazakhstan, Georgia, Armenia, and Latvia economically all this for years. The result was a region which was interdependent and in which Russia served as a central economic partner, supplying energy resources, industrial goods and taking the market for exports. Thus, the analysis of the chapter is based on the breakdown of these historic dependencies and the war's compulsion upon societies to find new routes of economic resilience, diversification and rebalancing.

As I argue in this chapter, “economic resilience,” or the capacity for post-Soviet states to withstand and adapt to the economic shocks that result from ties to Russia, is a key concept. Because of how far sanctions have brought Russia's trading sphere, many of these countries are now considered to be under heightened risk because of their reliance on trade with Russia. The chapter takes up the economics of economic resilience through the prisms of diversification, to the end of which post-Soviet states are seeking alternatives, ranging from new partnerships to infrastructure modernization that will enable the continuation of independent trade routes. The parallels with this approach to resilience have also had something to do with 'economic sovereignty': the countries are striving to decrease the political leverage that Russia has historically used to achieve through economic means. For example, the analysis of Moldova's reorientation towards the European Union does not stop at the level of trade policy change but rather is seen as representing a claim for economic sovereignty, through which Moldova attempts to diminish Russian influence on its domestic policies and economic stability.

Additionally, this chapter examines the idea of ‘regional realignment’ whereby trade relationships and alliances change among nations to respond to changing geopolitical pressures. But as Russia's economic clout as their reliable trade partner dwindles, countries like Kazakhstan and Armenia are rethinking their priorities. The importance of this concept is much clearer when analyzing the position of Eurasian Economic Union (EAEU) members, who have to balance buying in to the union obligations and need to diversify their economy. The chapter analyses the challenges of this realignment, highlighting that for countries such as Kazakhstan, reliance on alternate partners,

especially China and the EU, both create opportunities and present geopolitical tensions in their relations with Russia. Therefore, the chapter paints a conceptual picture of regional realignment as a large strategic pivot within trade, but also as a reassessment of these countries' overall geopolitical orientations so as to secure a stable economic future against a backdrop of a disintegrating world.

According to another conceptual theme, that of 'global interdependence' it represents post-Soviet states connected to global markets and international organizations. The chapter shows how post-Soviet states are increasingly becoming part of the global economy but by analyzing for instance the way in which organizations such as the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB) and the World Bank channelize financial and technical support to these states. International organizations and foreign investors' participation reveal a transition towards a more diversified and international trade model falling away from one centered on Russia. Yet, the chapter also points out that while these global interdependences have their own downside, more like opening post-Soviet economies for new forms of external influence and dependency. For example, this chapter investigates how Chinese investments to support Kazakhstan's Belt and Road projects contribute to Kazakhstan's economic empowerment as a trade hub, while potentially creating concerns around future economic sovereignty. From this perspective, global interdependence is considered as a double edged sword with opportunity and vulnerabilities.

Finally, the chapter ties the concept of 'strategic balancing' into different trade diversification strategies of countries actively engaged in balancing the complex political landscapes. Post-Soviet states meanwhile operate within societies of influence which has an economic and a political grounding, especially as Western states and Russia compete for influence in these areas. Strategic balancing describes the sophisticated decisions where these nations aim to be cordially in relation with Russia while pursuing testing of ties with the EU, China and the other powers. The chapter uses this concept to look at the diplomatic risk countries like Armenia and Belarus take on as they rely on diversification economically, but want to keep Russia close, for fear of the repercussions.

To sum up, this chapter's conceptual analysis shows how the war and sanctions which followed it have served as a catalytic factor of the economic transformation of the post-Soviet space. The chapter does not stop at the simple description of trade shifts, but instead paints a broader, multi

dimensional picture of how these countries are responding in the context of a dramatically changed landscape. The chapter outlines through economic resilience, regional realignment, global interdependence, and strategic balancing the resulting complex, interdependent factors that confront the future of trade relations in the post-Soviet space.

CHAPTER 4

THE TRADE DIVERSIFICATION STRATEGIES OF UKRAINE AMIDST THE ONGOING WAR

The war between Russia and Ukraine has shifted the entire trade scenario in Ukraine resulting in the call for diversification to enable the country build up a stronger economy for any form of aggression. Continuing onto this critical component of the more extensive regional perspective, this chapter traces the development of trade strategies within the conflict in Ukraine that reveal how changes in the bilateral and multilateral relationships & trade policies impact Ukraine, as well as neighboring post-Soviet countries. The measures undertaken by Ukraine also reveal important tendencies in the regional geopolitics and trade which are not limited by the war consequences only. Analyzing these shifts on this basis helps get a better understanding of how the patterns of trade are being changed among the post-Soviet states like Armenia, Azerbaijan, Georgia from South Caucasus Region, Belarus and Moldova from Eastern Europe, and Kazakhstan from Central Asia.¹²³ To note, the essence of this chapter in the framework of the thesis is to reveal the strategic actions and measures of Ukraine to address the economic impact of the war. This paper comprises the analysis of regional partnerships and new trade routes, diversification of export markets, and discusses how each plays a role and also provokes profound changes within a region. Finally, the country case studies of Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan offer comparisons to and from which the experiences of Ukraine in diversification can be understood.

For instance, Azerbaijan with his geopolitical location in South Caucasian and owning to the great amount of energy sources, plays significant part in supply routes that instrumentalizing Russia. Interactions between Ukraine and Azerbaijan have intensified mainly in the sphere of energy cooperation and access to energy transportation via the Caspian Sea. The Azerbaijani accession to initiatives such as TITR is indeed in the interest of Ukraine for the need of new trade routes thus enhancing their relations and the principle of promoting trade diversification in the region.¹²⁴

¹²³ Erik Braun, Emese Braun, András Gyimesi, et al, “Exposure to trade disruptions in case of the Russia–Ukraine conflict: A product network approach,” *The World Economy*, April 19, 2023, <https://doi.org/10.1111/twec.13417>

¹²⁴ Vusala Abbasova, “Ukraine Offers to Transport Azerbaijani Gas to Europe Amid Energy Crisis,” *Caspian News*, January 30, 2025, <https://caspiannews.com/news-detail/ukraine-offers-to-transport-azerbaijani-gas-to-europe-amid-energy-crisis-2025-1-29-0/>

Georgia, which has found itself on the opposite side of the conflict with Russia, is another example in point. After the 2008 Russo Georgia warfare Georgia revamped great steps of presenting its breaks via concentrating on the EU and other global markets. At the moment, Ukraine faces similar tasks and objectives that Georgia encountered on its path to minimize its relationship with Russia and strengthen its positions on the European and global markets. This common interest has brought improved, bilateral economic cooperation between Ukraine and Georgia of which both countries have logistical connection via the Black Sea.¹²⁵

In the case of Armenia, however, this move is viewed as a direct danger to Ukraine's economic diversification attempts, as well as its longstanding economic reliance on Russia due to geopolitical and security concerns. Nevertheless, the Ukrainian endeavors to diversify exports and establish cooperation with the EU and other counterparts can serve Armenia with useful outcomes in terms of obtaining more political and economic freedom yet considering geopolitical realities. Ukraine actively managed to diversify its vector, which can serve as an example for Armenia to improve an orientation towards both Russian and Western partners.¹²⁶

Belarus that has been mainly dependent on the economic relations with Russia has been limited by the western sanctions because of its support to Russia. Despite Belarus continuing to enjoy good trade relations with Russia, the situation has practically condemned regional trade with Ukraine as challenging, hence the need for this alternative. Just like Ukraine, the Moldova has also deepened its economic relations with the European Union (EU) through treaties such as the Deep and Comprehensive Free Trade Area (DCFTA), besides it has written incorporates for the EU's neoliberal structural readjustment plan dubbed association agreement. Recently, like in the case of Moldova, Ukraine has also tried to diversify its trade relations to de link from the Russian market and to do this it has been focusing on trading more with the Western Europe.¹²⁷

¹²⁵ Kornely Kakachia, "The Ukraine Crisis: Repercussions on Georgia," *Caucasus Analytical Digest* No. 67–68, page 7, December 23, 2014, https://ess.ethz.ch/content/dam/ethz/special_interest/gess/cis/center_for_security_studies/pdfs/CAD_67_68_6_10.pdf

¹²⁶ Thomas de Waal, "Armenia Navigates a Path Away from Russia," *Carnegie Europe*, July 11, 2024, <https://carnegieendowment.org/research/2024/07/armenia-navigates-a-path-away-from-russia>

¹²⁷ Mazhikeyev, A., Edwards, T.H. Post colonial trade between Russia and former Soviet republics: back to big brother? *Econ Change Restruct* 54, 877–918 (2021). <https://doi.org/10.1007/s10644-020-09302-8>

Kazakhstan, as a member of the Eurasian Economic Union which also includes Russia, has experienced difficulties in fulfilling its commitments before EAEU and at the same time carrying on cooperation with western countries. In fact, Ukraine's diversification policies have put indirect pressure on Kazakhstan to seek new supply chains like Trans Caspian International Transport Route (TITR) that connects Kazakhstan to Europe through the Caspian Sea without passing through Russia. This gives Ukraine an opportunity to open another route for getting to the Central Asian markets, deepening its economic relations with a country like Kazakhstan.¹²⁸

This chapter places Ukraine's trade diversification policy in the perspective of the "post-Soviet" states, which include Armenia, Azerbaijan, Georgia from South Caucasus Region, Belarus and Moldova from Eastern Europe, and Kazakhstan from Central Asia. These instances demonstrate how post-Soviet countries are interconnected, and they highlight the significance of Ukraine's important reactions to the changing circumstances in the post-Soviet part of the world.

Pre War Trade Patterns

Ukraine's pre war trade was highly integrated with post Soviet states and Russia particularly because of historical, economic and transport linkages. Ukraine principal trading partners were the Russian Federation, Belarus, the Kazakhstan and other member states of the Commonwealth of Independent States (CIS), the principal exports of Ukraine were steel, machinery and equipment, agricultural products and chemicals. Ukraine has continued to develop its trade with the EU as significant exporter to the regional bloc, while it exported goods to post-Soviet Neighbours because they are geographically nearest, and logistics were developed earlier. Most importantly, the industrial and agricultural products of Ukraine met the requirements of its Neighbours only, which strengthened this mutual economic bilateralism within the region.¹²⁹

¹²⁸ John C. K. Daly, "Trade Along Trans Caspian International Transport Route Surges," *Eurasia Daily Monitor* Volume: 22 Issue: 9, January 28, 2025, <https://jamestown.org/program/trade-along-trans-caspian-international-transport-route-surges/>

¹²⁹ "What are Ukraine's Export Priorities: the EU, CIS or Asia?" *Ukraine World*, June 21, 2018, <https://ukraineworld.org/en/articles/ukraine-explained/what-are-ukraines-export-priorities-eu-cis-or-asia>

Initial impact of the War

When the conflict started in the year 2014 with annexation of Crimea by Russia and further escalation in the year 2022, Ukraine seen a lot of changes in its trade partner of post-Soviet region. The Russian Ukrainian war had direct negative impact on resisting WTO membership where trade with Russia and certain CIS countries fell steeply as geopolitical tensions heighten blockades and other infrastructural impediments. Ukraine wanted to diversify its orientation in trade, while the war also put a stress on the neighboring countries that also have their economic and political decisions to make. Among Central Asian Countries, Belarus was an important source of petroleum products, fertilizers and chemicals for Ukraine before the occurrence of the war. In return, Ukraine was exporting machinery, metals and agricultural productions. Nevertheless, these trade relations deteriorated, owed to belief of Belarus which supports Russian military actions, in Russia which is its closest ally. Ongoing conflict made Ukraine deport of its reliance on Belarusian goods especially after Belarus permitted Russian forces to stage through their soil in early 2022. As a result, access to supplies through Belarus was turned into a difficult problem and Ukraine had to look for other supplies and ways for important imports.

Ukraine and Moldova had a vibrant trade relationship before the crisis because they are neighbors and produced similar agricultural goods. Before the war Moldova imported 90% of grain, machinery, and industrial products from Ukraine. The war disrupted those trade corridors, especially disrupting the agricultural exports that pass through the Ukrainian ports in the Black Sea. Non aligned Moldova had some issues regarding energy dependence; its energy import was initially associated with the Ukrainian and Russian sources. This led the two countries to seek ways to find other access routes of diversifying the transportation of the goods including through the use of Danube River ports in the access of affected areas.

The South Caucasus countries offer unique insights into post-conflict trade realignment. While it was modest by the standards of Kyrgyzstan and Kazakhstan, trade between Armenia and Ukraine was dominated by machinery, chemicals and agricultural goods. Various industrial needs of Armenia were met with the help of Ukrainian supplies. Yet, the outbreak of the war led to the disruption of this relationship because Armenia relied on economic dependence on Russia and was a member of the Eurasian Economic Union (EAEU). But the conflict forced Ukraine to recalibrate

its trade policies, withdrawing from trade with Armenia as tensions geostrategic Aly deepened. Despite that, there still existed opportunities for such a diversification of the trade through non Russian transit routes such as those connecting Ukraine, Georgia and Armenia.¹³⁰

The historically rooted relationship between Azerbaijan and Ukraine was in trade, Azerbaijan supplied oil and petroleum products, while Ukraine exported grain, machinery and steel. However, before the war maritime routes across the Black Sea were provided by this trade partnership. These routes were also disrupted by the war and Azerbaijan writ even more importance for Ukraine as a strategic energy partner. Both sides also supported Azerbaijan's efforts to boost energy supplies to Europe while diversifying Ukraine's trade. Ukraine's diversification strategy gave the Trans Caspian International Transport Route (Middle Corridor) a central role in deliveries from Europe, the Caucasus and Central Asia bypassing Russia.¹³¹

And it was two economies that Georgia and Ukraine had in common, a mutual interest to develop independently of Russian influence. Ukraine exported metals, machinery and other goods, Georgia wine, mineral water and agricultural goods. Maritime trade routes through the Black Sea were affected very much by the war, which also affected both countries. Consequently, the country became strategically important for Ukraine along the Middle Corridor, an international road that leads Central Asia and the Caspian and Black Seas to Europe. The route had now become an outlet for Ukrainian exports to bypass Russian controlled territories. Georgia's leant towards Ukraine on other more geopolitical issues further strengthened cooperation on means to secure trade channels.¹³²

Ukraine one of the largest importers of oil and black metals; Kazakhstan, an important exporter of oil, minerals, and metals had a large trade connection with Ukraine particularly in industrial and metallurgical sectors. Since the beginning of the restructuring and the emergence of the transit and energy markets, such he former was an important and regular supplier of crude oil and chemicals

¹³⁰ Benyamin Poghosyan, "The Eurasian Economic Union: A View from Armenia," ISPI, February 3, 2025, <https://www.ispionline.it/en/publication/the-eurasian-economic-union-a-view-from-armenia-199077>

¹³¹ Amangeldy Mussayev, "Trans Caspian International Transport Route," EY, April 15, 2024, https://www.ey.com/en_kz/insights/strategy-transactions/trans-caspian-international-transport-route

¹³² Hunter Stoll, "The Middle Corridor: A Renaissance in Global Commerce," Rand, March 12, 2024, <https://www.rand.org/pubs/commentary/2024/03/the-middle-corridor-a-renaissance-in-global-commerce.html>

to Ukraine and, in return, the latter supplied Ukraine with machinery and agricultural produce. These exchanges were interrupted by the war because of organizational difficulties and the sanctions that Russia faced on its transit through its territory. Thus, Kazakhstan follows a pragmatic policy and became cautious in its relations with Russia and Ukraine. As the war broke out, Ukraine attempted to keep trading relations with the Kazakhstan by looking for other outlets through the Caspian Sea and the Southern Caucasus without using Russian dominated channels.¹³³

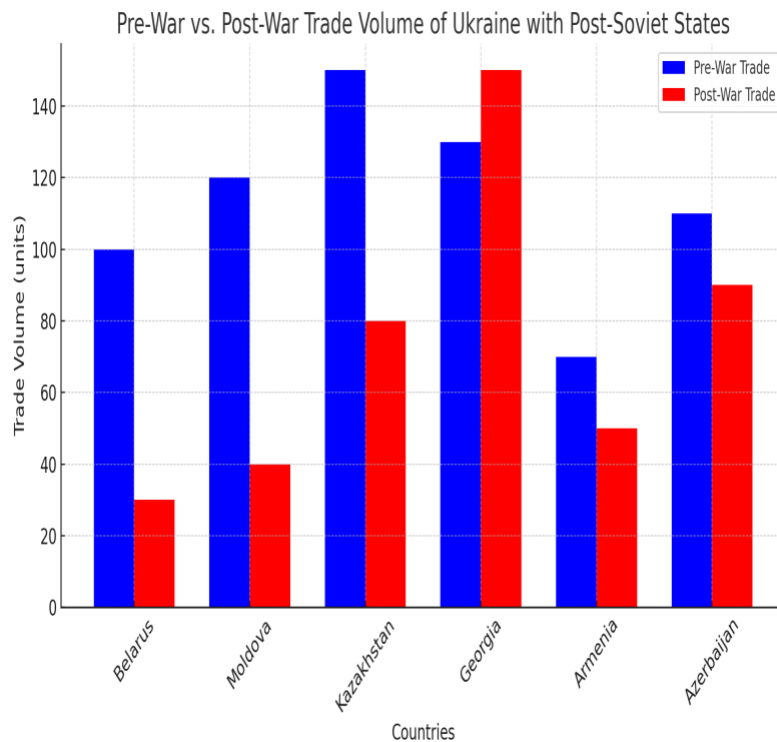


Figure 4.1: Pre -War vs. Post War Trade Volume of Ukraine with Post-Soviet States

Source: Created by self

The graph illustrates the sharp decline in Ukraine's trade volumes with most post-Soviet states after the war, particularly with Belarus and Kazakhstan. In contrast, trade with Georgia and Azerbaijan remained relatively stable or even gained importance, reflecting their strategic roles in Ukraine's

diversification efforts.

In other words, war changed Ukraine's historical trade patterns with Moldova, Belarus, Kazakhstan, Georgia, Armenia and Azerbaijan. Some of these countries have become less viable trade partners however, such as Belarus as a result of geopolitical alignment with Russia, whereas countries like Georgia and Azerbaijan became critical partners for Ukraine's diversification strategy. Ukraine's reaction to

¹³³ Michele Ruta, "The Impact of the War in Ukraine on Global Trade and Investment," *World Bank group*, access January 25, 2025, page 39, <https://documents1.worldbank.org/curated/en/099750104252216595/pdf/IDU0008eed66007300452c0beb208e8903183c39.pdf>

these historical disruptions and subsequent adjustments is part of Ukraine's more general strategy of diminishing dependence on Russia and increasing integration into other regional markets.

Ukraine's Trade Diversification Strategies

Policy Shifts: Analysis of Governmental Policies Aimed at Trade Diversification

In light of the ongoing Russia Ukraine war that has disrupted long standing trade relationships between Ukraine and Russia, Ukraine has adopted dramatic policy shifts in order to reduce its economic vulnerability to Russia and to increase its trade resilience. However, the focus of these policies has been on the formation of new partnerships, expanded market access and greater integration into Western and regional economies. In particular, Ukraine's diversification strategies have yielded new opportunities and more intense trade ties with former states such as Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan, for which Ukraine has remained an important trading partner. A shift of the key policy was Ukraine's attempt of free trade agreements (FTAs) and preferential trade agreements with countries in the region. Over the past years, in 2014 in particular, Ukraine has raised its trade with the post-Soviet countries aiming to stabilize the exports and imports. For example, Ukraine entered into an FTA with Georgia, which cut out tariffs and upgraded customs procedures leading to higher bilateral trade for agrarian products, machinery, and processed foods. Moldova and Kazakhstan both kicked off similar agreements and cooperation frameworks which are critical conduits for Ukrainian goods to reach Central Asian and Eurasian markets. Ukraine is moving to diversify itself away from Russia as it seeks new routes for its products.¹³⁴ Both Ukraine's trade policy and geopolitical position take advantage of the currently existing Commonwealth of Independent States (CIS) trade structures. Even amid strained relations with Russia, Ukraine, until formal suspension of CIS agreements in 2018, maintained limited trade links with CIS economies, including Belarus, Armenia and Azerbaijan. But Ukraine's government nonetheless implemented policies of encouraging bilateral trade on terms not under the CIS framework. As a result of this strategic shift, new trade dialogues were initiated between Belarus and, especially, in sectors such as energy supplies, chemical products, machinery. On the other hand, trade deals with Armenia and Azerbaijan stressed the economic advantages of the metals,

¹³⁴ "Eastern Partnership," *European Union External Action*, March 17, 2022, https://www.eeas.europa.eu/eeas/eastern-partnership_en

agricultural goods, and construction materials sectors for the country, well beyond the war, and helped to strengthen Ukraine's economic stability.¹³⁵

Infrastructure development and the improvement of logistics networks and trade with post-Soviet partners have been an important part of Ukraine's diversification policy. For instance, Ukraine pours investment into Black Sea port infrastructure that not only facilitates trade between Georgia and Azerbaijan, but more importantly positions Ukraine as a transit hub for goods going between Europe and the Caucasus. Ukraine has also recommended the use of alternative transport corridors, including the Trans Caspian International Transport Route (TITR), which connects Ukraine with Kazakhstan and beyond to China, as an alternative to Russian routes. Such policies have managed to blunt the effects of the war by enabling some logistical disruption, while simultaneously reinforcing commercial ties with Central Asia and the Caucasus.¹³⁶ Ukraine's government has also followed through with policies that support sectoral diversification in response to the ongoing war. In order to increase trade opportunities with neighboring countries, Moldova and Kazakhstan in particular, which require technological services and agricultural imports, Ukraine is shifting emphasis onto such industries as information technology, pharmaceuticals, and agriculture. However, there has been a strategic focus on high growth sectors that have opened new trade and collaboration opportunities which in turn have helped Ukraine reduce its dependence on traditional industrial exports.¹³⁷

Overall, Ukraine's policy driven trade diversification strategies reflect a multi faceted approach: seeking to foster new bilateral agreements, draw on existing infrastructure to improve economic ties with post-Soviet states and develop high potential sectors. They reflect Ukraine's resilience and willingness to adjust in the face of the challenges the war presents in concert with deepening regional and global linkages.

¹³⁵ "Free trade agreements (FTA)," *Ministry of Foreign Affairs Ukraine*, December 18, 2019, <https://mfa.gov.ua/en/about-ukraine/economic-cooperation/free-trade-agreements-fta>

¹³⁶ [Nicholas Castillo](#), "Georgia's Black Sea Coast: The Changing Tide of Russian and Chinese Presence," CPC, July 22, 2024, <https://caspiantpolicy.org/research/georgia/georgias-black-sea-coast-the-changing-tide-of-russian-and-chinese-presence>

¹³⁷ Kateryna Bondar, "The Untapped Market for Impact Investing in Ukraine," CSIS, June 14, 2024, <https://www.csis.org/analysis/untapped-market-impact-investing-ukraine>

New Trade Agreements and Partnerships Examined

As the Russia Ukraine war continues, Ukraine has had a new key aim in diversifying trade, pivoting to create new deals and improve economic ties with post-Soviet states outside Russian influence. These efforts have been absolutely essential in ensuring economic resilience, supporting alternative trade routes and securing international support. New trade avenues exist despite major partner challenges in regional dynamics and political complexities, including with Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan. Complications have arisen while efforts were made to continue trade with Belarus, following Belarus's close alignment with Russia. While direct trade with Belarus has been feasible, some sectors, including chemicals, construction materials and food products, have been exchanged via third party channels or under limited bilateral agreements. Before the turn of the war to its current intensity, Belarus was a critical channel for Ukrainian goods to European and Central Asian markets and allowing anything remotely resembling cooperation was vital for keeping logistical options open.¹³⁸

Ukraine has emphasized the need to strengthen the Moldova and Georgia within whose pro Western outlooks have already deepened economic cooperation, as both have suffered from economic and political pressures by Russia. In 2021, Ukraine, Moldova and Georgia called the Association Trio, which was actually created to promote the European integration of the members and strengthening of the economic relations within the Trio. One of the results of this partnership has been the facilitation of goods through this partnership has been streamlined, customs procedures simplified, and joint infrastructure projects including improvements to logistics routes and transport corridors that bypass Russia. Between these countries, the trade has increased in agricultural products, textiles and processed products. Diversification of exports is also an objective of Ukraine's focus on these partnerships, as well as increasing political ties with likeminded Neighbours.¹³⁹

Armenia and Azerbaijan both feature as challenges and opportunities for Ukraine's diversification strategy that involves trade. Though Armenia is a member of the Russia led Eurasian Economic

¹³⁸ Maria A. Blackwood, Ricardo Barrios, "Central Asia: Implications of Russia's War in Ukraine " Congressional Research Service, June 9, 2023, <https://crsreports.congress.gov/product/pdf/R/R47591>

¹³⁹ Malkhaz Nakashidze, "Transformations of Georgia, Moldova, and Ukraine Towards EU Membership. In: Mihr, A., Pierobon, C. (eds) Polarization, Shifting Borders and Liquid Governance. Springer, Cham. https://doi.org/10.1007/9783031445842_11

Union (EAEU), Ukraine has kept trade ties going in areas such as pharmaceuticals, food products and light manufacturing. Ukraine exported approximately \$75.1 million worth of goods to Armenia, with key exports including rolled tobacco (\$9.74 million) and poultry products. Conversely, in 2023, Armenia's exports to Ukraine were valued at around \$12.08 million. The ongoing conflict has notably influenced Armenia's foreign trade dynamics, leading to shifts in trade patterns and increased activity in various geographical directions. Notably, re exports have played a significant role in the unprecedented growth of Armenia's trade turnover during this period.¹⁴⁰ Ukraine's more dynamic trade partner has meanwhile become Azerbaijan, whose growing economy is supported by energy exports. Energy cooperation, transport infrastructure, and agriculture are what recent agreements have centered on. Among the oil and gas sector's importance to Ukraine's diversification strategy has been the fact that Ukraine's alternative energy needs have made Azerbaijan an important source of oil and gas for Ukraine to diversify from. Also, joint initiatives involved in the development of hydrocarbon transport routes in the Black Sea and the promotion of direct investment between the two nations.¹⁴¹

Also, relations with Kazakhstan have been recalibrated. Kazakhstan has economic ties with Russia but Ukraine's efforts to open up trade routes are based on those who want to work with Kazakhstan and further diversify trade portfolio. In the past several years, the focus of the agreements has been agricultural exports, machinery, and technology. Kazakhstan's mineral resources and petrochemical products meet the industrial needs of Ukraine, and Ukraine's agricultural produce, such as grains and oils, have also found new markets in Kazakhstan. In addition, both sides have looked into whether Kazakhstan can serve as a transit point for broader Central Asian markets through cooperation in the logistics sector.¹⁴²

Taken together, these new trade agreements and partnerships chart Ukraine's strategic adjustment to the geopolitical conditions resulting from the war between Russia and Ukraine. Investing in

¹⁴⁰ Galoyan, D., & Matevosyan, D., "The impact of the Russian Ukrainian conflict on Armenia's foreign trade: a quantitative analysis," *Journal of Liberty and International Affairs*, 9(2), 89–103, <https://doi.org/10.47305/JLIA2392106g>

¹⁴¹ Ayisha Huseynli, "Impacts of the Russia Ukraine War on Relations between Azerbaijan and the European Union," SSRN, January 2, 2024, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4689459

¹⁴² Pauline Jones, "Russia's War Against Ukraine and the Future of Kazakhstan's Foreign Policy," *Journal of International Affairs*, Vol. 75, No. 2, (Spring/Summer 2023), <https://jia.sipa.columbia.edu/content/russias-war-against-ukraine-and-future-kazakhstans-foreign-policy>

partnerships with Moldova, Georgia, Armenia, Azerbaijan, Kazakhstan and a carefully calibrated relationship with Belarus, Ukraine is attempting to roll out the economic consequences of the loss of its trade ties with Russia. They have made for a more risk averse trade network, breaking reliance on any one partner, and strengthening regional interdependency as a means to support Ukraine's long term economic stability and geopolitical dreams.

COMMODITY GROUP	EXPORT VALUE (IN BILLION US\$)	PERCENTAGE OF TOTAL EXPORTS (%)
CEREALS	8.3	22
FATS AND OILS	5.64	15.6
OIL SEEDS	2.81	7.79
IRON AND STEEL	2.64	7.31
ORES, SLAG, ASH	1.87	5.16
ELECTRICAL MACHINERY	1.66	4.59
WOOD AND ARTICLES	1.48	4.11
FOOD INDUSTRY RESIDUES	1.39	3.86
MACHINERY AND MECHANICAL APPLIANCES	0.957	2.64

Table 4.1: Ukraine's Export Composition by Commodity Groups in 2023

Source: Created by self

This area chart demonstrates the diversification of Ukraine's export sectors, highlighting the significant contributions of agricultural products, metals, and machinery to the nation's export economy in 2023.

Sectoral Focus: Which Sectors Ukraine is Going to Diversify Towards.

In the midst of the continuing Russia Ukraine war, Ukraine has competed by diversifying trade through deeper economic linkages and lastly cooperation across crucial fields with other post-Soviet states like Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan. The aim behind this diversification is to mitigate the impact of a disruption of markets as well as reduce its reliance on Russian trade routes. A number of areas of diversification have been identified including agriculture, energy, manufacturing and information technology.

One of Ukraine's most resilient sectors has continued to be agriculture, as its deep natural resources and established status as a world grain exporter. Countries like Moldova and Kazakhstan have intimated increased appetite for wheat, corn and sunflower oil, and Ukraine has tried to ramp up its agricultural exports. Ukraine's grain imports serve as a lifeline in Moldova, where its smaller agricultural output is supplemented by the imported grain, and in Kazakhstan, where its arid climate depends on imported agricultural products as a pillar of food security. Azerbaijan, whose agricultural market is growing, also imports Ukrainian fertilizers and agro technologies, which, in turn, expands mutual trade.¹⁴³ Ukraine has become more active in the energy sector with a push (for diversification) culminating with cooperation in both the traditional and the renewable energy markets. The severing of Russian gas routes has helped to speed Ukraine's attempts to form such energy partnerships with countries like Georgia and Azerbaijan. With oil and natural gas, Azerbaijan provides Ukraine with an alternative energy supplier, who can no longer depend on Russian sources of energy. On the Black Seaside, Ukraine has also been negotiating with Georgia

¹⁴³ Thomas Glauben, Miranda Svanidze, Linde Götz, et al, "The War in Ukraine, Agricultural Trade and Risks to Global Food Security," *Review of European Economic Policy*, Volume 57, (2022) No 3, <https://www.intereconomics.eu/contents/year/2022/number/3/article/the-war-in-ukraine-agricultural-trade-and-risks-to-global-food-security.html>

to find ways of transporting liquefied natural gas and oil through the area. Ukrainian energy security and the promotion of regional energy co operation depend on these partnerships.¹⁴⁴

Targeted diversification efforts have been a characteristic of the manufacturing sector, with special emphasis on machinery, electronics, and light industries. Belarus, for example, has demonstrated manufacturing capabilities and markets for industrial goods, and both Belarus and Kazakhstan are market partners of Ukraine. The geopolitical tensions notwithstanding, Belarus is maintaining imports from Ukraine in machinery and industrial equipment in order to bake the cake of mutual economic interests. Ukrainian manufactures have a large market to work on not only on the home front, but specifically within Kazakhstan, which possesses a growing industrial base and is in need of technological upgrades. This sort of sectoral diversification ensures continued supply chains interrupted by the war and new access to industrial cooperation.¹⁴⁵

Ukraine's IT and services sector has seen huge growth in recent years, and as a result its tech industry has been ready to expand further and become more widely established in cause cases like Armenia and Georgia, which have also put themselves on the tech radar. Founded on the strength of tectalent and a growing start up ecosystem, Armenian IT venture is partnering and outsourcing with Ukrainian IT companies. Like the US, Georgia's own journey towards digital transformation has also opened up chances for Ukrainian tech companies to offer their software solutions, cyber security supports and IT consultation. These collaborations also bring about trade diversification and force valuable knowledge sharing and technology advancement in the region.¹⁴⁶

Lastly transport and logistics has become a field of diversification because of the disruption of the traditional trade routes. But in attempts to find the most efficient routes around Russia, Ukraine has been working with Moldova and Georgia. The flow of goods has been maintained through the development of new logistics networks in the Black Sea and Caspian Sea regions to Ukraine through Azerbaijan and Kazakhstan. However, transitioning to and from Central Asia has become

¹⁴⁴ "Neighbourhood East," *European Commission*, access January 25, 2025, https://energy.ec.europa.eu/topics/international-cooperation/key-partner-countries-and-regions/neighbourhood-east_en

¹⁴⁵ Vasily Astrov, Peter Havlik and Olga Pindyuk, "Trade Integration in the CIS: Alternate Options, Economic Effects and Policy Implications for Belarus, Kazakhstan, Russia and Ukraine," Wiiw, September 2012, <https://wiiw.ac.at/trade-integration-in-the-cis-alternate-options-economic-effects-and-policy-implications-for-belarus-kazakhstan-russia-and-ukraine-dlp-2648.pdf>, 10 16

¹⁴⁶ Jennex, Murray "IT Use in the Utilities of Ukraine, Armenia and Georgia," Communications of the Association for Information Systems, January 2003, 10.17705/1CAIS.01124

increasingly efficient along the Trans Caspian International Transport Route (TITR) as a Ukrainian trade pathway.

Another case worth examining in contrast to Ukraine is that of Kyrgyzstan. While several post-Soviet countries such as Ukraine, Georgia, and Moldova have pursued trade diversification strategies aligned with the European Union or China, not all regional actors have followed similar paths. To illustrate this divergence, an expert interview was conducted with Mr. Alibek Mukambaev, Senior Administrative Assistant, who offered insights into Kyrgyzstan's distinctive response to the Russia-Ukraine war and the associated sanctions regime.

According to Mr. Mukambaev, Kyrgyzstan did not respond to geopolitical disruptions by pivoting away from Russia. Instead, it became an important albeit smaller gateway for informal or gray trade with Russia. Due to its liberal business registration environment, many companies were opened by both Russian and Kyrgyz nationals, primarily to serve as conduits for ruble conversion and goods redirection. He highlighted that Kyrgyzstan played a significant role in re-exporting dual-use goods such as electronics and vehicles, which were then routed into the Russian market.

Mr. Mukambaev further noted that Kyrgyzstan's position within the Eurasian Economic Union (EAEU) facilitated this process, as the absence of customs control allowed for seamless cross-border trade within the bloc. This economic flexibility, he argued, reflects a dual character of Kyrgyzstan's trade behavior while structurally dependent on Russia, its political and economic elites actively leveraged the crisis for short-term gains.

This example contrasts with Ukraine's formal trade reorientation through mechanisms like the Deep and Comprehensive Free Trade Area (DCFTA) with the EU. Kyrgyzstan's strategy represents a more opportunistic and informal adaptation, embedded in its continued economic alignment with Russia and the EAEU. It underscores the wider diversity of trade responses across the post-Soviet

space, where some states adopt institutionalized, long-term diversification, while others adjust pragmatically within existing frameworks to mitigate risk or extract benefit.¹⁴⁷

Finally, concluding, it is argued that the strategies of Ukraine's trade diversification focus on using sectoral advantages in agriculture, energy, manufacturing, IT and logistics to establish resilient trade ties with post-Soviet states. Ukraine has also sought to mitigate the economic challenges caused by war, and to strengthen those regional economic ties, by strengthening these sectors in cooperation with Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan.

Ukraine's Trade Diversification Strategies: Challenges and Opportunities

The ongoing war has brought with it significant internal and external challenges to Ukraine's effort to diversify trade, but also provides opportunities that, thrust into a global limelight, are intimately linked with the unique experiences and strategies of other post-Soviet states, including Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan.

Internal Challenges

The ongoing conflict has severely disrupted Ukraine's key trade routes, logistics hubs, and industrial sectors, necessitating extensive internal reconstruction efforts. The blockade of Black Sea ports has significantly hindered Ukraine's ability to efficiently export goods, particularly grains and steel, which are vital to its economy. This disruption has led to substantial economic losses, with estimates suggesting that landmines alone cost Ukraine over \$11 billion in GDP annually, further impeding export capabilities and tax revenues.¹⁴⁸ Similarly, Moldova, despite not being directly involved in the conflict, faces challenges in integrating with regional trade networks due to outdated infrastructure and limited connectivity to European markets. This situation parallels Ukraine's struggles, as both nations contend with economic fragility and exposure to geopolitical disruptions. The war has exacerbated Ukraine's economic instability, leading to a strained national budget and

¹⁴⁷ Alibek Mukambaev, (Senior Administrative Assistant), Interviewed by Maheer Imran , Online Interview, May 19, 2025

¹⁴⁸ Olena Harmash, "Landmines cost Ukraine \$11 bln in GDP each year," *Reuters*, September 10, 2024, <https://www.reuters.com/world/europe/landmines-cost-ukraine-11-bln-gdp-each-year-says-report-2024-09-10/>

complicating efforts to invest in trade diversification.¹⁴⁹ Rebuilding and modernizing Ukraine's industrial and agricultural sectors to align with new trade partnerships present additional internal challenges. The agricultural sector, a cornerstone of Ukraine's economy, has been particularly hard hit, facing decreased production levels, increased costs for security and infrastructure restoration, and complications in product exports. These issues are compounded by the difficulty in attracting investment for infrastructure rebuilding and enhancing production capabilities amidst ongoing conflict and concerns over corruption.¹⁵⁰

External Challenges

Ukraine has to balance the Western and historical post-Soviet trade market, making it difficult for its trade diversification given the geopolitical perils. Vulnerable to being caught in the middle between the larger geopolitical forces, Belarus illustrates how little latitude there is for diversification. There have been times when Ukraine's attempt to change its trade relations with the European Union and other areas means having to maintain bad relations with neighboring countries that still rely on Russian trade routes and markets. For instance, Kazakhstan has to walk a fine line between developing economic relations in China and the West while maintaining its close ties with Russia, to isolate itself from Western backed trade projects completely.¹⁵¹

In addition, regional economic cooperation frameworks such as the Eurasian Economic Union (EAEU), of which Ukraine is no longer a member and which it cannot participate in to receive the preferential trade terms provided to Armenia, Belarus and Kazakhstan. Rather, these countries, while trying to broaden their economies, continue to fall under pressure to maintain alignment with Russian policies when making trade decisions, markedly restricting their autonomy in trade

¹⁴⁹ "Assessing the Impact of Russia's War against Ukraine on Eastern Partner Countries," OECD, 2023, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/01/assessing-the-impact-of-russia-s-war-against-ukraine-on-eastern-partner-countries_3fdf0591/946a936c-en.pdf

¹⁵⁰ Caitlin Welsh and Emma Dodd, "Rebuilding Ukraine's Agriculture Sector: Emerging Priorities, CSIS, September 13, 2022, <https://www.csis.org/analysis/rebuilding-ukraines-agriculture-sector-emerging-priorities>

¹⁵¹ Irina Busygina, "The Impact of the War in Ukraine on the Eurasian Economic Union," Ponars Eurasia, May 17, 2024, <https://www.ponarseurasia.org/the-impact-of-the-war-in-ukraine-on-the-eurasian-economic-union>

decisions. Ukraine's exclusion from such frameworks only puts further isolation and pushes diversification, rather than a choice, but at a logistical and diplomatic cost.¹⁵²



Figure 4.2: Ukraine's Trade Diversification: Challenges and Opportunities

Source: Compiled by self

This chart illustrates the internal challenges (e.g., infrastructure damage, corruption), external challenges (e.g., geopolitical pressures, reliance on Russian trade), and opportunities (e.g., European integration, new trade routes) faced by Ukraine in diversifying its trade. Each category highlights the impact level (0-100) of these factors on Ukraine's efforts.

Opportunities

However, a strategy of trade diversification in Ukraine holds great opportunities for regional economic transformation despite these challenges. Ukraine's potential is to develop strong economic ties to other countries like Moldova and Georgia that also have the same goal for European integration. Finally, EU Association Agreements and the Deep and Comprehensive Free trade area (DCFTA) in Moldova, a model for Ukraine's further opening to Western markets. Mainly due to Moldova's proximity and trade corridors, it can establish mutually beneficial economic

¹⁵² Kataryna Wolczuk, Rilka Dragneva, "Putin's Eurasian dream may soon become a nightmare," Chathamhouse, May3, 2022, <https://www.chathamhouse.org/2022/05/putins-eurasian-dream-may-soon-become-nightmare>

corridors.¹⁵³ The focus on technology, agriculture and renewable energy in Ukraine's business mirror the strategies of Azerbaijan and Kazakhstan. Ukraine can build a partnership with Azerbaijan on energy security and supply chain initiatives through energy diversification investments Azerbaijan makes.¹⁵⁴ Another avenue for Ukraine to diversify its logistics and reduce its reliance of Russian dominated freight routes is through 'Middle Corridor' strategy of Kazakhstan, which seeks to bypass Russian trade routes and link Central Asia and Europe.¹⁵⁵

Armenia and Georgia's experience in diversifying their economies towards tourism, IT and service industries may prove candidates for Ukraine to grow in. Unlike Georgia, Ukraine's reform efforts have been slow, and its implementation surrounded with controversy, but Georgia's success in attracting foreign investment and modernizing its economy through free trade agreements and liberal economic reforms are a template for Ukraine to follow. Efforts to bring these nations to collaborate could help strengthen regional economic ties creating resilience against external geopolitical pressures.¹⁵⁶ All in all, Ukraine's efforts in trade diversification are undermined by a number of internal and external challenges but the experiences of post-Soviet states may serve as actual cautionary examples and opportunities for cooperation. Building more resilient and diversified economy for Ukraine could be achieved through the strengthening of regional partnerships, modernizing infrastructure and avoiding direct access to traditional commercial channel could be done through alternative trade routes.

¹⁵³ Guillaume Van der Loo, "The EU's Association Agreements and DCFTAs with Ukraine, Moldova and Georgia: A Comparative Study," CEPS, June 26, 2017, <https://www.ceps.eu/ceps-publications/the-eus-association-agreements-and-dcftas-with-ukraine-moldova-and-georgia-a-comparative-study/>

¹⁵⁴ Nina Miholjic Ivkovic, "New Chapter in Azerbaijan Kazakhstan Strategic Cooperation: Beyond Oil and Gas," *The Astana Times*, August 8, 2024, <https://astanatimes.com/2024/08/new-chapter-in-azerbaijan-kazakhstan-strategic-cooperation-beyond-oil-and-gas>

¹⁵⁵ Tuba Eldem, "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity," SWP, October 28, 2022, doi:10.18449/2022C64

¹⁵⁶ Iulian Groza, Jana Kobzová, and Viktor Konstantynov, "Implementing the EU Association Agreements with Ukraine, Georgia, and Moldova," Carnegie Endowment for International Peace, November 16, 2017, <https://carnegieendowment.org/posts/2017/11/implementing-the-eu-association-agreements-with-ukraine-georgia-and-moldova>

Case Studies

Case Study 1: Successful Trade Diversification Initiative

Ukraine's pivot towards the European Union (EU) and other non Russia markets is one of the most striking examples of successful trade diversification done during the ongoing conflict. Before the war Ukraine relied heavily on trade with Russia: a significant part of its exports (primarily in sectors of agriculture and raw materials) were sent to Russia and the subject of the Commonwealth of Independent States (CIS). If, however, the annexation of Crimea in 2014 and the beginning of the war in Donbas didn't cause serious disruptions to these trade relations, then the sanctions imposed on the partners of Jehovah's Witnesses who are from countries located between Russia and the West have undermined their business entirely. Ukraine then chose strategically to attempt to diversify the trade relationships the country had with the EU and other international markets. This strategy had as a central component the signing of the EU Ukraine Association Agreement in 2014 that provided Ukraine with preferential access to the European market. The agreement represented a big change in Ukraine's trade policy, as it wanted to cut dependence on Russia by expanding the country's economic ties with Western nations. Under the agreement the signatories agreed to cut tariffs, seek regulatory alignment and liberalize trade in goods and services. In addition, Ukraine started to switch its export portfolio from traditional ones, such as grain and metals, diversifying its export portfolio to include new markets for agricultural products, mainly in Europe and the Middle East.

Ukraine's strategy of diversification included a crucial aspect of developing its energy sector in concert with international partners. The country needed to diversify its sources of energy besides reliance on imports from Russia and increased infrastructure to import natural gas from Europe. First, these efforts stabilized Ukraine's energy security and, second, allowed deeper integration of this market into European markets, that model being one to which other markets in the post-Soviet states faced a similar set of geopolitical challenges.¹⁵⁷

¹⁵⁷ Gus Trompiz , Pavel Polityuk, "Ukrainian corn seed flows to Europe in further farm trade shift," *Reuters*, October 24, 2024, <https://www.reuters.com/markets/commodities/ukrainian-corn-seed-flows-europe-further-farm-trade-shift-2024-10-24/>

Although not yet completed, this successful diversification initiative has greatly reduced the economic vulnerability of Ukraine to Russian pressure and given the country a presence on the international niche markets. Diversification to the creation of long term strategic partnerships with the EU has helped Ukraine a lot to successfully diversify its economy as well as mitigate risks of the war.

Case Study 2: Ongoing or Less Successful Trade Diversification Initiative

Having some successes, Ukraine's trade diversification efforts have had considerable challenge that prevent their full potentials. In the case of a less successful or ongoing initiative, such as Ukraine's effort to diversify its agricultural exports, different actors may be less influenced to act in ways that are more risk taking, but those would remain part of the same initiative. Ukraine is one of the world's largest grain producers, particularly in wheat and corn, and its farming sector was hugely reliant on Russian and regional markets. While the war was still under way, Ukraine tried to open up to new markets for exports beyond the EU, including Africa, Asia and the Middle East. Despite this effort at diversification, several obstructions occurred. First, Ukraine's agricultural exports are still highly competitive with other global producers, which means that it is not able to take long term hold on new markets. Meanwhile, the country is also struggling with the country's infrastructure, especially transport and logistics, with continuous wars and conflicts damaging key transport routes including ports on the Black Sea. The disruptions have also made it hard for Ukraine to cope with escalating demand for its agricultural products in emerging markets.

One of the major challenges has been that Ukraine's agriculture sector only has limited capacity to meet international quality standards and move into higher value products. The country plays a prominent role as an exporter of basic agricultural commodities, but it hasn't successfully positioned itself in other more value added sectors like processed foods that demand big investments in technology and infrastructure. Moreover, many countries of Africa and the Middle East have their own agricultural production systems to which Ukraine must compete and overcome trade barriers that often block opening of these markets. Ukraine has learned a lot from this ongoing experience. The lesson in all that is to develop a strong and versatile network to support trade diversification. Furthermore, the quality and branding of agricultural products that match international standards need to be improved and sustained growth in nontraditional markets is

necessary. Also, as opportunities exist in Asia and the Middle East and competition is strong, Ukraine has also realized the need to forge equally stronger diplomatic and trade relations with countries in Asia and the Middle East.¹⁵⁸

Finally, the diversification of Ukraine's agricultural exports is continuing but remains a complex process which continues to require adaptation and investment. This case study teaches lessons that can help shape future trade strategies and help in realizing the complexities of making the leap to new markets in the midst of a conflict.

Critical Analysis

Finally, this chapter looks at how Ukraine's trade diversification strategies can provide responses to the war. Ukraine's pre war trade was heavily dependent on Russia at the start, but the war has forced a shift in Ukraine's economic approach. The policy has been designed by the Ukrainian government to diminish its reliance on Russia and diversify trade partners by entering into new deals with the European Union, Turkey and other big players around the world. However, agriculture, IT and energy sectors have emerged as important focal sectors of diversification. Yet, Ukraine still has to face numerous internal difficulties: infrastructure constraints, the effects of the war in destabilizing kinds, and external geopolitical tensions. It has huge implications for Ukraine's economy and regional trade. Now, as Ukraine fights to reconfigure its trade relationships, movements in Ukraine are rippling across its post-Soviet neighborhood: Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Kazakhstan. Many of these nations have long historical ties to Russia, and like the UK they are taking their own path from an increasingly uncertain geopolitical landscape. However, given the trade diversification opportunities that Ukraine can provide these countries, these countries can recalculate their own economic strategy in the agriculture, manufacturing, and energy sectors that are 'shared interests.' But they also have to juggle a balance between Russia and the West, an unsteady situation that can stir up the region.

Future research into how these countries is changing their trade patterns as part of Ukraine's diversification efforts may also yield outcomes. Trade policies could be looked at more deeply, as

¹⁵⁸ Pavel Polityuk, Jonathan Saul and Tom Balmforth, "Ukraine boosts grain exports despite intensified Russian attacks," *Reuters*, August 12, 2024, <https://www.reuters.com/markets/commodities/ukraine-boosts-grain-exports-despite-intensified-russian-attacks-2024-08-12/>

could the long term impact of changing alliances and realignments of the economy. Moreover, it would be worthwhile to explore investments for these countries to work together in trade diversification programs such as renewable energy. Ukrainian development will be a major influence on the broader region, which will doubtless experience many of the same challenges and opportunities in the evolving global economy.

CHAPTER 5

REGIONAL TRADE DYNAMICS IN THE AFTERMATH OF RUSSIA UKRAINE WAR

While the Russia Ukraine war has clearly changed the political geography of Eastern Europe, it has also interrupted the regional trade paths that compose post-Soviet space. In countries such as Armenia, Azerbaijan, Georgia, Belarus, Moldova, Ukraine, and Kazakhstan the war has far reaching consequences, which countries all share historical, economic and geopolitical links with Russia. Before the war all these nations were closely intertwined by trade, and Russia was a leading trading partner of many of them. For example, Russia was Belarus's source of both energy supplies and export markets as for Ukraine, large trade links with Russia existed mainly in sectors such as agriculture and heavy industry. On the other hand, Moldova's economy depended upon Russia for agricultural exports, wine, fruits, and vegetables.¹⁵⁹ But the war completely disrupted these dynamics. Immediately, Russia blocked Ukraine's ports in the Black Sea and its land borders on Russia's side were closed or impassable. For this reason, Ukraine changed the basis of its trade towards the European Union, Turkey and other world's markets, looking for the new directions of its agricultural exports and industrial goods. Given Belarus's political support for Russia, it has had to further shore up support economically with China, Kazakhstan and other non Western markets. Caught in the crossfire, Moldova has balanced its main trading partner with the European Union as exports to European market surged while it still depends on importing energy from Russia.¹⁶⁰

While Kazakhstan is landlocked, it has had to rethink its transportation infrastructure and trade routes, using its vast oil and gas reserves to increase ties to China and Europe. Georgia, meanwhile, has been striving to cut its dependence on Russia's market fluctuations and has been trying to diversify its trade partners by strengthening links with the EU and Turkey. Armenia has attempted to diversify through partnering with Iran and India in order to reduce its relative reliance on Russian energy and remittances, while Azerbaijan's depth in oil and gas, a strong energy sector, and burgeoning desire to export more energy to Europe have prompted it to increase efforts in that area.

¹⁵⁹ Thomas de Waal, "The End of the Near Abroad," Carnegie Europe, May 16, 2024, <https://carnegieendowment.org/research/2024/05/the-end-of-the-near-abroad?lang=en>

¹⁶⁰ Johan Engvall, Ismail, Kristina Melin, "Post-Soviet no more – the transformative impact of war on Russia's neighbors," The SAIS Review of International Affairs, September 18, 2023, <https://saisreview.sais.jhu.edu/post-Soviet-no-more-the-transformative-impact-of-war-on-russias-neighbors/>

¹⁶¹The conflict itself, along with the geopolitical shifts it has driven, have played a role on the shape of this shift in regional trade flows, signifying the interaction between security on the regional scene, political alignments and economic interests. With a new context in place, countries in the region are having to adjust their trade strategies, as they are looking for new partners, and scrambling with this rapidly changing international landscape. All these changes will have long lasting impact and radically alter the economic shape of the post-Soviet space after the conflict has subsided. ¹⁶²

Immediate Impact of the War on Trade Laws

The war had immediate impact on both intra regional and international trade flows, impacting both flows similarly with a swift and a disruptive effect. The war also had a devastating effect on supply chains, changed trade routes and caused sanctions that devastated the post-Soviet states' economies. The repercussions were felt directly and indirectly as for the countries in the region their economic relations with Russia and Ukraine, leading the players in the regional trade ecosystem, either halted or heavily rerouted. The sudden disruption of traditional trade routes was one of the most profound impacts. A maritime corridor for trade, the Black Sea also became a battleground, with Odessa, Mykolaiv, and Mariupol among ports in Ukraine horribly damaged or blocked. It not only impeded Ukraine's ability to export metal, grain and other goods, but also the broader region, where countries including Belarus, Moldova and Kazakhstan depended on Ukrainian ports to get out to the world. With the closure of these vital trade hubs, these delays and these additional costs and a reduction in the amount of goods that could be exported or imported through the region. ¹⁶³ At the same time, the war increased the impact of economic sanctions from Russia and had consequences far and wide for its neighbors. Trade between Russia and many post-Soviet states, and especially those in the Commonwealth of Independent States (CIS), was hampered. Belarus, for example, with its very extensive conventions on energy imports and export, was hit hard by a combination of energy price rises and the logistical bottlenecks. Mandate for a steep drop in trade with the European Union

¹⁶¹ Souleimanov, Emil A., and Yury Fedorov, "The War in Ukraine: Risks and Opportunities For the 'Post-Soviet South', " *Middle East Policy* 30, no. 3 (2023): 95 106, <https://onlinelibrary.wiley.com/doi/10.1111/mepo.12709>

¹⁶² Thomas de Waal, "The End of the Near Abroad," Carnegie Europe, May 16, 2024, [https://carnegieendowment.org/research/2024/05/the-end-of-the-near-abroad?](https://carnegieendowment.org/research/2024/05/the-end-of-the-near-abroad?lang=en)

¹⁶³ Bandura, Romina, Ilya Timchenko, and Benjamin Robb, "Ships, Trains, and Trucks: Unlocking Ukraine's Vital Trade Potential", " *Center for Strategic and International Studies* 8 (2024), [https://www.csis.org/analysis/ships-trains-and-trucks-unlocking-ukraines-vital-trade-potential?](https://www.csis.org/analysis/ships-trains-and-trucks-unlocking-ukraines-vital-trade-potential?lang=en)

worsened matters for Armenia and Kazakhstan, which rely on Russia as a transit hub for exports to the continent. In addition, supply chain disruptions worsened, forcing many nations to reassess their reliance on Russian made goods from machinery to raw materials.¹⁶⁴

It also disrupted the agricultural trade that was a major lifeblood of many post-Soviet economies. Ukraine, a country known as the ‘breadbasket of Europe’ was a big supplier of food, including grain, sunflower oil and other agricultural products, to countries around the world. Not only Ukraine but many neighboring countries were experiencing severe food supply disruptions because the blockage of Ukrainian ports. For example, Moldova, as well as Ukraine and Belarus, could not preserve its agrarian exports to Russia and the Eastern markets. Moldova’s trade was reoriented towards the European Union during the war, but that did not come without problems, since the EU market was saturated and new logistical pathways had to be created. Price hikes and the shortages of essential commodities in some countries aggravated inflationary pressures that were set off by overall uncertainty.¹⁶⁵

The war had also severely impacted the area of energy trade. Since Russia played a major role as an energy supplier to Europe, as well as parts of the post-Soviet region, its energy issues were considered important issues of the conflict. It came as the war added to fears about the stability of gas and oil supplies from Russia, and countries such as Armenia, Belarus and Kazakhstan, whose energy relied mainly on natural resources from Russia, had to make rapid shifts. For example, Kazakhstan, which is already an energy deficit country, was also under pressure to diversify its energy exports. Azerbaijan meanwhile saw its oil and gas reserves garner more attention as Europe searches to free itself from Russian energy. As a result, the conflict not only interrupted existing supply pipes, but also drove countries to hurry up with the diversification of energy throughout the region, rebroadcasting energy flows towards Turkey, the EU, and even China.¹⁶⁶

¹⁶⁴ Michele, "How the war in Ukraine is reshaping world trade and investment," *World Bank Blogs* 3 (2022), <https://blogs.worldbank.org/en/developmenttalk/how-war-ukraine-reshaping-world-trade-and-investment?>

¹⁶⁵ “How the Russian invasion of Ukraine has further aggravated the global food crisis,” *European Council*, Access February 2, 2025, <https://www.consilium.europa.eu/en/infographics/how-the-russian-invasion-of-ukraine-has-further-aggravated-the-global-food-crisis/>

¹⁶⁶ “Analysing the impacts of Russia's invasion of Ukraine on energy markets and energy security,” IEA, Access February 2, 2025, <https://www.iea.org/topics/russias-war-on-ukraine?>



Figure 5.1: Immediate Impact of the Russia Ukraine War on Trade Flows

Source: Created by self

This chart shows how trade between Russia and Ukraine faces major breakdowns across all key areas. Handed infrastructure and trade restrictions primarily disrupted global shipping lines but agriculture, energy infrastructure, and transportation networks endured major problems. Events from Russia to Ukraine created new economic requirements that redistributed international trade relationships.

One other casualty was the transportation network. Since the war has broken down the traditional overland and rail routes for the movement of goods, principally for landlocked Armenia and Kazakhstan. Countries in the region had to take an alternative route due to the Russian blockade of key railway routes and destruction of infrastructure in Ukraine. Kazakhstan, whose exports used to depend on Russia's rail networks, had to exploit the much more expensive routes through China and through the Caspian Sea. Azerbaijan, which had begun to play a transit hub role with regard to goods traveling between Europe and Asia, itself experienced logistic difficulties but took advantage of its location to grow into a transit hub.¹⁶⁷ During the war it also created a ripple in regional currency markets. In fact, a lot of post-Soviet countries experienced a large devaluation of their national currencies, especially versus US dollar and euro. On the first stages of the conflict the Russian ruble collapse sent shockwaves through the region and pumped up inflation in countries

¹⁶⁷ Stanislav Zinchenko, "How the Russia Ukraine war has impacted on logistics routes and supply chains," GMK Centre, July 11 2024, <https://gmkc.center/en/posts/how-the-russia-ukraine-war-has-impacted-on-logistics-routes-and-supply-chains/>

such as Armenia, Kazakhstan, and Azerbaijan, which had a huge role in trade settlements. Moreover, this financial instability added to the difficulties trade relations already faced due to exchange rate volatility rendering transnational businesses reliant on currency stability more difficult and costlier to enter into international transactions. Instead, the economic disruptions led not just to the blight in immediate trade but pushed out and influenced larger financial stability within the region as a whole.¹⁶⁸ But in addition to these disruptions the war also created strong political and economic uncertainty that contributed to realignments of trade alliances. After that, many countries in the region were forced to reconsider their relationship with trade partnerships, especially with Russia. For example, Moldova speeded up its work on deepening ties with the European Union not only to acquire alternative markets for its exports but also to get economic backing for its exit from Russian influence. Georgia and Armenia, which had remained somewhat neutral on the conflict, had to reassess their relations with Russia and the West, and often traded for a start on fledgling foreign investments.¹⁶⁹

Finally, the war had wide and immediate impact on the regional flows of trade. Huge, sudden disruptions among transport, agricultural exports, energy supplies and financial markets, along with shifting political dynamics, pushed countries to make these fast and flexible trade adjustments. Some nations, Kazakhstan and Azerbaijan, for example, used new trade prospects to China and the EU to diversify their sources of supply and assess their economic relationships, while Belarus and Moldova, facing immediate economic crises, had no choice but to rethink their economic alliances. From the war scarred regional trade ecosystem, the need to future proof future stability and resilience demanded new approaches in the wake of continued geopolitical uncertainty.

Long Term Effects on Trade Patterns

The war has profound, long term effects on the regional trade patterns of post-Soviet space, both in economic restructuring, trade diversification and in geopolitical realignments. The war has forced many countries in the region to rethink their trade relations, reassess their economic tactics,

¹⁶⁸ Dudzich Viktor, "Real exchange rate misalignments and currency crises in the former Soviet Union countries," *Comparative Economic Studies* 64, no. 3 (2021): 384, <https://pmc.ncbi.nlm.nih.gov/articles/PMC8613727/>

¹⁶⁹ "Assessing the Impact of Russia's War against Ukraine on Eastern Partner Countries," OECD, access January 23, 2025, https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/01/assessing-the-impact-of-russia-s-war-against-ukraine-on-eastern-partner-countries_3fd0591/946a936c-en.pdf

and find themselves in a new global economic situation where consequences for patterns of regional trade are long lasting.

The separation from Russia as an economically will be one of the most significant long term changes, as many post-Soviet states were predominately reliant on it. The sanctions on Russia and the disruption of supply chains and trade routes have had powerful reasons to diversify markets. As an example, Ukraine, which historically relied heavily on Russia for energy, raw materials and agricultural exports, has also made a rounded effort to join more closely with the European Union's economic structures. With Ukraine's war moving it further into the embrace of the EU, the EU Ukraine Association Agreement has become crucial for the continuation of its access to the European markets, for maintaining access to export of Ukrainian agricultural products and machinery, and for attracting investment into the critical infrastructure. The result of this process has been a reorientation of Ukraine's trade flows, towards countries such as Poland, Germany and Turkey, and away from Russia. It is not merely about adding new markets, but about insulating itself from the risk of geopolitical pressure from Moscow.¹⁷⁰ Other countries of the region have also tried recasting in other markets to dodge the economic and political risks of continued reliance on Russia. As an example, Moldova has dramatically reduced its dependence on Russian imports and looks now more and more to the European Union as a market for agricultural products, mainly wine and fruits. Transition has of course been neither easy nor painless, but the EU's trade liberalization initiatives and financial assistance programmes have helped Moldova adjust to this new economic reality. "Previously, Russia was the main consumer for Moldova's agricultural sector, which had to look for new buyers in Europe and fight off growing competition from other Eastern European exporters," says Irina Vasilieva, from the Institute of Economic Studies at Moldova's state university. Moldova has, however, benefited from its integration into the European market, leading to its long term growth and economic stability showing the advantages of diversification and the possibilities from reduced Russian influence.¹⁷¹

¹⁷⁰ Michelle Kilfoyle, "Ukraine: what's the global economic impact of Russia's invasion?" Economic Observatory, October 24, 2023, <https://www.economicsobservatory.com/ukraine-whats-the-global-economic-impact-of-russias-invasion/>

¹⁷¹ Marat, Erica, and Johan Engvall, "Former Soviet states are distancing themselves from their old imperial master," *Foreign Policy* (2022), <https://foreignpolicy.com/2022/05/10/soviet-imperialism-colonialism-ukraine-kazakhstan-georgia-moldova/>

Central Asia's major energy exporter, Kazakhstan, has its own set of challenges and opportunities. Kazakhstan has had to seek other export routes because it has been historically dependent on Russia to transport its oil and gas. The result is that Kazakhstani oil and natural gas have become a lucrative trade with China, the country's biggest and increasingly cooperative trading partner. The Kazakhstan literally makes quality investment in infrastructure projects, like the expansion of the Caspian Sea transport routes or the development of the pipeline China Kazakhstan, shows that Kazakhstan wants to weaken its dependence on Russia and to make an impact in the quickly growing Chinese market. It is part of a larger trend in which Kazakhstan and other Central Asian countries alike have begun to strengthen trade with China in pursuit stronger ties as part of the China's Belt and Road Initiative. In the medium term it is likely to enhance Kazakhstan's economic resilience and decrease its dependency on the volatility of the political environment in Russia.¹⁷²

In the post war context, trade patterns have notably shifted, significantly impacting energy rich Caucasian countries like Azerbaijan and Armenia. Azerbaijan has leveraged its energy exports to diversify trade and enhance its presence in the European market. The European Union's (EU) intent to reduce dependence on Russian energy has positioned Azerbaijan as a key natural gas supplier. Initiatives such as the Southern Gas Corridor (SGC) have been instrumental in connecting the Caspian region to European markets. In 2023, Azerbaijan exported approximately 12 billion cubic meters of natural gas to the EU, marking a more than 45% increase since 2021. Plans are underway to double this export volume by 2027, aiming for around 20 billion cubic meters annually.¹⁷³ Armenia, traditionally closely linked to Russia both geographically and politically, faces challenges in diversifying its economic partnerships. Despite these challenges, Armenia is actively pursuing trade agreements with countries like Iran, India, and the EU to reduce its dependence on Russia while maintaining essential economic and political ties. However, as of the first nine months of 2024, Russia still accounted for 42% of Armenia's foreign trade turnover, highlighting the difficulty

¹⁷² Zsolt Darvas Luca Léry Moffat Conor McCaffrey, "Emerging countries have replaced most of Russia's lost trade with advanced economies," Bruegel, March 21, 2024, [https://www.bruegel.org/analysis/emerging-countries-have-replaced-most-russias-lost-trade-advanced-economies?](https://www.bruegel.org/analysis/emerging-countries-have-replaced-most-russias-lost-trade-advanced-economies?ref=bruegel)

¹⁷³ "Joint statement: 10th ministerial meeting of the Southern Gas Corridor Advisory Council and 2nd ministerial meeting of the Green Energy Advisory Council," *European Commission*, March 1, 2024, <https://energy.ec.europa.eu/news/joint-statement-10th-ministerial-meeting-southern-gas-corridor-advisory-council-and-2nd-ministerial-2024-03-01>

of reducing reliance on Russian markets.¹⁷⁴ Additionally, there is a noticeable shift towards increased economic cooperation with non traditional partners such as Turkey and China. Turkey has emerged as a significant trading partner and a gateway to both Middle Eastern and European markets. For instance, Georgia has strengthened trade relations with Turkey in sectors like agriculture, textiles, and tourism, while also progressing towards integration with the EU. Turkey's political and economic stability, along with its strategic location bridging Europe and Asia, makes it an attractive partner for many post-Soviet states aiming to lessen their dependence on Russia.¹⁷⁵ China's Belt and Road Initiative (BRI) is also reshaping the trade landscape in Central Asia and the Caucasus. Countries like Kazakhstan, Azerbaijan, and Georgia are becoming increasingly integrated into China's global trade network through new transportation and energy infrastructure projects. This shift is expected to strengthen economic ties between China and post-Soviet states while potentially diminishing Russia's economic and political influence in the region.¹⁷⁶ Besides market diversification, regional trade flows have been restructured to include the improvement of domestic infrastructure and logistics capacities to achieve these new trade routes. For example, Kazakhstan and Uzbekistan have poured a great amount of money into building up rail networks, oil pipelines, and ports bypassing Russian territory in Central Asia. Investments are necessary to keep the region able to access and trade in global markets and to keep energy secure. Georgia too has directed efforts to expand its port facilities and transport networks in order to make its port facilities a significant route between Europe and Asia. Both these also give rise to new trade blocs and regional cooperation initiatives, which have their long term effects on the patterns of regional trade. Some countries in the Eurasian Economic Union (EEU), led by Russia, struggle to remain united after some, like Armenia and Kazakhstan, look to enter into different economic and trade relationships. The EEU nevertheless continues to be an important platform for some post-Soviet

¹⁷⁴ 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>

¹⁷⁵ Tinatin Akhvlediani, "The EU and the South Caucasus: Geoeconomics at Play," Carnegie Endowment for International Peace, October 2, 2024, <https://carnegieendowment.org/research/2024/10/the-eu-and-the-south-caucasus-geoeconomics-at-play>

¹⁷⁶ Ibid

countries, but it is obvious that many are looking for a broader diversity of trade relations and a closer tie to the EU, China and global powers.¹⁷⁷

On a final note, the war produces long term consequences for the regional trade flows, namely a drastic reconfiguration, reallocation and geographic promotion of trade routes, and enhanced geopolitical alignments. And as post-Soviet countries strive to move off the Russian dependence cart and forge new, global relationships, the future of regional trade will be influenced by this work to build more resilient, diverse economies. These processes were accelerated by the war, and, after the war, these processes will continue with intensified efforts to integrate more closely with global economic systems, diminish vulnerabilities, and search for new opportunities for economic cooperation.¹⁷⁸

A Comparative Analysis of Trade Diversification Strategies

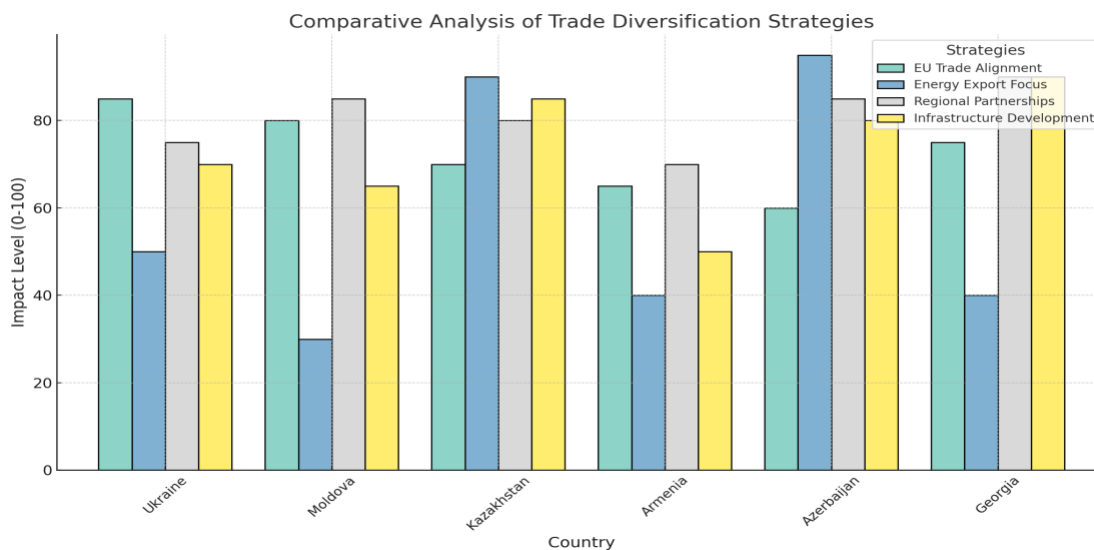
Post Russia Ukraine war, the trade diversification strategies adopted by countries in post-Soviet space are mediated by critical complex interplay of economic, geopolitical and infrastructural factors. The war worked to disrupt traditional trade routes particularly for the affected countries whose economies increasingly depended on Russian markets, and others in the region started to look at more alternative directions in terms of economic growth. For most countries in the region, this meant a transition from being reliant on Russian trade relationships to trade relationships built on more diverse ‘ends’, with varying levels of success and difficulties. In this context a primary characteristic of successful trade diversification has been the pivot towards the European Union. The conflict led Ukraine, Moldova and Georgia to take a number of steps in strengthening their economic and trade relations with the EU. The shift for Ukraine was dramatic. Before the war, Russia had been Ukraine’s largest trading partner. But the conflict prompted Ukraine to fast track reforms to align its economy with Western standards, which led to the signing of an association agreement with the EU in 2014. Under this agreement, Ukraine was able to open the European market to itself more freely and to restructure its own economy to meet EU standards. Ukraine also

¹⁷⁷ Aijan Sharshenova, “The Eurasian Economic Union: Pros and Cons for Smaller Member States,” ISPI, February 3, 2025, <https://www.ispionline.it/en/publication/the-urasian-economic-union-pros-and-cons-for-smaller-member-states-199114>

¹⁷⁸ Maria A. Blackwood, Ricardo Barrios, Michael, “Central Asia: Implications of Russia’s War in Ukraine,” Congressional Research Service, June 9, 2023, <https://crsreports.congress.gov/product/pdf/R/R47591>

furthered its relationships with countries such as Turkey, which played an increasingly key role in Ukraine's diversification of trade, in the agricultural export and development of infrastructure. Ukraine's shift from its former focus of Soviet type politics to emphasize the expansion of Ukrainian's agricultural exports to the EU market, including grain, sunflower oil and poultry.¹⁷⁹

Like Moldova, although constrained by much the same geopolitics, it also wanted to lessen its reliance on Russia, boosting its trade links with the EU. In 2014 an association agreement with EU was signed allowing Moldova to be provided with preferential access to European markets. Wine became a major agricultural export from Moldova, followed by fruit and vegetables, which began



to flow more steadily to Western Europe. Moldova's transition was obviously complicated by the ongoing Russian embargo on Moldova's agricultural products, triggered by Moldova's alignment with the West. To that end, Moldova focused on its trade relations with its nearby countries, including Romania, which was both a transit route for goods and a trade partner of value. Moldova's experience shows how necessary it is to strike beyond new markets and to capitalize on geographical proximity and regional alliances to avoid geopolitical tensions.¹⁸⁰

Figure 5.2: Comparative Analysis of Trade Diversification Strategies

¹⁷⁹ Van der Loo, Guillaume. "The EU's Association Agreements and DCFTAs with Ukraine, Moldova and Georgia: A Comparative Study. CEPS Special Report, 24 June 2017." (2017), https://aei.pitt.edu/88152/1/Comparitve_GVDL_24.6.17_final_0.pdf

¹⁸⁰ "Moldova: EU trade relations with Moldova. Facts, figures and latest developments," *European Commission*, Access January 23, 2025, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/moldova_en?

Source: Constructed by Self

This comparative bar chart illustrates the impact levels (0 100) of four key trade diversification strategies, EU trade alignment, energy export focus, regional partnerships, and infrastructure development, for six post-Soviet countries. Each country's unique approach is reflected in the variation across the categories, showing how countries prioritize different strategies based on their economic and geopolitical circumstances.

Kazakhstan, a country situated in Central Asia, with its vast endowment of energy resources, undertook a slightly different tack for diversification. Kazakhstan was keen to broaden its economic footprint beyond Russia and quickly became an important trade partner for China and the European Union, who were both key elements of its post Russian strategy. The Trans Caspian International Transport Route was developed as a way that Kazakhstan would export oil and natural gas to Europe and also have the ability to diversify transport routes, and the route connects Europe through Azerbaijan and Turkey to Central Asia. Knowledge produced by this infrastructure allowed Kazakhstan to sidestep Russia and forge newer, more direct trade relationships with the EU and China.¹⁸¹ Kazakhstan's participation in the Belt and Road Initiative (BRI) also strengthened its trade diversification strategy, becoming the critical transit hub for Chinese goods that come to the west. Kazakhstan's experience shows that countries with considerable energy exports can turn their trade portfolio around by opening new markets through both physical infrastructure and strategic partnerships with world powers like China.¹⁸²

By contrast, Armenia and Azerbaijan paid attention to different aspects of trade diversification. A landlocked country, Armenia had to deal with its tensions with Azerbaijan in its region but depended on Russia for energy supply and trade. Despite these, Armenia started to seek support in European Union, Iran, and in India to improve the country's economy. For example, Armenia developed a trade relationship with its neighbor Iran: in matters of energy, pharmaceuticals and above all agriculture, because Armenian exports became dependent on Russian energy supplies.

¹⁸¹ Amangeldy Mussayev, "Trans Caspian International Transport Route," EY, April 2024, https://www.ey.com/en_kz/insights/strategy_transactions/trans_caspian_international_transport_route?

¹⁸² Ahmed, Kazi Matin Uddin, and Evgenij Najdov, "South Caucasus and Central Asia the Belt and Road Initiative: Uzbekistan Country Case Study," *World Bank*, (2020), https://documents1.worldbank.org/curated/en/471731593499938164/pdf/South_Caucasus_and_Central_Asia_The_Belt_and_Road_Initiative_Kazakhstan_Country_Case_Study.pdf

With the EU, Armenia also signed a Comprehensive and Enhanced Partnership Agreement (CEPA) in the hopes of making itself more EU aligned regarding trade policies.¹⁸³ However, by playing a significant role in the export of energy to Europe, Azerbaijan capitalized on its geographic location. The capacity to export energy through pipelines like the Southern Gas Corridor, which links Azerbaijan with European markets while avoiding Russian infrastructure, allowed Azerbaijan to diversify its trade. On the other hand, Azerbaijan made the most of its geography by being a key player in the energy export to Europe. Azerbaijan's trade diversified due to its ability to export energy through pipelines such as the Southern Gas Corridor, which connects Azerbaijan with European markets, bypassing Russian infrastructure. Azerbaijan's importance as a reliable energy source for Europe was an emblem of its successful use of energy resources as a factor in its trade diversification process.¹⁸⁴

While energy exports were central to Azerbaijan and Kazakhstan's diversification strategies, smaller economies in the region, such as Georgia, had to rely more heavily on improving trade infrastructure and seeking non energy markets. Georgia's efforts to diversify were driven by its proximity to both Russia and the EU, creating both opportunities and challenges. Georgia's trade diversification aimed at increasing the export of agricultural products, including wine, hazelnuts, and minerals, to the EU, and also on strengthening ties with Turkey, a major trading partner and regional ally. Georgia further used its status as a transit country, offering logistical services for goods in transit between Europe and Asia. Its incorporation in regional projects, for instance the Baku Tbilisi Kars railway, assisted it in becoming an important hub of transport, broadening the role of the country within regional trade and furthering connections to the larger international market.¹⁸⁵

In summary, comparison of the strategies employed for trade diversification between the newly independent states after the war between Russia and Ukraine exposes both similarities and differences within their policies. Where, by and large, countries would seek to minimize their

¹⁸³ "The Comprehensive & Enhanced Partnership Agreement between the European Union & Armenia (CEPA)," *European Union External Action*, February 26, 2021, https://www.eeas.europa.eu/eeas/comprehensive_enhanced_partnership_agreement_between_european_union_armenia_cepa_en

¹⁸⁴ "Azerbaijan has increased natural gas production and added a connection to Europe," *US Energy Information Administration*, October 12, 2021, https://www.eia.gov/todayinenergy/detail.php?id=49916&utm_

¹⁸⁵ Sofia Gavrilova, "Georgia's Prospects for Overcoming the De Sovietization Narrative," Wilson Center, October 25, 2024, https://www.wilsoncenter.org/blog post/georgias_prospects_overcoming_de_sovietization_narrative?

dependency on Russia, they employed such means according to the type of their economies, location, and the kind of political relationships that characterized these countries. In most countries, the EU emerged as a significant partner for other countries; however, it was possible for each to adopt either trade agreements, infrastructural projects intended to avoid Russian routes. For countries rich in natural resources, such as Kazakhstan and Azerbaijan, energy exports constituted a valuable tool for diversification of trade, while for smaller economies, like Moldova and Georgia, there is more focus on agricultural export and regional partnership. Even with these difficulties, countries have demonstrated remarkable adaptability and resilience in negotiating their position in the complex post war geopolitical landscape and hence establishing a new epoch in regional trade relations.

Geopolitical and Economic Factors Shaping Trade

The war has greatly changed the post-Soviet geopolitical environment and influenced the trading relations of Ukraine, Belarus, Moldova, Kazakhstan, Georgia, Armenia, and Azerbaijan. Conventional patterns of trade are turned upside down, and countries have to review their economic partnership with each other and find new strategic relations with each other. This section discusses the role of key geopolitical players, Russia, the European Union (EU), China, and Turkey, and the general economic pressures that have reordered the trading patterns of this region.

The Role that Russia plays in Regional Trade

Russia has always been one of the country's closest trade partners and most influential geopolitical players in the post-Soviet area. Belarus, Kazakhstan, Armenia, and Azerbaijan had a close relation with Russia before the war because of historical, cultural, and political affinities. The war has changed the tables. The country that has been most prominent in its redirection of trade away from Russia is Ukraine, which seeks to integrate with the EU and other Western markets. It has drastically reduced the dependence of Ukraine on Russia about imports and its export markets, particularly with regarding to sectors within agriculture and manufacturing. The trade between Ukraine and Russia has dramatically reduced and has drastically decreased in the wake of sanctions, blockades, and destruction of infrastructural facilities. Closure of all its critical transport routes through Russia has primarily for Ukrainian exports made the country focus on alternative routes

and markets, mainly in Europe, Turkey, and even more in Asia.¹⁸⁶ In many ways, countries like Belarus find themselves in a rather complicated situation. Belarus remains much more aligned with Russia on both economic and political matters. Belarus remains much dependent on subsidized Russian energy sources for importing gas and oil from Russia. Nevertheless, following the steps taken by Russia regarding Ukraine, it seems that international pressure upon Belarus has been mounting since being condemned by the EU and by the US and several other nations who imposed sanctions and restricted Belarusian trade. These steps have economically isolated Belarus from the West, but this simultaneously made Belarus rely even further on Russia for trade while placing pressure on its economy. Economic integration with Russia at a deeper level under the EAEU has somewhat lightened the burden, yet Belarus remains vulnerable to being a trading and political dependent entity on Russia.¹⁸⁷

European Union and China's Growing Influence

The war has significantly altered the geopolitical landscape of the post-Soviet region, compelling countries such as Ukraine, Moldova, and Georgia to reassess their trade relationships and seek closer economic integration with the European Union (EU). This shift is evident in the signing of Association Agreements, which include Deep and Comprehensive Free Trade Areas (DCFTAs), facilitating access to the EU's single market and promoting regulatory alignment. For instance, Ukraine's Association Agreement with the EU has been pivotal in redirecting its exports particularly in agriculture and manufacturing towards European markets, thereby reducing its historical dependence on Russia. Similarly, Moldova and Georgia have embraced DCFTAs to enhance market access and drive economic modernization. These agreements have not only opened new avenues for trade but have also necessitated comprehensive reforms to align with EU standards, underscoring the profound impact of geopolitical factors on regional trade dynamics.¹⁸⁸

¹⁸⁶ Jonathan Masters, "Ukraine: Conflict at the crossroads of Europe and Russia," *Council on Foreign Relations* 14 (2023), <https://www.cfr.org/backgrounder/ukraine-conflict-crossroads-europe-and-russia/>

¹⁸⁷ "Belarus' increasing economic dependence on Russia," German Economic team, access January 25, 2025, <https://www.germaneconomicteam.com/en/newsletter/belarus-increasing-economic-dependence-on-russia/>

¹⁸⁸ Van der Loo, Guillaume, "The EU's Association Agreements and DCFTAs with Ukraine, Moldova and Georgia: A Comparative Study," "CEPS Special Report, 24 June 2017, " (2017). https://aei.pitt.edu/88152/1/Comparitve_GVDL_24.6.17_final_0.pdf?

In contrast, countries like Belarus have maintained closer economic and political ties with Russia, largely due to historical affiliations and economic dependencies, particularly in the energy sector. Belarus's reliance on subsidized Russian oil and gas has deepened amidst international sanctions and trade restrictions imposed by the EU and the United States in response to its alignment with Russia during the conflict. This has led to increased economic isolation from Western markets, compelling Belarus to further integrate with Russia through mechanisms like the Eurasian Economic Union (EAEU). While this integration offers some economic relief, it also underscores Belarus's vulnerability stemming from its heavy dependence on Russia for both trade and political support. The European Union has emerged as a crucial economic partner for several post-Soviet states, especially in the aftermath of the war. Ukraine, Moldova, and Georgia have intensified efforts to strengthen economic ties with the EU, viewing it as a pathway to economic modernization and market diversification. The EU has reciprocated by providing financial assistance and facilitating access to its markets, thereby supporting these countries in reducing their dependence on Russia. For instance, Moldova's participation in the DCFTA is projected to boost its exports to the EU by 16%, reflecting the tangible benefits of closer economic integration with the European bloc.¹⁸⁹

To gain further insight into how shifting trade alignments are influencing broader geopolitical dynamics, an interview was conducted with Mr. Joshua Arthur, Second Secretary at the Pakistan Embassy in Moscow. Drawing on his diplomatic experience in the post-Soviet region, Mr. Arthur explained that the redirection of trade flows particularly away from Russia has strengthened economic interdependence between post-Soviet states and the European Union.

He noted that many of these states are now moving beyond mere economic necessity and embracing deeper institutional engagement with the EU, especially in sectors such as energy, transport infrastructure, and machinery. This shift, he observed, is fostering a gradual but visible economic realignment that could influence long-term political orientations.

Mr. Arthur emphasized that the post-Soviet space is becoming a zone of contestation where the EU's Eastern Partnership and Russia's Eurasian Economic Union offer competing frameworks.

¹⁸⁹ Sergei Aleksashenko, "For Ukraine, Moldova, and Georgia Free Trade with Europe and Russia Is Possible," Carnegie, July 3, 2014, <https://carnegieendowment.org/posts/2014/07/for-ukraine-moldova-and-georgia-free-trade-with-europe-and-russia-is-possible>

Countries such as Kazakhstan and Armenia continue to navigate this balance, maintaining formal ties with Russian-led structures while cautiously exploring opportunities with Western actors.

According to him, the emergence of new trade corridors including the China, Central Asia, West Asia route and the expansion of rail-based trade to European markets is also reshaping Eurasian connectivity. He concluded that these shifts are not purely economic in nature, but carry significant political and security implications. As countries weigh the risks of dependence and strategic vulnerability, trade policy is increasingly becoming a tool for broader geopolitical balancing.¹⁹⁰

In summary, the war has acted as a catalyst for post-Soviet states to reconfigure their trade relationships, with many seeking closer ties with the European Union and China. These shifts are driven by a combination of geopolitical considerations and economic imperatives, as countries aim to reduce dependence on Russia and integrate more deeply into global trade networks.

Turkey as a Strategically Important Partner

Turkey has become a strategic trade partner, especially for countries like Georgia, Armenia, and Azerbaijan. As they become geographically closer to Turkey, common historical, political, and economic interests shared with other nations have made their trade relations more intense. As such, Turkey has developed as an economic trade partner for Georgia in both infrastructure and development. The war forced Georgia to increase its trade with Turkey on energy, transportation, and agriculture. Georgia is an important transit country for energy supplies from Azerbaijan to Turkey and Europe, and Turkey has become a significant destination for Georgian exports, which include wine, fruits, and textiles. For Armenia, the role has been somewhat more complicated due to historical and political tensions, especially on the Armenian Genocide issue. Economic interests, however, increasingly oblige Armenia to move closer to Turkey for better trade relations with it, mainly after the recent economic collapse of Russia. Since Turkey is nearer to Western markets and enjoys easy access to Mediterranean ports, Turkey becomes an important alternative trade partner for Armenia because Armenia wants to diversify its trade with Russia. The energy sector is where economic cooperation with Turkey has mainly developed by Azerbaijan. Southern Gas Corridor is

¹⁹⁰ Joshua Arthur (Second Secratory at the Pakistan Embassy in Moscow), Interviewed by Maheer Imran, Online Interview, May 19, 2025

an important strategic project that would transport gas from Azerbaijan to the European continent. Exported oil and gas to Turkey and elsewhere have had great increases in volume by Azerbaijan. The strategy by Azerbaijan sees Turkey as an important partner in its broader energy export strategy and political association to reduce Russian influence on its energy exports and security relationships.¹⁹¹

According to Professor Adam Saud, one of the most pressing challenges faced by post-Soviet states in developing new trade partnerships is their geographic limitation. Although located at the heart of Eurasia, these countries are heavily dependent on surrounding regions for access to global markets. Historically, most trade routes passed through mainland Russia, making the shift toward new routes a capital-intensive and strategic undertaking.

He noted that while Initiatives like China's Belt and Road Initiative (BRI) present viable alternatives, they remain exposed to geopolitical instabilities in South Asia, the Middle East, and sanctioned states such as Iran. Mr. Saud also emphasized that the International North-South Transport Corridor (INSTC) lacks coordinated customs protocols and infrastructure investment, which further delays its functional effectiveness. Moreover, unresolved regional conflicts such as the Armenia-Azerbaijan standoff and the Russia-Ukraine war continue to obstruct broader regional trade connectivity.

Nevertheless, he identified some positive momentum, such as the growing role of the China–Central Asia–West Asia corridor, the resolution of certain border disputes in Central Asia, and the activation of key infrastructure projects like the Kashgar–Andijon railway. Ports like Aktau (Kazakhstan) and Turkmenbashi (Turkmenistan) are increasingly serving as alternatives for Chinese goods to reach western markets while bypassing Russian territory. However, the reliance of several post-Soviet states on Russia for security under the CSTO further complicates their ability to form independent trade partnerships with external powers like the EU and the United States.¹⁹²

¹⁹¹ İçduygu, Ahmet, Irena Grigoryan, and Gülşen Doğan, "Armenia and Türkiye between conflict and cooperation: explaining (with) disaster diplomacy," *Disasters* 49, no. 2 (2025): e12674.

¹⁹² Adam Saud, (Professor and Dean Faculty of Humanities and Social Sciences, Bahria University, Islamabad), Interviewed by Maheer Imran , Online Interview, May 8, 2025.

In summary Indeed, the impact of the war on trade is vast and complex geopolitically and economically. Since Russia is a superpower, its role has seriously been diminished, especially for the countries of Ukraine and Moldova, which sought new partners in the EU and beyond. Increased Chinese influence has reshaped the maps of Central Asian trade flows, with visible implications for Kazakhstan and Azerbaijan; and with a regional presence as strong for Georgia, Armenia, and Azerbaijan, for Turkey as it has ever been. Indeed, reorientation toward new markets and new partners has had the backing of more far reaching developments in post-Soviet geopolitics: greater disengagement from the shadow of Russia, a trend in international integration and diversification. These changes are likely to continue to influence regional trade dynamics into the foreseeable future with fundamental implications for the political and economic stability of the region.

Analysis

The war has, in its wake, had a deep and all reaching impact on regional trade dynamics in the post-Soviet space. The immediate disruption of traditional routes through Ukraine's ports and Russia's economic power forced many of the region's countries to rapidly reassess their strategies regarding trade. Each country has confronted challenges differently, but similar trends have emerged: new markets and partnerships have been sought by Ukraine, Belarus, Moldova, Kazakhstan, Georgia, Armenia, and Azerbaijan in order to offset the shock of the war. In the short term, Ukraine's tilt towards the European Union, and its other international counterparts that include China and Turkey, has dramatically revised its trade policy. Belarus, being heavily reliant on Russia, was hit with severe sanctions that greatly impeded access to Western markets, hence pushing it back into strengthening ties with the world outside the West. In an effort to diversify trade, especially with the EU, Moldova exhibits a readiness to reduce its dependence on Russia and create a more resilient economy. Kazakhstan, even with its disrupted trades across Russia, is accelerating the diversification of energy exports by widening access to China and the EU. The war over Georgia, Armenia, and Azerbaijan has already precipitated change in economic partnership, since economic interdependence with Turkey and the EU has been deepened in all three countries.

This diversification of trade by those countries into the long term will quite certainly mean better, more adaptable economies for at least them to face serious challenges in the long run. Politics, the general geopolitical setting and, above all, infrastructure bottlenecks will give guidance to their

economies during coming years. It also put a good spur towards breaking dependencies on Russia. For that matter, great force toward integration into both the European and global markets have also been stressed, especially towards such countries as Ukraine, Moldova, and Georgia. Long term prospects in this region would be much higher integration with the EU and China, along with an increase in exploration regarding the diversification of energy especially so for both cases of Kazakhstan and Azerbaijan. However, the continuing political tensions among the countries would likely halt the full actualization of plans toward diversified trade. The future of Ukraine is about going forward in the way of greater economic integration with Europe and strengthening world trade relations as a way out of the war. In summary, though, it has catalyzed a massive change in the regional trade landscape. It has forced countries belonging to the post-Soviet space to shift from becoming highly dependent on Russia or at least so accustomed to new alliances and different economic models through which future regional trade will probably become better diversified, more stable, and economically integrated in its own right.

CONCLUSION

In this final chapter, the key findings of the research on the impact of the Russia Ukraine war on patterns of regional trade within post-Soviet states will be discussed in light of major changes in trade relationships, economic strategies and geopolitical alignments. Moreover, recommendations concerning policy implications as well as potentially viable strategies for adaptation of post-Soviet countries to the changing trade dynamics will also be provided. Finally, possible directions for future research in this area will be outlined with a focus on gaps in the existing literature and broader avenues for future research. The key findings of this thesis are summarized as follows.

- The war has caused Ukraine and Moldova and Kazakhstan and Azerbaijan to take major steps toward trade policies which cut their dependency on Russia. The EU now receives 41 percent of Ukrainian exports which accounts for the significant increment of Moldovan exports to 57 percent of EU import destinations. Kazakhstan together with Azerbaijan actively reduced their dependence on Russian trade through forming stronger links with China and Turkey in addition to EU countries. The economic shifts by these nations extend beyond trade to establish long term safety from Russian geopolitical threats as well as secure future economic stability.
- The oil exporting pattern of Kazakhstan has undergone a 32% transition as the nation now delivers oil to China through Caspian Sea pathways and Chinese ports. Turkey has strengthened its geo-economic position in the region because its energy transit capabilities continue to expand. These industry changes are reconstructing worldwide energy transmission networks while reducing Russia's control of worldwide energy resources.
- The trade relations between Turkey and Armenia have reached an 86% surge even though they hold longstanding historical disagreements. The Russian economic decline together with sanctions has compelled Armenia to seek new trading partners to support its economy. The evolving economic partnership between Armenia and Turkey demonstrates a new strategic choice among former Soviet republics to forget historical arguments in pursuit of economic development.

- The two nations among the Central Asia and South Caucasus region have experienced significant improvements in trade activities with China: Kazakhstan saw its exports to China rise by 48% and Azerbaijan boosted its energy deliverables to China by 22%. The Belt and Road Initiative (BRI) modifies regional trade pathways through its supply of infrastructure investment which stabilizes China's growing economic influence in the area. Western sanctions against Russia have led China to take advantage of the resulting economic and trade opportunities which enable Central Asian countries to break away from Russian territorial influence.
- The economic sanctions against Russia compel Belarus together with its pro Russian allies to change their market strategies since they cannot operate in Western countries. Chinese foreign trade with Belarus surged by 67 percent as the nation searches for business opportunities throughout Asia and the Middle East. Economic pressure on Belarus represents a wider phenomenon among Russian aligned nations that review their economic relationships because they aim to reduce risks facing their declining economic power.
- Through the Middle Corridor Central Asia can now reach Europe by bypassing Russia with its cargo transport improving by 60%. Georgia and Azerbaijan devote substantial financial resources to infrastructure development projects which position them perfectly to operate as major Eurasian logistics passage centers. Post-Soviet states demonstrate a permanent shift in trade structure through new transport options as these routes reduce their dependence on Russian controlled transit networks while building economic independence from Moscow's control.

Taking the above mentioned findings into account, several key recommendations as to how post Soviet states can maneuver the volatile regional trade dynamics and mitigate the negative consequences of the Russia Ukraine war can be suggested. Such recommendations aim to strengthen economic resilience, diversify trade partners, optimize patterns of trade and make use of existing infrastructure, and deepen and widen patterns of regional cooperation with a view to enabling stability and long term economic growth in a 'post conflict' environment.

1. Post-Soviet states, especially in the South Caucasus and Central Asia, should prioritize economic cooperation over political rivalries. Countries like Georgia, Armenia, and Azerbaijan can form trade partnerships that increase their bargaining power globally.

Expanding projects like the Southern Gas Corridor and improving cross border trade infrastructure will help these nations integrate better into global markets and reduce reliance on Russia.

2. Kazakhstan and Azerbaijan, which have been heavily dependent on Russia for energy exports, need to rapidly scale up alternative trade routes. Strengthening ties with China through the Belt and Road Initiative, improving pipeline networks, and securing energy deals with European and Asian markets will provide greater economic security. Additionally, countries like Armenia and Moldova should explore alternative energy partnerships, such as Armenia's improved ties with Iran and Turkey.
3. Ukraine, Moldova, and Belarus must deepen trade relations with the EU, Turkey, and Asian economies to offset economic losses caused by the war. Ukraine's growing agricultural exports to the EU and Moldova's trade shift toward Romania and Western Europe are good models to build on. Kazakhstan and Central Asian states should also secure new trade agreements with China and position themselves as key logistics hubs in Eurasia.
4. The war has highlighted the need for better transport and trade networks. Ukraine's focus on alternative transit routes and Moldova's improvement of port and railway infrastructure should serve as examples for other post-Soviet states. Countries in the Caspian Sea region, such as Kazakhstan and Azerbaijan, should invest in modernized ports, smart logistics, and integrated rail networks to handle increased trade flows and boost economic resilience.
5. Post-Soviet states should focus on diversifying their economies beyond energy exports. Kazakhstan and Azerbaijan have already begun investing in manufacturing, agriculture, and technology, and these efforts should be expanded. Ukraine can further develop its agricultural processing industries, while Moldova can build niche markets for high value goods like IT services and textiles. Creating a business friendly environment and investing in education and innovation will make these economies more self sufficient.
6. Unresolved territorial disputes continue to disrupt trade and investment in the region. Armenia and Azerbaijan's conflict over Nagorno-Karabakh, Moldova's tensions with Transnistria, and the ongoing war all hinder economic stability. Engaging in multilateral diplomacy with regional powers like Turkey, the EU, and China, as well as using international platforms like the UN, can help stabilize the region and create a more predictable trade environment.

In conclusion, the war has significant impact on regional trade patterns among post Soviet states. The above recommendations suggest the issue of regional cooperation, diversification of trade, infrastructure modernization and diplomatic engagement as key factors shaping a way forward in this increasingly fraught geopolitical environment. With this, Post-Soviet countries can become more resilient, free themselves from dependency on Russia, and emerge as more competitive and stable players in global economy all at once.

Scholarly exploration of the war's influence on the regional trade patterns of post-Soviet states has numerous fronts that need further research. However, this thesis has not explored all the facets of regional trade dynamics in the post conflict period, including the long or short run effects of war between the economies of region. Further research could greatly expand these topics taking additional variables, larger geographical considerations and deeper sectoral analysis.

- Future research should dive deeper into how different industries like agriculture, energy, manufacturing, and technology have been impacted by the war. While countries like Kazakhstan and Azerbaijan have managed to redirect energy exports to China and Europe, it's unclear how other sectors, such as Moldova's textile industry or Georgia's IT sector, have adapted. A more detailed sectoral analysis would help identify which industries have been resilient and which need more policy support.
- Some post-Soviet states, like Ukraine and Moldova, have had to completely rebuild their trade networks without Russia, while others, like Kazakhstan and Azerbaijan, had more flexibility. A comparative study on how different countries are handling this transition what strategies are working and what mistakes to avoid could be useful for policymakers. For example, can Moldova learn from Azerbaijan's success in integrating into European energy markets? Such research could offer practical lessons on economic adaptation.
- Many Central Asian countries are shifting away from Russia and looking to China for trade and investment, especially through the Belt and Road Initiative. Future research could explore how China's growing presence is reshaping trade routes, infrastructure projects, and economic policies in the region. Are smaller countries like Georgia and Moldova benefiting from China's investments, or is there a risk of overdependence? This research could provide insight into the long term economic impact of China's involvement.

- While much focus has been on how the war itself has disrupted trade, international sanctions on Russia have also had a ripple effect across post-Soviet economies. Countries like Belarus, which heavily rely on Russian trade, have faced significant challenges. Research could explore how these sanctions have forced countries to find alternative trade partners, develop new industries, or struggle with economic instability. Additionally, it could analyze how sanctions have impacted financial services, investments, and currency stability in the region.
- The war has forced many post-Soviet countries to rethink their alliances. Armenia and Azerbaijan, for example, have had to balance economic ties between Russia, Turkey, and the EU. How are these shifting trade partnerships affecting political stability and long-term economic growth? Research could explore whether new regional trade blocs are emerging and how these alliances are shaping the post-war economic order.
- As countries gradually reduce their dependence on Russia, it's important to predict how trade patterns will evolve in the next 10-20 years. Will Ukraine and Moldova continue moving closer to the EU? Will Kazakhstan become a key logistics hub between Europe and Asia? Future research using trade data analysis and economic modeling could help policymakers prepare for future economic shifts and ensure long term stability.

In conclusion, the Russia Ukraine war has fundamentally changed the regional trade patterns among post-Soviet states by unleashing a major reshuffling of economic alliances and trade routes throughout the region. The war interrupted centuries of trade relationship specifically between Russia and much of the rest of the world and posed many countries with choosing new markets and partners, first among them the European Union, Turkey and China. For example, Ukraine quickly stepped up its work to join European markets while trying to cut reliance on Russia. Like Moldova and Georgia, countries adjusted their trade strategies and are now trying to create closer links to the EU and Turkish neighbours. Since Azerbaijan and Kazakhstan have been attempting to secure alternative trade routes and the oil trade has become an important element in their economic strategies, energy exports have been one of the elements in the Kazakhstan's energy policy and the priority in the energy policy of Azerbaijan. The war hasn't only had a major impact on trade flows within the region, but also has played a part in broader strategic pivot away from Russia, where its dominance as the region's largest trade partner is no longer, as the Eurasian superpower is forced

to cede ground to a variety of other mid powered actors across multiple spectrum domains. Although the war has helped to veer South African trade away from the old reliance on export minerals, as well as away from reliance on South Africa as a center for trading opportunities in the region, the war has also shown how difficult it can be to diversify trade while improving regional integration, with infrastructure bottlenecks, political tensions, and decreasing stability of new trade partners. While these changes are not the end, these shifts have been motivated by war, and especially the legacy of war, which has directed post-Soviet states towards a more complex trade relations network more diversified, yet more connected within the region. In the post war era, these countries need to keep moving forward as they continue to maneuver their way through the ever changing geopolitical landscape, striking a careful balance between limited economic ambitions and the requirements of stability and security in order to develop more viable and sustainable economies.

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