



Hungarian Institute of International Affairs

Hungarian Institute of International Affairs

Publisher: Márton Schöberl

Editor: László Vasa

Reviewers: Umer Shahzad, Gagan Deep Sharma , László Vasa
Andrei Radulescu , Neven Cveticanin, Karácsony Péter
Seremet Sándor

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<http://hiia.hu>

© Hungarian Institute of International Affairs
Budapest, 2023

ISSN 1588-7855 (Print)

ISSN 2064-9428 (Online)

<https://doi.org/10.47706/KKIFPR.2023.2.8-40>

<https://doi.org/10.47706/KKIFPR.2023.2.41-55>

<https://doi.org/10.47706/KKIFPR.2023.2.54-71>

<https://doi.org/10.47706/KKIFPR.2023.2.72-95>

<https://doi.org/10.47706/KKIFPR.2023.2.96-109>

<https://doi.org/10.47706/KKIFPR.2023.2.110-131>

<https://doi.org/10.47706/KKIFPR.2023.2.132-142>

<https://doi.org/10.47706/KKIFPR.2023.2.143-163>

<https://doi.org/10.47706/KKIFPR.2023.2.164-175>

<https://doi.org/10.47706/KKIFPR.2023.2.176-187>

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Navigating Geopolitical Dynamics: The Complex Interplay of Interests in the South Caucasus

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<https://doi.org/10.47706/KKIFPR.2023.2.8-40>

Abstract: The South Caucasus holds immense geopolitical significance for key global players, including Russia, the United States, Türkiye, and the European Union (EU). This region, comprising Azerbaijan, Georgia, and Armenia, is strategically positioned at the crossroads of Europe and Asia, with crucial implications for regional stability, energy transit, and great power competition. For Russia, the South Caucasus represents a vital sphere of influence and a buffer zone against Western encroachment. Türkiye's interests in the South Caucasus, on the other hand, extend from economic partnerships to cultural and historical ties. It actively participates in infrastructure projects like the Middle Corridor, enhancing its role as a regional energy hub. The EU emphasizes the South Caucasus as a crucial area for energy diversification and transportation infrastructure. Projects such as the Southern Gas Corridor and the Eastern Partnership policy demonstrate the EU's commitment to fostering political and economic ties, promoting democratic values, and enhancing regional stability. The US views the South Caucasus through the lens of energy security, especially in the aftermath of the 2014 Crimean events. It seeks to diversify European energy sources by engaging with countries like Azerbaijan, fostering security cooperation, and potentially expanding NATO influence in the region. In light of these interests, this paper focuses on how the various powers (Russia, Türkiye, and the West) assert their interests and how the states of the region can take advantage of this increased interest.

Keywords: South Caucasus, geopolitics, global powers, strategic partnership, security concerns

Introduction

The South Caucasus, a region nestled between Europe and Asia, has long been a crucible of geopolitical competition and strategic importance, attracting the interest of major powers such as Russia, Türkiye, the United States, and the European Union. This mountainous terrain, comprising the countries of Armenia, Azerbaijan, and Georgia, stands at the crossroads of historical trade routes and energy corridors, rendering it a critical juncture for the geopolitical ambitions of global players.

The South Caucasus has a rich history shaped by diverse cultural influences, ancient trade routes, and the ebb and flow of empires. In the modern era, the dissolution of the Soviet Union in 1991 marked a transformative period for the region, leading to the emergence of independent states. However, this newfound sovereignty also intensified geopolitical rivalries as external actors sought to assert influence in this strategic and resource-rich landscape.

On the whole, the geopolitical dynamics of the South Caucasus are complex and multifaceted, shaped by historical animosities, ethnic complexities, and territorial disputes. The former conflict, such as the Karabakh issue between Armenia and Azerbaijan, added an additional layer of complexity to the geopolitical landscape of the region. The following highlights how the different powers (Russia, Türkiye, and the West) assert their interests and how the states in the region can take advantage of this increased interest.

The geopolitical intersection of great power interests

The actions and interests of powerful nations frequently intersect, leading to complex dynamics and potential points of conflict or cooperation. The geopolitical intersection reflects the overlapping pursuit of influence, security, economic advantage, and other strategic objectives (Bárkányi & Vasa, 2023). In practical terms, this intersection occurs when multiple great powers share an interest or stake in a particular geographic region, economic zone, or global issue. These intersections can lead to various outcomes, including diplomatic

negotiations, alliance-building, economic partnerships, or, conversely, geopolitical competition and tensions. The many interests of the powers concerned are also reflected in the geopolitics of the South Caucasus. These include energy, economic interests, strategic partnership, security concepts, and possible NATO enlargement and presence.

The importance of energy in the region

The South Caucasus is crucial for energy geopolitics, particularly in terms of oil and natural gas transit routes. The US has been interested in diversifying energy sources and routes to reduce dependence on Russian energy, and projects like the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Baku-Tbilisi-Erzurum (BTE) gas pipeline aim to provide alternative routes for Caspian energy resources to reach global markets (South Caucasus Pipeline (SCP) — TRANS CASPIAN RESOURCES, INC (TCRI), 2020).

Similarly to the US, the EU has a vested interest in diversifying its energy sources and routes. With its energy infrastructure, the South Caucasus is crucial for the EU's efforts to reduce dependence on Russian energy. Projects such as the Southern Gas Corridor, which includes the Trans-Adriatic Pipeline (TAP) and the Trans-Anatolian Natural Gas Pipeline (TANAP), aim to bring Caspian gas to Europe, bypassing Russia (TANAP - the Trans Anatolian Natural Gas Pipeline Project, n.d.). The EU also seeks to foster economic ties with the countries of the South Caucasus, aiming to enhance trade relations and support economic development in the region. The Eastern Partnership, an initiative launched by the EU, includes Armenia, Azerbaijan, and Georgia, fostering cooperation on trade, political association, and various reforms.

Russia, on the other hand, seeks to maintain control over energy transit routes from the South Caucasus to Europe. Competing pipeline projects, such as the Southern Gas Corridor, challenge Russia's dominance in the energy sector and impact its influence over European energy supplies.

Türkiye has an interest in energy cooperation with the South Caucasus nations. Projects such as the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Baku-Tbilisi-Erzurum (BTE) gas pipeline contribute to Türkiye's energy security by providing access to Caspian energy resources.

Major powers are also typically interested in controlling or influencing transportation corridors. For example, Türkiye is actively involved in the development of the Middle Corridor, which enhances connectivity between the Black Sea and the Caspian Sea, as it links Central Asia and the Zangezur Corridor to the South Caucasus (between Azerbaijan and Nakhchivan and Armenia). All of this further increases the interest of the great powers and regional players in the region (Vasa & Barkanyi, 2023), and it will substantially shape the future of the South Caucasus.

Strategic partnerships

The US has sought strategic partnerships with the countries of the South Caucasus, e.g. Georgia and Azerbaijan. These partnerships are driven by shared interests in regional stability, counterterrorism efforts, and support for democratic governance. The US also promotes democracy and governance reforms in the South Caucasus, aiming to foster stable and transparent political systems. However, this has sometimes led to tensions with countries in the region as they balance between Western aspirations and pressure from other major powers.

The EU also places a strong emphasis on promoting democratic values, good governance, and the rule of law in the South Caucasus. Its European Neighbourhood Policy (ENP) outlines its commitment to supporting political reforms, human rights, and the establishment of democratic institutions in partner countries. However, the EU faces challenges in maintaining unity and cohesion in its approach to the South Caucasus, given the diverse interests and priorities of its member states. As a result, divergent views on issues such as the Karabakh conflict or relations with Russia can create complexities in formulating a unified EU strategy (Eastern Partnership, 2023).

Russia, for its side, has historical ties with many South Caucasus nations that stem from the imperial past and the Soviet era. This historical connection, combined with cultural and linguistic affinities, influences Russia's approach to the region. Russia engages in economic partnerships with the countries of the South Caucasus, including trade agreements and economic cooperation, and these partnerships can be leveraged to exert influence and strengthen political ties.

Türkiye shares historical and cultural ties with many South Caucasus nations, particularly Azerbaijan and to some extent with Georgia. These ties are rooted in common historical experiences, linguistic connections, and cultural affinities, which influence Türkiye's engagement with the region. Türkiye aims to strengthen economic ties with the South Caucasus countries through trade agreements and economic partnerships, and this expanding economic cooperation can both benefit Türkiye's economy and contribute to regional stability (Maximilian, 2021).

Security concerns and NATO enlargement

The South Caucasus has been a zone of competition among major powers for influence. The US has sought to counterbalance Russian influence in the region by supporting the sovereignty and independence of countries like Georgia and Azerbaijan. This has sometimes put the US at odds with Russia, which sees the region as part of its traditional sphere of influence.

The EU, on the other hand, has been involved in conflict resolution efforts in the region, notably in the Karabakh conflict between Armenia and Azerbaijan. It supports diplomatic initiatives and contributes to peacebuilding efforts, aiming to stabilize the region and prevent the escalation of conflicts. The EU is also interested in effective border management in the South Caucasus to address security concerns and manage migration flows. The location of the region as a transit route for people and goods makes it relevant to the EU's efforts to enhance border security and combat illegal migration. Furthermore, the EU aims to maintain a delicate balance in its relations with Russia in the South Caucasus. While pursuing its own interests and supporting the sovereignty of South Caucasus countries, the EU seeks to avoid unnecessary confrontation with Russia, recognizing its influence in the region.

The US has supported the aspirations of some South Caucasus countries, particularly Georgia, to join NATO. This has been a point of contention with Russia, which views NATO enlargement as a threat to its security. The US also provides military assistance and training to strengthen the defence capabilities of the South Caucasus nations (NATO, 2023).

Maintaining a strong military presence in the South Caucasus is also a key aspect of Russia's geopolitical strategy. Russia has military bases in Armenia, and it has historically played a role in regional security dynamics, partly to protect its interests and maintain its influence in the region. In addition, Russia maintains relationships with various actors in the South Caucasus, often playing a balancing act between different countries. For example, while it has close ties with Armenia, Russia also seeks to engage with Azerbaijan and Georgia to protect its broader interests in the region. Since Russia perceives potential threats to its national security in the South Caucasus, especially regarding the presence of NATO forces, which it views as encroachment on its borders, this perception shapes Russia's military and diplomatic actions in the region.

Türkiye has been involved in security and defence cooperation with Azerbaijan and, to a certain extent, with Georgia. Shared concerns about regional stability and security challenges contribute to collaborative efforts, including military training and joint exercises. Türkiye has also shown interest in playing a diplomatic role in regional conflicts, particularly in relation to the Karabakh issue. For example, Türkiye's support for Azerbaijan during the 2020 conflict and its willingness to engage in diplomatic efforts indicate its desire to influence conflict resolution in the South Caucasus. Türkiye also seeks to exert political influence in the South Caucasus, aligning with its broader foreign policy objectives. This may involve diplomatic initiatives, political alliances, and engagement with regional organizations to enhance its standing in the region. Türkiye promotes cultural and educational exchanges with South Caucasus nations as well. Initiatives such as scholarships and exchange programs aim to foster people-to-people connections, enhancing mutual understanding and cultural ties (Vardanian, 2022).

In contrast, Russia views the South Caucasus as part of its traditional sphere of influence and seeks to maintain influence over the political and economic affairs of the region. This has led to tensions with Western powers, especially when it comes to issues such as NATO expansion and the presence of Western-backed projects in the region. Therefore, Russia aims to counterbalance and limit Western influence in the South Caucasus. Efforts to strengthen ties with the South Caucasus nations and discourage their alignment with Western institutions,

such as NATO or the European Union, are part of Russia's strategy to maintain regional dominance.

Finally, Türkiye's NATO membership and its relationship with the powers of the West introduce another layer of complexity. While Türkiye maintains ties with its Western allies, its regional policies may sometimes diverge from those of other NATO members, leading to potential contradictions in its geopolitical stance. Türkiye also maintains a balancing act in its relations with Russia, which is also a significant player in the South Caucasus. Although it seeks cooperation with Russia on certain issues, Türkiye may differ on its geopolitical objectives in the region, creating a delicate balancing act in its foreign policy.

National perspectives and great powers on the changing geopolitical situation

Azerbaijan maintains a pragmatic relationship with Russia, balancing economic ties, especially in the energy sector, with a desire for sovereignty. Azerbaijan and Türkiye, on the other hand, share strong cultural and historical ties. Türkiye has been a key ally, offering support in the Karabakh conflict, while economic cooperation and energy projects underscore the strategic partnership between the two countries. Furthermore, while Azerbaijan has diversified its partnerships, particularly in the energy sector, its relations with the EU and the US have been pragmatic, and human rights concerns and governance issues have at times strained these ties.

Armenia has a strategic alliance with Russia, marked by military cooperation and the presence of a Russian military base. Russia has also played a pivotal role in the Karabakh conflict, contributing to Armenia's security. In contrast, Armenia and Türkiye historically have strained relations, largely due to the so-called "Armenian controversy", and the two countries lack diplomatic ties, which affects regional stability. Finally, Armenia seeks to balance its close ties with Russia by engaging with the EU and the US. Economic cooperation, democratic reforms, and human rights issues shape these relationships.

Georgia's relations with Russia have been strained since the 2008 war. Russia supports breakaway regions such as Abkhazia and South Ossetia, which contributes to ongoing tensions. Türkiye and Georgia, meanwhile, maintain strong economic ties, with energy projects, cultural affinities, and diplomatic cooperation also characterizing their relationship. Georgia aspires to deepening its ties with the EU and the US, seeking support for Euro-Atlantic integration. These relationships are crucial for security cooperation, economic development, and democratic reforms.

In the following, the paper examines the impact of the great powers in each country of the region in detail, as well as the benefits that the states of the region can derive from this influence.

Azerbaijan - from a difficult past to a fruitful future

In the lead-up to the dissolution of the Soviet Union, Azerbaijan maintained positive relations with Russia. Initially pursuing a pro-Russian policy, Azerbaijan's stance shifted during the first Karabakh conflict (1988-1994), marked by events like Black January and the Khojali massacre, which led to a growing anti-Russian sentiment. President Abulfaz Elchibey's rise to power (1992-1993) and his pro-Western foreign policy further strained relations with Moscow (Дмитрий Ефимович Фурман, 2001).

The situation improved after President Heydar Aliyev's election (1993-2003), with relations normalizing and strengthening by the mid-2000s. Factors such as Vladimir Putin's leadership, the Azeri economic potential, and collaboration in the military and defence field contributed to this positive shift. In 2008, trilateral talks on the Karabakh settlement were initiated by Russian President Dmitry Medvedev (Официальный сайт президента Азербайджанской Республики, 2010), involving Azeri President Ilham Aliyev and Armenian President Serzh Sargsyan, which resulted in a declaration that affirmed commitment to a political resolution (Встреча Президента Азербайджана Ильхама Алиева и Президента Армении Сержа Саргсяна при посредничестве Дмитрия Медведева, 2008).

The economic ties between the two countries flourished during the late 2000s, with Azerbaijan purchasing gas from Russia until it achieved commercial gas production in 2007. This self-sufficiency made it possible for Azerbaijan to export gas to its neighbouring countries. Agreements between Gazprom OJSC, Transneft, Lukoil, and the State Oil Company of Azerbaijan (SOCAR) underscored this deepening economic cooperation. Collaborations also extended to industrial production, including the manufacturing of KAMAZ and GAZ (Россия нашла трамплин для рывка на рынки третьих стран: Азербайджан, 2018).

This positive trajectory continued in 2010, marked by agreements on the state border, visa-free travel, and the use of the Samur River. Trade volume between Russia and Azerbaijan increased by 17 percent year-on-year between January-June 2010, totalling USD 848.6 million, with Russia exporting various goods to Azerbaijan (Итоги визита президента России в Азербайджан).

Azerbaijan's imports to Russia are characterized by minerals, as well as gas, textiles, cotton, agriculture, and various other products. Russia has been a significant foreign trade partner for Baku in recent years, ranking third after Türkiye and Italy. In 2019, the trade volume between Russia and Azerbaijan reached USD 3.2 billion (Ежегодная статистика внешней торговли по странам. 2019), although it experienced a 10% decline in 2021, amounting to USD 2.9 billion (Russia - Azerbaijan 2021 bilateral trade hits US\$3 billion). A roadmap outlines the development of key areas in Russian-Azerbaijani cooperation until 2024, focusing on removing trade barriers, enhancing transport, establishing joint ventures, fostering fiscal and tax cooperation, intensifying mutual visits, and strengthening humanitarian relations (Межгосударственные отношения России и Азербайджана. 2021).

Military cooperation between the two countries has also shown a developing trend over the decades. From 2010 to 2019, Russia was Azerbaijan's main partner in military cooperation. On 24 September, 2021, President Ilham Aliyev announced that Azerbaijan will purchase new types of weapons and military equipment from Russia. He also noted that such relations between Baku and Moscow will continue to develop and strengthen in the future (Совина, 2021).

Cultural and educational ties between Russia and Azerbaijan are also robust. The opening of the Russian Information and Cultural Centre in Baku in January 2011 (Российский информационно-культурный центр, Баку (Азербайджан) | Проект “Русский музей: виртуальный филиал,” 2011), and the operation of the Baku branch of Moscow State University since 2008 (Invest Tyumen, 2023) highlight the depth of cultural relations. In 2020, the Russian mediation efforts led by President Vladimir Putin played a crucial role in a significant shift in the Karabakh war. A stable ceasefire was agreed on 9 November, 2020. Russia participated in the talks as a national entity and as the co-chair of the OSCE Minsk Group. On 11 January, 2021 (Министерство иностранных дел Российской Федерации, 2023b), at Vladimir Putin’s initiative, trilateral talks involving Russian President Vladimir Putin, Armenian President Nikol Pashinyan, and Azeri President Ilham Aliyev also took place. These discussions covered the progress in implementing the 2020 declaration on Karabakh, addressing regional challenges, providing assistance to war-affected areas, and advancing trade, economic, and transport relations (TASS, 2021).

After a year and a half of cool Russian-Azerbaijani relations, Azerbaijani President Ilham Aliyev participated in October 2023 in the summit of the Commonwealth of Independent States (CIS) in the Kyrgyz Republic (unlike his Armenian counterpart Nikol Pashinyan) (Putz, 2023).

Thus, the current improvement in the relations between Russia and Azerbaijan comes after years of mutual distance. For Azerbaijan, this improvement brings certain benefits, as Russia is at least a partner with predictable political positions, unlike the EU’s approach to the South Caucasus, which seems less consistent. Due to the stalemate in Ukraine, Russia is also forced to act more restrained in the South Caucasus.

As for Türkiye, Azerbaijan holds a significant position in Ankara’s policy, with strong political and strategic cooperation, as well as crucial historical ties based on common linguistic and cultural affinity (Balcı, 2014, p. 46). The close relationship between Ankara and Baku is often characterized as “one nation, two states” (İncekaya, 2021). During the 1990s, following the breakup of the Soviet Union, Türkiye aimed to establish a robust alliance with Azerbaijan and the newly independent Turkic republics in Central Asia, reviving the Pan-Turkic ideology

(Balcı, 2017, p. 229.). The goal was to unite all Turkish nations under Ankara's leadership and form a Turkish union, but the idea failed, without having a significant effect on the bilateral relations between Baku and Ankara.

The leaders of Azerbaijan, including Abulfaz Elchibey (1992-1993), Heydar Aliyev (1993-2003), and from 2003 onwards, his son Ilham Aliyev, have actively sought strong ties with Türkiye. Ankara has supported Azerbaijan in both the Karabakh conflicts and regional security matters (Sarıahmetoğlu, 2016, p. 98.), such as the tension with Iran in 2012 (Balcı, 2014, p. 46.). In return, Azerbaijan has backed Türkiye's goals of enhancing integration with the Turkic republics of Central Asia. Türkiye relies on Azerbaijan as a crucial energy supplier, and close political and economic cooperation could reduce Türkiye's energy dependence on Russia (Yesevi, 2015, p. 28). Additionally, Baku serves as a vital gateway for Türkiye to foster more effective relations with the Turkic nations of Central Asia (Biró, 2021, 54-55).

Economically, energy cooperation plays a pivotal role, with numerous Turkish companies operating in Azerbaijan, and the oil and gas pipelines (BTC, BTE, TANAP) being essential for Türkiye (Roberts, 2012, p. 77–85). Religious and cultural cooperation is also growing, with the Turkish Directorate for Religious Affairs (Diyanet) collaborating with Baku's religious leader (Lepeska, p. 2015), and various Turkish Islamic movements, mostly affiliated with the Gülen movement (Yavuz, 1999), having a presence in Azerbaijan.

Ankara's support for Baku during the Karabakh war in the autumn of 2020 was a logical extension of the strengthening Azerbaijani-Turkish relations, showcasing Türkiye's steadfast policy in the neighbouring region. This move challenged the status quo and ran counter to Moscow's interests, which traditionally seeks to maintain a balance of power in the South Caucasus. In fact, while an operation to reclaim the Armenian-controlled territories had been contemplated, such a decision was unlikely before the summer of 2020 (Chiragov, 2021). The Turkish leadership may not have actively participated in the process to avoid potential military responses from Russia, and it was a risk Azerbaijan alone might not have dared to take (Górecki & Chudziak, 2021, p. 5), as the large-scale operation posed a direct challenge to Moscow's interests in upholding regional power dynamics.

The backdrop to the war was Azerbaijan's unprecedented interest in Turkish military technology. Azerbaijani arms purchase during the first nine months of 2020 exceeded USD 123 million, marking a sixfold increase compared to the previous year (Toksabay, 2020). This included the acquisition of drones and other military equipment.

Throughout the conflict, President Erdoğan and other prominent Turkish politicians provided strong support for Azerbaijan. Their statements consistently called for the complete withdrawal of Armenian forces from Azerbaijan's internationally recognized territories, and they criticized the West for allegedly reinforcing Yerevan's pro-Armenian stance with a sense of impunity. Moscow's relatively restrained reaction to the outbreak of hostilities seemed influenced by Ankara's involvement, making any potential Russian intervention more costly. Simultaneously, by avoiding direct confrontation with Türkiye, Russia justified its passivity by emphasizing that the fighting occurred in *de jure* Azerbaijani territory, which was not covered by the guarantees Moscow had previously given to Yerevan (Balci, 2020).

The 2020 Karabakh war marked an apex in the development of the Baku-Ankara alliance, solidifying Ankara's influential position in all respects regarding the South Caucasus (Egeresi, 2022, p. 3–10.). Nonetheless, this does not alter the fact that Russia remains a key player in the region, possessing a broad array of instruments, particularly political and military ones.

The ceasefire and subsequent agreements underscore the need to acknowledge Ankara's presence in the South Caucasus (Biró, 2023, 284). On the one hand, Moscow appears to be taking Ankara's interests into account, empowering them to some extent (Erdoğan, Putin discuss Upper Karabakh, 2020). In September 2021, both armies also conducted military exercises just 300 meters from the Lachin corridor (Huseynov, 2021). President Aliyev, in the meantime, is keen on preserving Azerbaijan, with its predominantly Shiite population, as a secular state and preventing the spread of Sunni Islamist ideology or excessive Turkish dominance in Azerbaijan (Meister, 2021, 6).

The conflict in Ukraine in 2022 has also left its mark on the South Caucasus. It was clear that Russia's importance and power in the region was gradually diminishing, and the country was being squeezed out.

The aftermath of the one-day Karabakh war in 2023 also showed the growing regional importance of Azerbaijan. The reintegration of Karabakh paves the way for a link between the Zangezur Corridor and the Middle Corridor, which has broader geopolitical consequences (Al-Jazeera, 2023).

On the other hand, Azerbaijan and the EU have had a Partnership and Cooperation Agreement in force since 1999. Negotiations for an enhanced agreement began in February 2017, although they have not yielded results thus far. The EU is Azerbaijan's primary trading partner, accounting for approximately 52% of the country's total trade in 2022, primarily due to its oil and gas exports to the EU (comprising nearly 4.1% of EU oil imports and around 3.7% of gas imports in 2022 by net mass). Azerbaijan commenced gas exports to the EU in December 2020, following the completion of the Southern Gas Corridor project. In July 2022, the EU and Azerbaijan expressed their intention to double the capacity of the Southern Gas Corridor by 2027 (Reuters, 2023).

Azerbaijan's victory in the six-week war with Armenia over Karabakh launched in September 2020 further solidified President Aliyev's position. As a result of the ceasefire on 9 November, Azerbaijan regained control over territories neighbouring Karabakh that had been occupied by Armenian forces for over 26 years. This allowed hundreds of thousands of internally displaced people to contemplate future returns. Azerbaijan also took control of parts of Karabakh, a former autonomous region internationally recognized as part of Azerbaijan but inhabited by Armenians. In September 2023, Azerbaijan launched a counter-terrorist operation, leading to the defeat of Armenian forces and ultimate dissolution of the self-proclaimed republic. Within days, the entire Armenian population, over 100,000 people, fled to Armenia from Karabakh (Al-Jazeera, 2023).

The EU actively participates in the efforts to negotiate a peaceful resolution to the conflict between Armenia and Azerbaijan, particularly through the mediation of the President of the European Council. It emphasizes the need to mutually respect each other's sovereignty and territorial integrity, define state borders. Since February 2023, European observers have been stationed in Armenia, although Azerbaijan has not consented to the deployment of EU observers on its border.

The Azerbaijani-French relationship significantly deteriorated in the aftermath of the Karabakh events due to a large Armenian diaspora in France (Pekçetin, 2023). In addition, Azerbaijan has favoured the EU negotiation track since 2021, but the negative reactions to the military operation seem to have prompted a reconsideration of its foreign policy.

Furthermore, Azerbaijan has sought to distance itself from Russia, presenting itself as a new energy partner for Europe. It has committed to delivering at least 20 billion cubic meters of gas annually to the EU by 2027 (O'Byrne, 2023). The revitalization of EU-Azerbaijan relations also led to the initiation of peace talks between Azerbaijan and Armenia, mediated by the EU and the US in parallel with the existing Russian-led framework.

Azerbaijan also collaborates with the Allies and other partner countries across various domains, including security and defence reform as well as counter-terrorism. Prioritizing support for the country's reform endeavours remains crucial.

Azerbaijan's association with NATO commenced in 1992, when Azerbaijan became a member of the North Atlantic Cooperation Council. This platform for dialogue was succeeded in 1997 by the Euro-Atlantic Partnership Council, which unites all Allies and partner countries in the Euro-Atlantic region. Since Azerbaijan has a sustained interest in safeguarding critical energy infrastructure, particularly against terrorist threats, the Ministry of National Security has also partnered with NATO elements to establish an International Anti-Terrorism Training Centre (NATO, 2023). Enhancing access to information and raising public awareness regarding NATO and the advantages of NATO-Azerbaijan collaboration constitute another pivotal area of cooperation.

On the other hand, some NATO allies have shifted their attention to preparing Armenia and Azerbaijan for potential conflict following the attack on Karabakh (Marsden, 2023).

Washington has an opportunity to enhance its position in the region by acknowledging the new realities and actively contributing to a positive outcome of the peace dialogue between Yerevan and Baku. To achieve this, Washington should refrain from discussing Karabakh, recognize that Azerbaijan has restored its territorial integrity and sovereignty over the region, and bring a conclusive end to this matter.

Armenia - in the face of adversity and difficulties

Russia holds a unique position in Armenia's foreign and security policies, mirroring Armenia's distinctive role in Moscow's Caucasus policy. Post-Soviet relations between Russia and Armenia have been notably stable, characterized by continuous development. Primary areas of collaboration encompass security policies and economic cooperation, with partial engagement in cultural and humanitarian matters. The ongoing close ties are exemplified by consistent communication between Prime Minister Nikol Pashinyan and President Vladimir Putin (since 2018), along with regular dialogues between Foreign Ministers Sergei Lavrov (since 2004), Zohrab Hrachiki Mnatsakanyan (2018-2020), and his successor, Ararat Mirzoyan. In 2020, despite the challenges posed by COVID-19, the two countries maintained good contact through meetings in Geneva, Moscow, and Yerevan, including 20 telephone consultations (Двусторонние отношения, 2022).

In particular, military-political collaboration with Russia is pivotal within Armenia's defence and security strategies. The presence of a Russian military base in Armenia and using Russian border guards contributes significantly to Armenia's defence along its borders with Türkiye and Iran. Armenia is an active founding member of the Collective Security Treaty Organisation (CSTO), and the only representative of the organisation in the South Caucasus. Armenia's deep integration with Moscow is also underscored by its membership in the Commonwealth of Independent States and the Eurasian Economic Union since 1991, gaining full membership in the latter in 2015 (Смольев & Гукасян, 2018).

Furthermore, Russia stands as Armenia's primary investor and trading partner. Russian investments increased by one and a half times between 2017 and 2020, reaching USD 2.6 billion, predominantly in the energy and transport sectors (Sergey Minasyan, 2013). Armenia purchases natural gas from Russia at a preferential price of USD 165 per 1,000 m³, a substantial discount compared to the European rate of USD 2,100 per 1,000 m³ (TASS, 2023). Key players in the Armenian energy sector include Russian companies such as Gazprom Armeni and Tashir (ЗАО Газпром Армения, 2023), the latter controlling electricity distribution systems (Ташир, 2023). Additionally, the Expo-Russia Armenia international

industrial exhibition in Yerevan in October 2022 (ZARUBEZH-EXPO, OJSC, 2023) indicates the strengthening trade and economic relations between the two nations.

In August 2021, the Armenian government unveiled its program for the period 2021-2026, outlining ambitious objectives for the country's peaceful, sustainable, and inclusive development. The plan includes a comprehensive economic reform program aimed at fostering a growth model driven by exports and investments (Экономика Армении вырастет на 5,5% в 2021 году – прогноз, 2021).

In addition, cultural and humanitarian cooperation has seen active development, with the preservation of historical memory playing a significant role. On 24 April, 2015, Russian President Vladimir Putin visited Armenia to participate in events commemorating the 100th anniversary of the Armenian controversy. Moscow State University also established an outpost in Yerevan the same year, and Armenia maintains a strong interest in Russian-language higher education, evident in the significant number of Armenian students enrolled in Russian higher education institutions (Министерство иностранных дел, 2023).

Collaboration between the two Ministries of Culture is also vibrant in the cultural and humanitarian spheres. For example, the cooperation program for 2019-2021 was executed even amid the challenges posed by the pandemic (Министерство иностранных дел, 2023). Additionally, various cultural events, including those in the Armenian city of Goris, which was designated as the CIS Capital of Culture in 2018, are regularly organized to strengthen ties between the two nations.

As for Türkiye, it has maintained chilly relations with Armenia, except for a brief period of time. Türkiye recognized Armenia's independence at the close of the Soviet era and contemplated establishing diplomatic ties with Yerevan. However, these ties were short-lived. In 1993, as a show of solidarity with Azerbaijan, Türkiye closed its shared border with Armenia in protest against the Armenian occupation of Karabakh during the first and second Karabakh wars, causing a significant deterioration in Ankara-Yerevan relations (Tait, 2009).

When discussing Türkiye-Armenia relations, it is essential to consider the events that took place in 1915 within the Ottoman Empire. Armenia views the massacre of its population during World War I as genocide,

a stance that differs from the international community's perspective (De Waal, 2021). Türkiye rejects the genocide accusations, acknowledging abuses but vehemently disputing their extent (Palabıyık, 2017). Ankara also contextualizes the events within the Russian-Turkish wars, which affected all the involved parties.

Relations between the two countries improved somewhat in the 2000s, under the AKP government and Ahmet Davutoglu's "zero problems with neighbors" principle. Initiatives were taken in 2008 with the help of "football diplomacy," leveraging football matches between Türkiye and Armenia (Çaman & Akyurt, 2011. p. 57.). Turkish President Abdullah Gül and his Armenian counterpart Serzh Sarkisyan utilized these events to foster dialogue and normalize relations.

Nonetheless, the estrangement between the two countries deepened with the 2015 agreement between the Russian and Armenian defence ministers to establish a joint air defence system, which increased Russian influence in Armenia. Diplomatic relations showed no improvement in subsequent years, with Armenia condemning Türkiye's 2019 offensive in northeastern Syria (Statement by the MFA of Armenia on the military invasion by Türkiye in north-eastern Syria, 2019).

At the same time, recent developments indicate some progress in diplomatic relations. Turkish Foreign Minister Mevlüt Çavuşoğlu announced in December 2021 that special envoys from Türkiye and Armenia were expected to hold a first meeting in January 2022 to discuss steps toward normalization. Russia expressed support for the negotiations, emphasizing the global benefit of restoring neighbourly relations (Bir, 2021). Assessing the negotiation results in January 2022, Çavuşoğlu emphasized the confidence-building measures and the goal to strengthen relations (Daily Sabah, 2022). There were several additional meetings subsequent to this, and following each meeting, the parties involved released concise statements asserting that the normalization of relations would take place without any preconditions. The Armenian government, alongside a segment of the expert community and some political circles, appeared to embrace this narrative, expressing contentment that the process was advancing without prerequisites. Overall, significant breakthroughs and outcomes are yet to be realized (Poghosyan, 2023).

As for the European Union, Armenia's relations with the EU are based on the Comprehensive and Enhanced Partnership Agreement (CEPA), signed in November 2017 and fully implemented on 1 March, 2021. Replacing the previous 1999 Partnership and Cooperation Agreement, CEPA deepens bilateral relations in various areas while ensuring compatibility with Armenia's membership in the Eurasian Economic Union (The EU and Armenia Comprehensive and Enhanced Partnership Agreement Enters Into Force | EEAS, 2021). The EU-27, accounting for approximately 16% of Armenia's total trade in 2022 (Armenia, 2023), is the country's second-largest trading partner after Russia. In May 2018, Armenia underwent a significant political change when peaceful street protests, known as the Velvet Revolution, brought opposition leader Nikol Pashinyan to power (Foster, 2019). The new government embarked on an ambitious reform program in line with EU values, focusing on the rule of law, transparency, and the fight against corruption.

Furthermore, actively engaged in efforts to negotiate a peaceful settlement between Armenia and Azerbaijan through the mediation of the President of the European Council. Since February 2023, the EU has deployed civilian observers along the Armenian-Azerbaijani border as part of the EU mission in Armenia (Mgdesyan, 2023). The EU also underscores its firm support for Armenia's sovereignty, territorial integrity, and democracy.

The relationship between Armenia and NATO commenced in 1992, when Armenia became a member of the North Atlantic Cooperation Council. This platform for dialogue was succeeded in 1997 by the Euro-Atlantic Partnership Council, which convenes all Allies and partner countries in the Euro-Atlantic region. In addition, Armenia joined the Partnership for Peace (PfP) program in 1994, initiating bilateral cooperation (NATO, 2023).

While NATO does not play a direct role in the negotiations addressing the Karabakh conflict, the organization encourages all parties involved to persist in their endeavours toward a peaceful resolution. Since 2002, Armenia has been actively engaged in the PfP Planning and Review Process (PARP), enhancing the capability of its forces to collaborate with NATO forces on various operations. A significant goal for Armenia involves ensuring democratic control over its armed forces, with NATO providing support for the integration of civilian personnel into the Armenian Ministry of Defence.

Armenia actively participates in NATO-led operations and collaborates with the Allies and other partner countries across various domains. A primary focus for NATO involves strengthening political dialogue and offering targeted advice and assistance to support Armenia's endeavours in democratic, institutional, and defence reforms. In 2008, Armenia became a part of NATO's Defence Education Enhancement Programme (DEEP) to reform its professional military education institutions (NATO, 2023). DEEP played a crucial role in shaping the Armenian Military Education Concept, developing specialized training courses and establishing the National Defence Research University in Yerevan. The Armenian Ministry of Defence also joined NATO's Building Integrity (BI) program in 2013. Following the completion of the NATO Self-Assessment and Peer Review Process, which commenced in 2014, Armenia is set to benefit from tailored support through NATO BI, aimed at enhancing good governance practices and reducing corruption risks within the defence sector (The Building Integrity Programme, 2023).

Georgia - a multitude of questions, with positive developments

Since the dissolution of the Soviet Union, Russia's relations with Georgia have been marked by challenges. The armed conflicts involving Georgia and Ossetia (1990-1992) and Georgia and Abkhazia (1992-1993) have played a significant role in the distancing of the once "brotherly" republic from Russia (ICG, 2004, Ачугба, 2007). Georgia adopted an anti-Russian policy closely tied to its approach of forcefully resolving conflicts in Abkhazia and South Ossetia.

After the Rose Revolution of 2003 (Дональд Рейфилд, 2017), Russian-Georgian relations in Georgia's history reached a low point under Mikheil Saakashvili (2004-2013) (Peimani, 2009). The 2008 Russo-Georgian war further deteriorated relations between the two countries (Речь Саакашвили на Генассамблее ООН смутила Россию, 2013), leading to the Georgian side severing diplomatic relations with the Russian Federation on 2 September, 2008 (Интерфакс, 2021). Thereafter, formal relations between Russia and Georgia were mediated by Swiss diplomats, with Georgian and Russian advocacy sections based in the respective Swiss embassy of Moscow and Tbilisi. In recent years, Georgia has pursued a pro-Western foreign policy, which has led to

a focus on the task of a close rapprochement with the EU and rapid integration into NATO (Зонова Т.Б., 2007). In October 2010, Georgia also unilaterally announced the introduction of a visa-free regime for Russian citizens living in the North Caucasus republics of the Russian Federation without consulting Russia (Министерство иностранных дел Российской Федерации, 2022).

On the other hand, Russia remains Georgia's second most important foreign trade partner in terms of bilateral trade volume (after Türkiye). This is reflected in the fact that trade between the two countries reached USD 1.33 billion in 2019, a 1.7-fold increase compared to 2014 (Министерство иностранных дел Российской Федерации, 2022). In July 2014, Russia lifted almost all restrictions on Georgian imports, including a ban on importing a number of agricultural products (Проблемы в отношениях России и Грузии, 2019). This has boosted trade between the two countries. The main articles of Georgia's exports to Russia are ferroalloys, wine, and water. Russia exports oil products, gas, wheat, and coal to Georgia. Active foreign trade relations are also underpinned by the fact that Russia had become Georgia's leading exporter of coal by 2021 (Азербайджан вошел в топ-5 крупнейших экспортеров угля в Грузию, 2022).

On 9 March, 2018, Georgian Prime Minister Giorgi Kvirikashvili expressed readiness to normalize bilateral relations with Moscow (TASS, 2018). However, after the 2018 elections, President Salome Zurbishvili rejected cooperation with Russia, considering it an enemy, and citing the issues in the breakaway regions and the conflict in Ukraine (Саломе Зурабишвили: не время дружить с Россией). Anti-Russian protests since the summer of 2019, initiated by the ruling party, have further strained this already challenging relationship (Министерство иностранных дел Российской Федерации, 2023).

Despite these political tensions, cultural, sports, scientific, religious, and business relations between the two countries have experienced a revival. At the end of 2017, 939 Georgian citizens were studying in Russian educational institutions, with 330 funded from the federal budget and 609 on a contractual basis (ICG, 2018, p. 18).

As for Türkiye, Georgia's independence in 1991 facilitated positive relations between Ankara and Tbilisi. This relationship is crucial for Türkiye, as Georgia serves as a gateway to Central Asia and facilitates

the transportation of hydrocarbons from the Caspian Sea to the Turkish ports and the international markets (Göksel, 2013. 8). For Georgia, Türkiye is a gateway to Europe, particularly considering its aspirations for EU membership. Additionally, in the face of its conflicts with Russia, Georgia views Türkiye as a balancing regional power, essential for overcoming the economic challenges that have emerged since the 2008 Russian-Georgian conflict (Otarashvili, 2013).

The change of power resulting from the 2003 Rose Revolution and Saakashvili's electoral setback in October 2012 did not have an adverse impact on the relations between Türkiye and Georgia (Balçı, 2014, p. 50). However, the periodically revived Russian-Turkish rapprochement has occasionally had a negative effect on Turkish-Georgian relations. Georgia's pro-Western policies and its approach to NATO complicate Türkiye's dual pursuit of amicable relations with both Russia and Georgia. The diplomatic initiative to establish the Caucasus Stability and Cooperation Platform, which encourages regional actors to address regional issues, quickly revealed the limitations of Türkiye's influence in its immediate surroundings (Fotiou, 2009).

Another challenge in the Ankara-Tbilisi cooperation relates to religious matters. Georgians, particularly the influential Church of Georgia, resent the religious activities of certain Turkish groups in Georgia, especially in Ajaria (Balçı, 2014, p. 51). The construction of new mosques or the restoration of the older mosques abandoned during the Soviet era has been received poorly by some sections of the population, who perceive these as a threat to their Christian identity. One source of tension was the Aziziye Mosque in Batumi, which was restored by Türkiye as a symbol of the Ottoman past and Turkish presence in the area (Dispute about Aziziye Mosque, 2012). To address these tensions, Türkiye offered to restore old Georgian churches in Türkiye (Turkey renovating Georgian church, 2013).

While Tbilisi benefits significantly from diversifying its foreign policy, this also increases its dependence on both Ankara and Baku (Górecki & Chudziak, 2021, p. 4). Turkish capital notably prevails in certain parts of the country, which is evident in strategic facilities such as the Port of Batumi (European Commission, 2023) and the airports of Batumi and Tbilisi, operated by TAV Airports Holding (TAV Airports, 2023).

A protocol signed on 31 May, 2011 and effective since 10 December, 2011 enables Turkish and Georgian citizens to travel to each other's country with their national identity documents. Tourist data from the Georgian Statistical Office between 2018 and 2020 indicate that citizens of Azerbaijan were the primary visitors to Georgia, followed by Armenians and Russians, with Turkish citizens ranking fourth (Inbound Tourism - National Statistics Office of Georgia, 2022).

To further enhance bilateral relations, the High Level Strategic Cooperation Council (HLSC) mechanism was established. The first HLSC meeting was held in Ankara on 19 July, 2016, with the second round taking place in Tbilisi on 23 May, 2017 (Political Relations between Türkiye and Georgia, 2022). The third round is anticipated to take place in Türkiye. Ankara staunchly supports Georgia's territorial integrity, it does not recognize the independence of Abkhazia and South Ossetia, and hopes these conflicts can be peacefully resolved within the framework of Georgia's territorial integrity and sovereignty. Additionally, Türkiye supports Georgia's efforts toward Euro-Atlantic integration.

Another significant aspect of the relationship is the return of Ahıska Turks to their homeland (Political Relations between Türkiye and Georgia, 2022). Türkiye is actively addressing this matter, aiming to remove the obstacles to the return process. Thousands of ethnic Georgians live in Türkiye, and a smaller number of Meshkheta Turks reside in Georgia (Minority Rights Group). Overall, despite the occasional disputes and disagreements, cooperation remains generally cordial due to the centuries-old historical and cultural ties between the two countries.

As for the EU, the EU-Georgia Association Agreement, including the Deep and Comprehensive Free Trade Area, entered into force in July 2016. Georgia has made significant efforts to align its legislation with EU standards, leading to visa liberalization for short stays in the Schengen Zone starting from March 2017. The EU is Georgia's primary trading partner, comprising approximately 21% of its total trade in 2021. The EU provides over EUR 100 million in technical and financial support to Georgia annually, focusing on economic development, good governance, freedom of movement, and education.

As part of Team Europe's efforts to assist partner countries in coping with the socio-economic consequences of the COVID-19 crisis, a tailored response package of EUR 183 million was offered to Georgia. This package

mobilizes a combination of existing and new resources to provide specific support to the people and strengthen Georgia's macro-financial stability (Together Against COVID-19 - EU for Georgia, 2022).

On the other hand, Georgia's political and media environment is characterized by sharp polarization. Moreover, questionable developments in recent years indicate a significant decline in democracy and a continuous undermining of civil liberties. These include widespread impunity for high-level corruption, instances of police violence, a persistent lack of independence and transparency in the judiciary, restrictions on media freedom, verbal and physical attacks on journalists and opposition media workers, and ongoing stigmatization (Georgia: Statement by the High Representative on the Adoption of the "Foreign Influence" Law | EEAS, 2023). Additionally, the 2018 presidential election, the 2020 parliamentary elections, and the 2021 local elections witnessed numerous irregularities and abuses (Georgia Parliamentary Elections 2020: OSCE/ODIHR Limited Election Observation Mission Final Report, 2021).

Faced with the Russian occupation of Abkhazia and South Ossetia, Georgians have placed their hopes on closer ties with the EU and NATO. The EU has reiterated its strong support for Georgia's independence, sovereignty, and territorial integrity within its internationally recognized borders, as emphasized in the European Parliament resolution of 14 June, 2018, titled "Occupied territories of Georgia ten years after the Russian invasion (European Parliament - RC-B8-0275/2018, 2018)." The EU supports the efforts for conflict resolution through its Special Representative for the South Caucasus and the crisis in Georgia, its observer mission, and instruments promoting stability and peace, complementing the international talks in Geneva. The annual strategic security dialogue between the EU and Georgia signals mutual trust in the relationship. Georgia has made significant contributions to several operations that fall under the EU's Common Security and Defence Policy framework, based on the agreement on Georgia's participation that came into effect in 2014 (Strong Commitment: EU Monitoring Mission in Georgia Is the First CSDP Mission to Have Representation by All 28 Member States | EEAS, 2019). A negative development is that Georgian authorities have increasingly adapted to the Kremlin in recent years, which is evident in their refusal to join the EU sanctions against Russia and the re-launching of direct flights between Georgia and Russia.

Following Ukraine's urgent request to join the European Union in the face of the Russian invasion, Georgia submitted its application for candidate status on 3 March, 2022 through an expedited procedure, alongside the Republic of Moldova (EU enlargement policy, 2022). In line with the opinions issued by the European Commission and considering the alarming regression of democracy in recent years, the European Council decided on 23 June to only acknowledge the "European perspective" for Georgia, while Ukraine and the Republic of Moldova were granted candidate status.

The Georgian Parliament has established thematic working groups to address the 12 main priorities identified by the European Commission, initiating the process of addressing these issues. However, at the seventh meeting of the EU-Georgia Association Council held in Brussels on 6 September, 2022, the EU expressed serious concerns that there had been no significant progress in Georgia, and further negative developments were observed in terms of democratic norms and the rule of law (European Council, 2022).

On the other hand, Georgia stands as one of NATO's closest partners, aspiring to secure membership in the Alliance. Since 2008, the NATO-Georgia Commission (NGC) has provided a crucial framework for close political dialogue and cooperation, reinforcing the reform efforts and the country's Euro-Atlantic aspirations. The journey toward eventual NATO membership is advanced through the formulation and execution of successive Annual National Programmes. A comprehensive range of practical cooperation has evolved between NATO and Georgia over time, actively supporting the country's reform initiatives and its ultimate goal of becoming a NATO member. Georgia actively participates in the NATO-led Operation Sea Guardian and collaborates extensively with the Allies and other partner nations (NATO - Allied Maritime Command, 2023).

In July 2018, heads of state and government convened with Georgia, adopting a declaration that commemorated the tenth anniversary of the NGC. At the 2022 Madrid Summit, the Allies endorsed a set of tailored support measures for Georgia, recognizing it as one of NATO's partners that is profoundly impacted in the current security landscape by external threats and interference stemming from Russia's war of aggression against Ukraine (Nato, 2022).

Overall, alliance with the Western countries mainly serves security purposes for Georgia; aspects of Western culture have not gained traction in Georgia and are indeed facing some pushback.

Conclusion

The South Caucasus stands as a geopolitical chessboard, where the major powers strategically position themselves to advance their interests in energy security, economic cooperation, and regional stability. The interplay of these powers, each with its unique set of objectives and historical ties, shapes the geopolitical landscape of the South Caucasus, creating a dynamic and sometimes volatile arena of international competition and cooperation. The future of the region will undoubtedly be influenced by the evolving strategies and interactions of these great powers.

Furthermore, the South Caucasus is characterized by a delicate balance of power and complex relationships. Azerbaijan, Georgia, and Armenia navigate their ties with Russia, Türkiye, the EU, and the US, each pursuing national interests amidst regional challenges and global power dynamics. The ongoing quest for stability, economic development, and the resolution of conflicts will continue to shape the geopolitical landscape of the South Caucasus.

Overall, the region is a focal point for geopolitical competition, with the major powers vying for influence. Russia maintains its historical ties, Türkiye asserts itself culturally and economically, while the EU and the US aim to enhance regional stability, democracy, and economic development. The South Caucasus also serves as a crucial transit route for energy resources. Infrastructure projects (e.g. pipelines and transportation corridors) shape the geopolitical landscape and influence relations with external actors. For these reasons, the South Caucasus is increasingly recognised as an important region. The countries in the region have different characteristics and different power influences, therefore the question is how this region will make use of the opportunities of the near future.

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Azerbaijan's Geopolitical Importance in the Middle Corridor

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<https://doi.org/10.47706/KKIFPR.2023.2.41-53>

Abstract: This paper seeks to demonstrate the strategic importance of Azerbaijan's geographic location in terms of its role as a bridge between Europe and Asia, particularly in the context of the Middle Corridor. By examining the country's unique position, the paper draws attention to how Azerbaijan can become a key player in promoting trade and improving connectivity between the two continents. Through this analysis, the study highlights the economic, geopolitical and infrastructural implications of Azerbaijan's role in the Middle Corridor and how it can become a connecting element in regional and global trade dynamics. The findings can provide valuable insights for understanding Azerbaijan's position in the development of international trade connectivity and offer further research opportunities and strategic considerations for the stakeholders involved in the development of this key transit route.

Keywords: Azerbaijan, Middle Corridor, international trade, connectivity

Introduction

Today, the entire world economic system is changing as a result of globalization, the rise of emerging economies, technological advances, and climate change (Bárkányi-Vasa, 2023). It is vital that we take action to respond to these changes by adapting to them and seizing the opportunities of the new era. This can be achieved by fostering innovation, promoting inclusiveness, and adopting sustainable

practices for the many: economies must adapt to a changing global environment. Thus, individual states have an important role to play in these processes, and they can do so by promoting economic cooperation, supporting technology and innovation, fostering sustainable development, encouraging cultural exchanges, and strengthening political cooperation. These measures can help increase the adaptability and resilience of economies in response to the challenges of the new world order. In this dynamically changing world, where global trade, connectivity, and economic cooperation constantly redefine international relations, a key region like the Middle Corridor is at the crossroads of change and opportunity in Eurasia.

The current war in Ukraine has caused difficulties in various fields and industries. One of these problems, which also affects the regions outside the conflict zone, is the trade between Asia and Europe. The usual route from China to Europe passes through Russia, but the war has made this route impossible. Instead, the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor (MC), seems to be a good option for the near future. TITR/MC is a rail freight and ferry system linking China with Europe. It starts from Southeast Asia and China, and runs through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Türkiye, before reaching Southern or Central Europe, depending on the cargo destination. Geographically, this is the shortest route between Western China and Europe.

Under these conditions, interest in the route of the Middle Corridor has increased now that global events have weakened the competitiveness of the Northern Corridor and new opportunities have emerged. The previous low interest in this direction can be attributed to the fact that the capacity of the corridor is insufficient for accommodating the entire cargo volume, and that it passes through the territory of many countries. However, in the face of increasing demand, the countries along the corridor have become more active in improving the infrastructure of the route and facilitating customs processes. The concept of the Middle Corridor is that the participating countries can create a coordinated corridor that can not only facilitate interregional trade between China and

Europe but also promote trade development within Central Asia, and the Caspian and adjacent regions. Most of the potential depends on the development of trade within the Middle Corridor, which is multimodal. For example, if Kazakhstan is able to increase trade with the European Union, then both regional and interregional trade will be able to use this opportunity. The aim of the present paper is to investigate the changing importance of the Middle Corridor in these geopolitical and geo-economic contexts, using analytical and case study methodology (Vasa-Bárkányi, 2023).

The South Caucasus

Similarly to Central Asia, the South Caucasus (also known as Transcaucasus) has historically played a key role in establishing and strengthening the economic ties between Europe and Asia. The main reason for this may be the trade routes through these regions, which are clearly linked to the creation of the Silk Road, which has always been at the centre of major trade agreements. Today, the concept of the Silk Road is experiencing a renaissance, and it can once again make a significant contribution to the trade relations between East and West, North and South.

In the twenty-first century, a growing number of scholars have begun to re-examine the reasons why the Transcaucasus could once again play a key role in the development of secure and sustainable economic relations between the West and the East (Pradhan, 2017). On the one hand, since the outbreak of the war in Ukraine, the transit route through the region has once again become a potential route for trade flows from China to Europe. On the other hand, the abundant natural resources in the countries of the region, such as oil, gas, cotton, or uranium, are linked to additional trade deals. As a result, the countries of the region may become real trading centres again. The current focus of these economic interests is the transit route through Central Asia and the South Caucasus, particularly Azerbaijan, whose resources are increasingly in demand in the EU, and which has become an almost indispensable bridge for the trade flows between the two continents.

Theoretical background

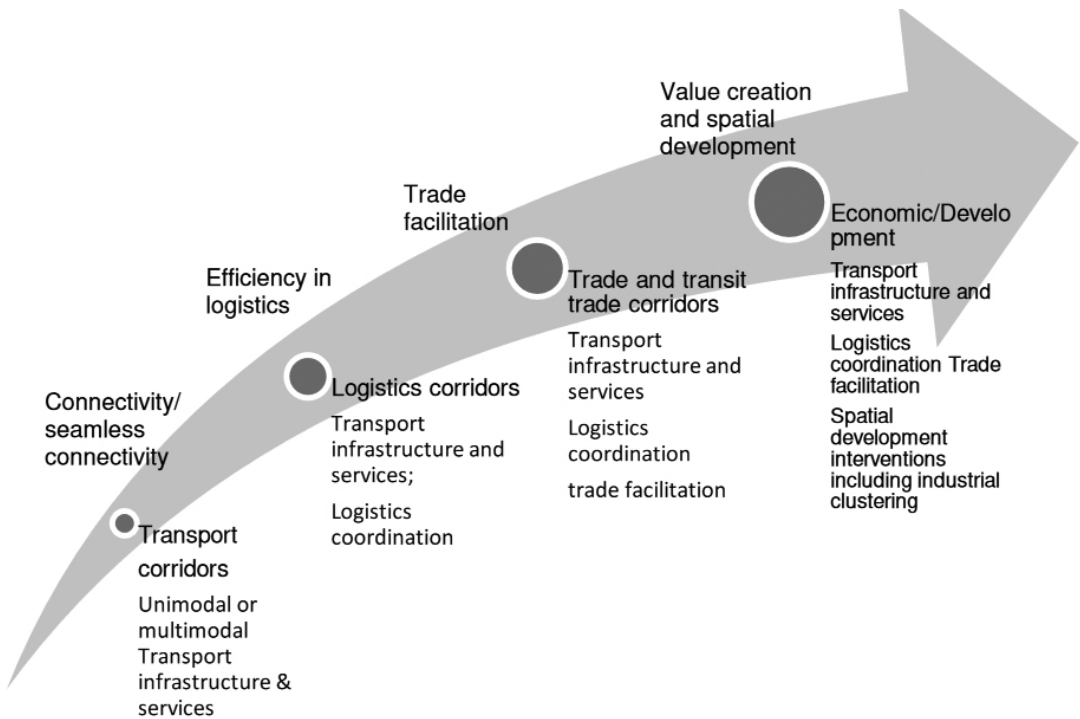
Throughout history, transport corridors have been the main contributors to economic growth by reducing logistics costs and delivery times, ultimately leading to improved trade competitiveness. However, it is important to note that not all transport corridor initiatives are successful, as their success is largely influenced by the right corridor management mechanisms and trade and transport facilitation initiatives (PGlobal, 2011).

In the context of globalization, economic corridors affect international trade, investment, economic growth, and the logistics of the countries involved. The development of economic corridors is also closely linked to changes in the logistics performance of countries (Li et al., 2021). The link between economic corridors and logistics performance is therefore of interest to the academic community. First, regional cooperation in infrastructure development based on economic corridors can strengthen connectivity while reducing trade costs. In this way, they can facilitate trade and contribute to the economic growth of the countries involved in the corridor. It is well known that the removal of barriers across borders and the opening up of new transport markets can lead to cross-border cooperation that can significantly reduce geographical disparities between countries. Furthermore, the construction of new railways and roads creates added value not only for the owner country but also when the new international connection benefits other neighbouring countries that join in (Rakauskienė et al., 2022).

Based on the above, it can be concluded that the Middle Corridor in the heart of Eurasia can potentially play a key role in promoting regional value chain (RVC)-led development. This corridor can link context-specific RVCs with the national development strategies of the countries concerned. According to the World Bank (World Bank, 2018), the success of global value chains (GVCs) is closely related to trade policy, logistics and trade promotion, regulation of business services, investment, business taxation, innovation, industrial development, compliance with international standards, and the overall business environment (Antràs, Chor, 2022). By adopting the Turkic World Vision-2040 initiative, the Turkic states intend to consciously and

collectively participate in the GVCs. Against this background, the development and effective management of the Middle Corridor may be key to promoting economic and trade integration in the Transcaucasus.

Figure 1
Functional typology of corridors



Source: Aggarwal, 2021

In the South Caucasus, regional value chains still involve simple networks, so there may be scope for development towards value chains in higher value-added sectors. This can be supported by investment and trade agreements between the countries of the region and their coordination along the Middle Corridor. These can in turn be supported by the efforts to promote efficient RVCs by reducing regulatory burdens.

By creating efficient RVCs, these countries may become more resilient to the risks of supply shocks and facilitate sustainable economic development. They should therefore place particular emphasis on green industries and increase investment in environmental goods and services, thereby improving and increasing resource efficiency. In this way, economic corridors as development corridors indeed aim to develop the infrastructure network and trade in order to promote economic and social development. However, it should also be noted that such corridors are by no means static, as their functional dimension can evolve over time.

Following the literature approach of the present study, it is worth examining through practical examples how Azerbaijan's geographical location can be interpreted as a bridge between Europe and Asia: i.e. how it can position itself as a key player in international trade processes and facilitate international relations along the Middle Corridor.

The Middle Corridor as an old-new opportunity for Azerbaijan

East Asia is one of the most economically integrated regions in the world, with low barriers to trade and investment. It is connected to the neighbouring Southeast Asian supplier network. In contrast, South Asia is one of the least economically integrated regions in the world, with relatively high barriers to trade and investment. The South Caucasus, along with Central Asia, has historical ties to the West, although these have weakened after the changes of the late twentieth century, while the EU's ties to the East have strengthened. As a result, this area could become a transit region between East and West and further develop its role as a supplier of raw materials in both directions, including the main production and manufacturing centres of East Asia. Asia's economy is much more geographically and economically divided into eastern, southeastern, southern and midwestern spheres, which are separated by deserts, high mountains, climate and historical diversity, and are far beyond the reach of other parts of the world. This can be seen in the Logistics Performance Index map (World Bank, 2018), which highlights the geographical divide between the various

subregions in Asia. This makes integration more costly. Furthermore, Asia's economic networks are more concentrated and clustered around nodes, which are weakly connected by long-distance links.

Historically, the South Caucasus regions have also gradually adapted to a number of other trade routes, allowing their integration into the Middle Corridor. In addition to deepening trade relations, the Middle Corridor can be a catalyst for the infrastructural development of this region, as well as holistic regional integration. The diversity of transportation modes that cross the region and involve several countries can also further contribute to the process of convergence and integration.

It is also worth noting that the trade relationship between the European Union and China has grown significantly in recent years. After a modest 4.6 percent year-on-year increase in 2020, the growth rate has soared, reaching more than 20 percent year-on-year in both 2021 and 2022 (Eurostat, 2023). Given the recent geopolitical and geoeconomic changes in the Eurasian region, as evidenced by events such as the war in Ukraine, these changing dynamics create opportunities to reshape the transportation of goods along the Middle Corridor. A comprehensive analysis commissioned by the Asian Development Bank highlights that in 2018, almost 2 percent of the goods transported between the EU and the countries crossing the Middle Corridor were carried exclusively by rail networks (Kenderdine, Bucsky, 2021). However, it has the potential to do forty times that amount, which could also be a huge potential for Azerbaijan if it succeeds in attracting new economies into the trade relations organized by the Middle Corridor. An excellent example of this is the Zangezur Corridor project, which connects the Caspian Sea and the Mediterranean Basin, Southeast and Central Asia, and Europe. By playing a key role in establishing a comprehensive network of connections throughout the region, the Zangezur Corridor is expected to bring various benefits through its integration into the broader framework of the regional transportation networks of the region. These benefits include enhancing trade relations, facilitating economic integration and development, and generating significant benefits for the countries located along the Middle Corridor. Within the framework of the Zangezur Corridor, a potential for significant economic benefits is envisaged for the Special Economic Zones located within its domain.

Figure 2
The Zangezur Corridor



Source: *aze.media*, 2023

A notable achievement for Azerbaijan has been the official launch of the Alat Free Economic Zone (AFEZ) in 2021. It is strategically connected to the newly established Baku International Seaport and is designed to promote export-oriented manufacturing, poised to bring value-added contributions to the region. Kazakhstan and Turkmenistan also host significant economic zones in the South Caucasus and Central Asia. Kazakhstan's free economic zones, operational since 2022, complement Azerbaijan's free economic zone, and the Ashgabat region has significant economic potential. The Zangezur Corridor facilitates seamless economic value flows between these SEZs in the South Caucasus, Central Asia, and neighbouring countries. This enhanced connectivity, driven by the Middle Corridor, not only promotes economic cooperation, it also aligns with EU interests. The EU's growing trade partnerships in these zones

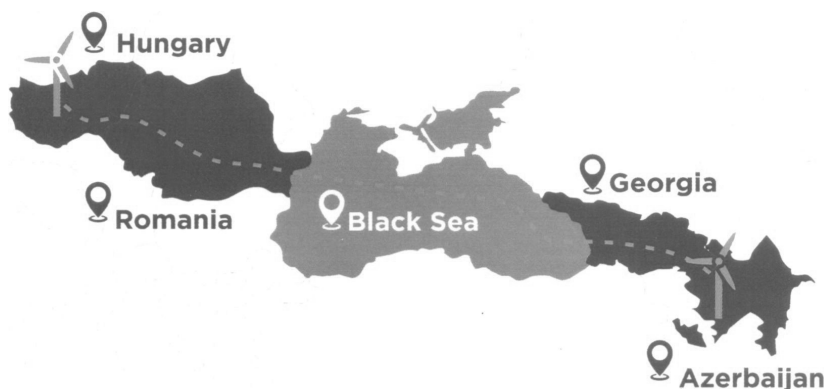
will be more effectively met through the Middle Corridor, establishing it as a central force for regional economic development and cooperation. In addition, the EU is actively contributing to key megaprojects in the Eurasian region, including the Middle Corridor, thus underlining its commitment to enhancing energy security and connectivity. In particular, Azerbaijan participates in key projects such as the Trans-Anatolian Natural Gas Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP). The EU's proactive support for these initiatives demonstrates its strategic interest in diversifying energy sources and supply routes. TANAP, which covers a vast distance of 1,850 kilometres from the South Caucasus to Europe, plays a crucial role in the Southern Gas Corridor, which enhances the EU's energy security through diversification. The Southern Gas Corridor spans 3,500 kilometres, and it is expected to transport up to 31 billion cubic meters of gas, providing an important alternative source for the EU. Passing through Azerbaijan, Georgia, and Türkiye, TANAP connects to the TAP pipeline, which crosses Bulgaria, Greece, Macedonia, Albania, Serbia, and Bosnia and Herzegovina. Future plans include expanding the capacity of TANAP beyond the current 16 billion cubic meters.

Furthermore, the EU's commitment to the Trans-Caspian Fiberoptic Initiative (TASIM) underscores its commitment to increasing digital connectivity between Europe and Asia via Azerbaijan. The goal of the project is to create a transcontinental fibre optic network from Frankfurt to Hong Kong, traversing the entire Eurasian continent. This initiative is not only in line with the EU's commitment to promoting technological connectivity, it also signifies its proactive role in facilitating communications infrastructure across vast geographical distances.

Azerbaijan has made a remarkable effort to create the Caspian-European Green Energy Corridor in partnership with its European allies. The year 2022 marked a milestone as a formal agreement on "green energy" was prominently highlighted, fostering a new era of opportunities for Azerbaijan in collaboration with Georgia, Romania, and Hungary. In February 2023, Baku hosted a high-level discussion with the active participation of key ministers from Azerbaijan, Georgia, Hungary, and Romania. The focus was on conceptualizing future efforts related to the development and transmission of green energy. Moreover, at the third ministerial meeting held in June of the same year as part of the

Baku Energy Week, these discussions played a pivotal role in advancing the goals outlined in the agreement. This reaffirmed Azerbaijan's commitment to sustainable energy and strengthened its position as a key player in the dynamic energy landscape of the region.

Figure 3
The Caspian-European Green Energy Corridor



Source: CAREC, 2023

These large-scale projects in Azerbaijan, characterized by significant investments and operational capabilities, can collectively advance the EU's goal of reducing energy vulnerabilities and cultivating greater cooperation with the nations along the Middle Corridor. This strategic engagement positions the EU as a key actor in influencing the geopolitical and economic dynamics of the region.

In Europe's overarching transport strategy, the core corridors of the Trans-European Transport Network (TEN-T) play a key role, extending their importance beyond the European Union to regions such as the South Caucasus. These corridors are instrumental in promoting increased economic links between adjacent regions, as well as intra-European trade and connectivity. The Middle Corridor, which runs from Europe to Asia through Türkiye and the South Caucasus, is coherently aligned with several core TEN-T corridors, in particular the Mediterranean Corridor and the Orient/Eastern Mediterranean Corridor. Such alignments create synergies and establish seamless transport networks that are crucial for

facilitating trade between Europe and Asia through the South Caucasus and Türkiye. The integration of the Middle Corridor with the core TEN-T corridors streamlines the movement of goods and people, reducing transit times and making it an attractive route for international trade. The transport corridors within the European Union also have the potential to create links with the corridors spanning Central Asia, the South Caucasus, and Türkiye. This connectivity is particularly important for landlocked countries seeking access to the European markets. The ongoing development of the transportation infrastructure along these corridors, including road, rail, and maritime links, offers new opportunities for trade between Central Asian and the South Caucasus countries with the EU and the wider European market. By aligning with the core TEN-T corridors, the Central Asia and South Caucasus corridors synchronize their goals of increased connectivity, trade facilitation, and economic growth with the overarching goals of the EU, thereby fostering regional stability and cooperation. In addition, Azerbaijan's strategic geographical location at the crossroads of Europe and Asia makes it a key component of both the Middle Corridor and the TEN-T Core Corridors.

Conclusion

The importance of Azerbaijan in the Middle Corridor cannot be overemphasized, as it unfolds highly advantageous economic prospects that transcend geographical boundaries. Starting from the China-Kazakhstan border, passing through the Central Asian states, the Caspian Sea, Azerbaijan, and Georgia, and ending in Türkiye, this strategic transportation network plays a key role in connecting the continents of Asia and Europe. The Middle Corridor is proving to be an exceptional opportunity for the fastest land routes between Europe and Central Asia and the Transcaucasus, resulting in a significant reduction in transportation costs and delivery times for goods. This increased economic efficiency translates into significant savings and expanded market access for businesses. To illustrate, the alternative route provided by the Middle Corridor significantly shortens the traditional 10,000-kilometer journey from China to Europe to just 7,000 kilometres. This drastic reduction in transit distance effectively cuts the

transit time to 10 to 12 days. These geographical advantages significantly increase the competitiveness of the Middle Corridor and solidify its position as a major player in international trade and transportation. Azerbaijan's strategic location along this corridor enhances its role and underscores its contribution to the economic viability and success of the Middle Corridor. In this concern, EU must elaborate comprehensive cooperation plan to take part active role in promoting Middle Corridor by prioritizing financial and other sustainable means.

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Azerbaijan and the Turkic World

Zoltan Egeresi

<https://doi.org/10.47706/KKIFPR.2023.2.54-71>

Abstract: This paper gives an overview of the relations between Azerbaijan and the Turkic states, with a special focus on the Organization of Turkic States (OTS). The paper outlines the main priorities of Azerbaijan's foreign policy and identifies the role the Turkic World plays in it. Turkic identity and geopolitics are major factors in Azerbaijan's relations with the Turkic states, especially with Türkiye. The paper argues that recent developments such as the Second Karabakh War and the military operation in September 2023 have changed the country's image and enlarged its space for manoeuvre within the Turkic World.

Keywords: Azerbaijan, Organization of Turkic States, Turkic World

Introduction

After declaring its independence in 1991, Azerbaijan immediately had to face multiple crises and challenges. The weakening and dissolution of the Soviet Union, hand in hand with a nationalist revival for a search of identity, created a challenge for every state both in the post-Soviet area as well as East and Southeast Europe, ultimately leading to bloody conflicts. Interethnic tensions and wars also shaped the transition period for the entire Caucasus. The clashes and pogroms in Armenia and Azerbaijan after 1988 resulted in the mass emigration of Armenians and Azerbaijanis to their titular countries. Later on, in 1992, armed conflict became a huge burden for the new republic, and without meaningful international support, the country had to sign a ceasefire agreement in 1994, which left some 20 percent of the country under the occupation of Armenian troops despite the subsequent UN resolutions recognizing

Azerbaijan's territorial integrity. Beyond searching for its identity and waging an armed conflict with the Armenians, the country also had to position itself within the international system.

Benefiting from a strategic location, rich hydrocarbon reserves, and a pragmatic approach to its national interests, Azerbaijan started to pursue a balancing or multi-vector foreign policy when Heydar Aliyev came to power in 1993 (Jafarova 2022). Aiming to liberate its territories, the government tried to mend fences and create manageable relations with other countries, especially with the great and middle powers around the Caucasus. It settled relations with Russia, and despite having a large Azerbaijani minority in Iran, it also tried to find a *modus vivendi* with Tehran, which became a strategic supporter of Armenia. The “Treaty of the Century” (1994), and the subsequently integration of Azerbaijan's hydrocarbon reserves into the world market via different pipelines not only provided much greater financial room for manoeuvre but also helped increase Azerbaijan's international prestige and relevance for a variety of countries.

The Azerbaijani government invested in boosting the image and soft power of the country, joining various organizations and country platforms, such as the Non-Alignment Movement, Council of Europe, Organization of the Black Sea Economic Cooperation (BSEC), Commonwealth of Independent States (CIS). This multi-vector foreign policy bore fruits during the Second Karabakh War in 2020, and it also increased Azerbaijan's international standing. In this foreign policy, the Turkic World, and the institutionalized form of Turkic cooperation, the Organization of Turkic States (OTS), gained special importance. Diplomatic and even military support from the Turkic countries, especially from Türkiye, has helped Baku liberate its occupied lands. In addition, being part of an identity-based country group of sizeable geopolitical weight has created many opportunities for Azerbaijan.

The rise of Turkic cooperation: a short introduction

During the late nineteenth century and at the beginning of the twentieth century, many Turkic intellectuals in Russia began to formulate the idea of a need for unified political and cultural actions. For example, Ismail

Gasprinsky (or Gaspirali) (1851-1914), a Crimean Tatar journalist and writer, worked on promoting the idea of modernization, education, and Turkic identity-building among the Turkic speakers living under Russian rule. His famous slogan, “Unity in language, thoughts, and deeds” (*Dildə, fikirdə, işdə birlik* in Azerbaijani) is still a key idea in the cooperation between various Turkic peoples. These concepts later also gained prominence in the Ottoman Empire, especially when some of these Tatar and Azerbaijani intellectuals settled in the empire and started to support the Young Turk (*Jöntürk*) movement in modernizing the state and launching the Turkish nation-building process. Azerbaijani writers and politicians also contributed to the emergence of the Pan-Turkist or even Turanist movement, and their names are well-known in contemporary Türkiye as well.

In the nineteenth century, Mirzə Fətəli, having migrated to the Ottoman Empire, argued for the need to adopt a Latin alphabet to replace the Arabic one (Cavid 2017). Huseyinzade Ali (Əli bəy Hüseynzadə) (1864-1940) was one of the founders of the Committee of Union and Progress (CUP), and as an influential politician after the Young Turk revolution (1908), he had a great influence on the Turkish national cause. He also participated in the formation of the Azerbaijan Democratic Republic (ADR), although after its fall, he settled in Türkiye. Another influential personality, Ahmet Agaoglu (Əhməd bəy Ağaoğlu/ Əhməd bəy Ağayev) (1869-1939), born in Susha, made an outstanding political career in the Ottoman Empire by joining CUP and becoming an MP as well as the President of the *Türk ocağı* (‘Turkish Hearts’) movement. Later on, he also went to ADR and became an MP, but just like Huseyinzade Ali and other politicians, he also had to leave the Caucasus and move to Türkiye. He there became a member of the Constitutional Committee and a parliamentary deputy. Mehmed Amin Resulzade (Məhəmməd Əmin Rəsulzadə) (1884-1955) also actively participated both in Turkish nation building as well as state building in Azerbaijan, and he was elected Head of the Azerbaijani National Council in 1918. He remained loyal to the Turkic cause during his whole life, and he died in Türkiye in exile.

These examples show how Azerbaijani and Turkish intellectuals and politicians were working together in nation and state-building in the early twentieth century. Such strong relations cemented the prospective

cooperation between the two nations, even though after signing the Moscow treaty in 1921, Atatürk had to renounce any political or military endeavours in the South Caucasus, and the newly established Turkish republic turned towards the more realist aim of Anatolia's modernization rather than nourishing a Turanist vision.

Nevertheless, the dissolution of the Soviet Union created a geopolitically unique moment. Five Turkic republics, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan gained their independence in 1991. At the time of the dismemberment of the Soviet Union, Turkish President Turgut Özal (1989-1993) declared that the twenty-first century would be a Turkish century, while Süleyman Demirel, who was Prime Minister several times between 1965-1993 and later became President (1993-2000), started to talk about a "Turkic World stretching from the Adriatic to the Great Wall of China" (Balci and Liles 2018).

The Turkish government wanted to become an engine of cooperation within the Turkic World (Biró 2021), which incorporated the new, independent Turkic states from Central Asia and Azerbaijan and other Turkic people living in the vast area of Eurasia, most of whom (Tatars, Bashkirs, Chuvash, etc.) lived in Russia. Türkiye's endeavours to launch a meaningful collaboration started with the first summit in Ankara, held in 1992. Cooperation during the first nearly two decades was based on these summits. Subsequent meetings were held in Istanbul (1994), Bishkek (1995), Tashkent (1996), Astana (1998), Baku (2000), Istanbul (2001), Antalya (2006), Nakhichevan (2009), and Istanbul (2009) (Yesevi 2022). Especially in the 1990s, Süleyman Demirel, Heydar Aliyev, and Nursultan Nazarbayev showed strong commitment to building close relations between the Turkic countries (Cavid 2017). Nevertheless, these summits achieved limited results despite the Turkish enthusiasm. The Central Asian states, after gaining their independence, had to fit their foreign policy to their new geopolitical situation, and they also had to find their domestic political path after the collapse of the communist system. In line with these harsh changes, the new states turned towards elaborating a nation-building process, cementing their own national identities, where a Turkic identity gained importance, although the elites wanted to find their nations' own characteristics. Having a downturn in enthusiasm and witnessing rising tensions between the Turkic states, the early 2000s could not bring any meaningful results.

Other factors also limited the chances for any integration: Turkmenistan declared a neutrality policy, bilateral tension between Uzbekistan and Türkiye hindered any rapprochement, and at the summit of 2006, Uzbekistan decided to abstain.

Nevertheless, Turkic cooperation gained new impetus in 2009, when the summit was held in Azerbaijan. The leaders of Azerbaijan, Kazakhstan, Kyrgyzstan, and Türkiye accepted the Nakhchivan declaration, which aimed to create a formal institution for cooperation and established the Council of Turkic Speaking Countries (i.e. the Turkic council). This development led to the establishment of various organs, such as the Council of Heads of State, the Council of Foreign Ministers, the Council of Elders, the Senior Officials Committee, and the Secretariat, which is located in the centre of Istanbul.

In line with the revitalized cooperation and having created a political platform, institutionalization also gained momentum. The first Pan-Turkic intergovernmental organization was formed in 1993, when the Ministers of Culture of Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Türkiye signed an agreement about the International Organization of Turkic Culture (TÜRKSOY, which is labelled as the “Turkic UNESCO”), with a headquarter in Ankara. Despite these efforts, no other intergovernmental organization was created for the following 15 years, signalling a lack of convergence of interests and effort for further organizational developments. Nevertheless, the establishment of the Turkic Council improved prospects, and new intergovernmental organizations were formed under its aegis, such as the Turkic Academy (located in Astana, 2012), the Union of Turkic Chamber of Commerce and Industry (TCCI) (Istanbul, 2019), the Parliamentary Assembly of Turkic Speaking Countries (TURKPA, 2008), and the Turkic Culture and Heritage Foundation (2013); the latter two are located in Baku.

Beyond this deepening and institutionalizing cooperation, the end of the decade also led to enlargement. At a historical summit held in Kyrgyzstan, Cholpon-Ata in 2018, Hungary, having historical and cultural connections to the Turkic World, gained observer status. One year later, Uzbekistan joined the Turkic Council as its fifth full member. At the Istanbul summit in 2021, the Turkic Council was transformed into the Organization of Turkic States, which ensured

an even more institutionalized form and greater importance for the organization. At the same time, the leaders decided to limit further enlargement in the Istanbul Declaration by stating that only Turkic countries have the right to accede to the organization. The enlargement continued in line with this principle in the upcoming years, as Turkmenistan and the Turkish Republic of Northern Cyprus (TRNC) joined OTS as observer members. The crucial strategic document called “Turkic World Vision-2040” was also accepted at the Istanbul summit, outlining the organization’s plans for the upcoming decades.

As of 2022, the OTS has five full members and three observer members with a GDP of more than USD 1,500 billion and a population of more than 170 million people, whose trade turnover represents some 2.2 percent of world trade (Gasimli 2023)

OTS serves as a useful platform to improve cooperation between the Turkic states. Several agreements, such as the Freight Transport Agreement, the Simplified Customs Corridor Agreement, and the Trade Facilitation Strategic Document, were signed in order to facilitate trade between the member states (Shafiyev 2023). Although many voices criticize the level of integration between the members, in recent years OTS has contributed considerably to deepening the relations. The organization notably serves as a platform for counterbalancing various hegemonic powers in the region (Cavid 2017), thus increasing the room for manoeuvre member states have. The Russian aggression against Ukraine in 2022 has reinforced its significance vis-à-vis various great powers and given impetus for further dialogue and collaboration among the member states.

If the 1990s were the years of enthusiasm for the Turkic cause, the last roughly ten years have brought a number of practical results in the realization of real cooperation through a more pragmatic approach. Ranging from efforts to harmonize trade and transport legislation and carrying out successful cultural projects (e.g. the Cultural Capital of the Turkic World program, with Susha serving as Cultural Capital in 2023) to acts of political solidarity (in the case of the Karabakh war with Azerbaijan), the Organization of Turkic States nowadays plays a more important role in the foreign policy of their members and is better known in the international system.

The OTS in Azerbaijan's foreign policy

The Turkic states have gained special significance within Azerbaijan's multi-vector, balancing, and counterbalancing foreign policy. For Baku, at least three aspects: ideology, politics, and strategy and economy determine the country's relations with the Turkic World (Muradov 2021). First, ideological reasons, the national consciousness, and awareness of the country's Turkic roots prompt Azerbaijan to nourish Turkic cooperation and establish brotherly relations with the countries that have the same openness based on a shared culture and identity. Second, membership and active participation in Turkic cultural and political organizations fit Azerbaijan's multi-vector foreign policy. The fact that the country has a pivotal geostrategic position in the middle of the Turkic World, linking Central Asian countries to Türkiye and subsequently to the Mediterranean Sea and Europe, elevates its role for these countries and makes it more likely to become a bridge within the Turkic World. Baku's gradual efforts to strengthen its international status after its defeat in 1994 have paved the way for its membership in different organizations. Membership in OTS and other Turkic organizations is in line with this diplomatic endeavour and represents a pillar of this policy. Good relations and support from the Turkic countries, especially from Türkiye, are vital for Baku in political and security terms as well.

Third, Azerbaijan's economic role is another key factor, in line with the geographic position of the country. Geopolitically speaking, the Turkic World has three centres (Cavid 2017). Türkiye, the location of which links the country to different regions, from the Black Sea to the Balkans, the Eastern Mediterranean and the Middle East, as well as the South Caucasus. This historical, cultural, and geographical embeddedness into different regions has also appeared in the Turkish foreign policy discourse. Türkiye's security and economic concerns are very different from those of the four Central Asian Turkic republics, whose economy is less developed and more based on hydrocarbon export (except for Kyrgyzstan), and who have had to balance between Russia and a rising China. Azerbaijan's strategic location between Türkiye and Central Asia grants the country a decisive role in unifying the two parts of the Turkic World and allows it to become a "Heartland" for the Turkic countries

(Cavid 2017). The war in Ukraine, which has altered the transport routes via Russia, has made it possible for alternative transport lines to emerge, such as the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor (MC) (Vasa and Barkányi 2023).

Although Türkiye is unquestionably the main trade partner among the Turkic countries, recent years and infrastructural convergence has helped strengthen relations with Central Asian republics, too. Different transport projects, and the prospective opening of the Zangezur Corridor will increase the weight of Azerbaijan within the Turkic World, as it will be a key state in the realization of the Middle Corridor. The shared Turkish platform provides a promising opportunity for Baku to boost its economic relations, creating mutual trade and investment opportunities.

Special ties with Türkiye

Due to the geopolitical proximity, Türkiye has become the most important partner country among the OTS members. As a NATO-member and EU-aspirant, as well as a harbour for Azerbaijani hydrocarbon shipping, Ankara's friendship has become crucially important.

As it was already mentioned, Azerbaijanis participated in Turkish nation-building in the early twentieth century, as some intellectuals advocated Pan-Turkist ideas. During World War I, the Ottoman troops reached both the Caucasus and Baku in 1918. The Ottoman state also supported the short-lived independence of Azerbaijan, while later on, during the Turkish War of Independence (1919-1922), Mustafa Kemal Atatürk was able to sign the Moscow Treaty (1921), which stopped open Turkish involvement in the South Caucasus for decades.

Due to the Soviet rule, Turkish-Azerbaijani relations remained limited in most of the twentieth century. The collapse of the USSR opened a window of opportunity for these nations to resume brotherly relations and start building strong and cordial diplomatic ties. Thus, Türkiye was the first country to recognize Azerbaijan's independence on 30 August, 1990 (Kalafat and Asanli 2006). However, the dissolution of the Soviet empire opened the way to secessionist movements in the South Caucasus, too. The early 1990s put the newly established Turkish-Azerbaijani relations

to the test. The escalating war in Karabakh, the ethnic cleansing, and the persecution of the Azerbaijani population caused serious public concern in Türkiye; Ankara eventually broke diplomatic relations and closed the Türkiye-Armenian border in 1993. In Azerbaijan, Abulfaz Elchibey, who came to power in 1992, wanted to primarily rely on Ankara in the international arena. His frequent visits to Türkiye during this period were a sign of this foreign policy orientation. Although it sent military experts, closed the borders, had sympathy demonstrations, and lectured in international forums, Türkiye was unable to provide more tangible assistance in the armed conflict. At this time, Russia saw Armenia as the key to preserving its influence in the South Caucasus, so it signalled Türkiye to avoid any interference in the conflict (Cornell 1998).

After Heydar Aliyev came to power, Azerbaijani foreign policy became more flexible and prone to balancing between the great and regional middle powers. Any Azerbaijani rapprochement was usually welcomed in Ankara, although the early 1990s showed that strong fraternity messages and good intentions do not automatically lead to meaningful political, economic, and military aid. Thus, the Azerbaijani government has had to transform its relations with Türkiye from a good one to a well-functioning one.

The economy has played a crucial role in this readjustment of relations (Gyene 2012). After signing the Treaty of the Century in 1994, an agreement was signed in 1999 for the construction of the Baku-Tbilisi-Ceyhan oil pipeline, which became functional in 2005. As a result, Azerbaijani oil was able to reach the Turkish and the international market by circumventing Armenia and Russia. Energy cooperation, however, was not limited to oil. The construction of the Baku-Tbilisi-Erzurum gas pipeline (2006), followed by the Trans-Anatolian pipeline (2019), has also significantly contributed to the growing economic interdependence between the two countries. In 2022, Türkiye was the country's most important trade partner among the Turkic states: it represented 9.4 percent of Azerbaijan's export and 16 percent of its import. The share of other Turkic states was marginal; in terms of export, they did not even reach one percent, while their proportion in terms of imports was approximately 8 percent, with Turkmenistan and Kazakhstan having the highest share with 3.5 and 3.4 percent, respectively. Hungary and Kyrgyzstan still play a negligible role in Azerbaijani trade (Tradingeconomics 2024).

The Russia-Georgia war in 2008 brought new challenges to the South Caucasus. A short-lived rapprochement between Türkiye and Armenia initiated by “football diplomacy” in 2009 envisaged an agreement that would mend fences between the two countries. The diplomatic efforts led to the Zurich Protocols, although it was never ratified by the parliaments of the two countries. This diplomatic turn convinced Azerbaijan to strengthen its relations with Türkiye. Thus, while the Turkish-Armenian settlement project failed, Ankara and Baku ameliorated their relations, first in the military field, by signing various treaties and establishing a cooperation mechanism.

Although a military training cooperation agreement, and military education, technical, and scientific cooperation agreements had already been signed by the two countries during the early 1990s, the two states’ relationship reached a new level by signing the Strategic Partnership and Mutual Assistance Agreement in 2010. This treaty envisaged mutual assistance in accordance with Article 51 of the Charter of the United Nations in case of a military intervention of a third country or countries (Veliyev 2023). The agreement also encompassed additional dimensions of military cooperation, such as logistical support, defence industry cooperation, and an exchange of experts. The agreement was signed for ten years, with the stipulation that if one of the parties does not indicate six months before its expiration that it does not intend to maintain it, it will be automatically extended for the next ten years (the agreement is still in force) (Yüce 2020). Closer ties between the two countries were also indicated by the fact that a treaty on the establishment of a Council for Strategic Cooperation at the Higher Level was signed on 15 September, 2010, a month after the conclusion of the Strategic Partnership Agreement.

Military cooperation in the following years was elevated to a further level: starting in 2013, joint military exercises (for instance “TURAZ Kartalı” in Azerbaijan in 2013, 2015, 2017, and 2019; “TURAZ Şahini” in Türkiye in 2014, 2016, and 2018) have become regular events, and Turkish troops with full military equipment have been allowed to enter Azerbaijan – for the first time since 1918. This was facilitated by the fact that the two countries had a short, approximately 11 km long shared border section along the Aras River in the western part of the Nakhichevan enclave.

The growing military cooperation, including the trade of high-level Turkish military technology (especially Bayraktar TB2 drones), cemented the advantages the Azerbaijani Army had vis-à-vis the Armenian troops in Karabakh. The joint, large-scale military drill before the Second Karabakh War also demonstrated the well-functioning cooperation between the Azerbaijani and the Turkish Army (V. Huseynov 2020).

When the war started on 27 September, 2020, Türkiye announced full support for Azerbaijan. During the war, Ankara demonstrated its commitment to its ally diplomatically by frequent visits and by advocating for the Azerbaijani cause at the international level. At the same time, Turkish public opinion also showed deep sympathy (Biró and Ájben 2022).

The ceasefire agreement, signed 9 November, 2020, returned the majority of the occupied territories to Azerbaijan, although the presence of Russian troops along the Lachin road, as well as the fact that the Armenian armed troops stayed within Karabakh, remained a source of concern. Due to its successful diplomatic efforts, Türkiye managed to establish a joint Turkish-Russian Monitoring Centre near Karabakh, which closely followed the military developments and fights in the region. Military skirmishes, along with fruitless diplomatic efforts in the following three years showed the need for further cooperation between Türkiye and Azerbaijan. In 2021, the two countries signed the Susha Declaration, which is a key document in their bilateral relations: the declaration officially announces an alliance between the two countries (Veliyev 2023). Importantly, the Turkish government has indicated its readiness to mend fences with Armenia and open its borders if Yerevan signs a peace treaty with Azerbaijan. During the September 2023 military operation, which liberated all of Karabakh, Türkiye also supported its ally.

In sum, the Azerbaijan-Türkiye ties have progressed to a close alliance since the early 1990s. This is probably the closest relationship among the Turkic countries: beyond economic interdependence, a significant part of the Azerbaijani diaspora resides in Türkiye, which has become an essential actor shaping ties. The educational scholarships awarded in the early 1990s have facilitated the studies of tens of thousands of Azerbaijani students in Türkiye. Over the past three decades, more than 100,000 Azerbaijani students have pursued studies in the neighbouring

country. Those who returned to their homeland could bring new know-how and experiences from an EU candidate country, giving new impetus to state-building.

Relations to develop: Central Asia

While Türkiye plays a vital role in Azerbaijan's foreign, security, and economic policy, the Central Asian states are of more limited importance. Slower diplomatic impetus after the independence also can be detected based on the opening of the diplomatic missions: Azerbaijan established embassy firstly in Uzbekistan in 1996, followed in Turkmenistan (2002), in Kazakhstan (2004) and Kyrgyzstan (2007) while Kazakhstan opened an embassy in Baku in 1993, Uzbekistan in 1998, Turkmenistan in 1999, and Kyrgyzstan in 2014 (Imanbeyli 2023) The economy acts as a catalyst for cooperation among these states as well. As mentioned above, Azerbaijan's geostrategic location makes the country a bridge between West and East, and it places it in the heart of the transport corridors that start from China and Central Asia and go towards Türkiye and Europe while avoiding Russia and Iran. Subsequently, the more Central Asian republics mend fences and seek new opportunities for cooperation with the West in trade, transport, and investment, the more important Azerbaijan becomes to them.

The country's growing economy and infrastructure development projects further enhance its appeal as a potential hub for trade. Certain factors have also facilitated the recent rapprochement between Azerbaijan and Central Asia. For instance, Uzbekistan's diplomatic and economic opening since 2016, under Shavkat Mirziyoyev, has created favourable ground for increased cooperation (Gyene 2020). Crucially for regional concerns, positive steps have been taken in handling the long-term regional tension due to the delimitation of (seabed) borders within the Caspian Sea, which arose as a major challenge for the coastal countries after the dissolution of the USSR. Even though Azerbaijan had managed to delimitate the seabed borders with Kazakhstan and Russia by 2003, the Iranian and Turkmen borders remained unsettled, and the issue remained contentious because significant oil and gas deposits are located in the disputed border zone. The Caspian Sea Treaty (i.e. the Convention

on the Legal Status of the Caspian Sea), signed by the five littoral states of Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan in 2018, was a step towards handling some of the issues, but the seabed delimitation between Azerbaijan, Iran, and Turkmenistan remains unsolved (Karataeva 2020). In the same way, the Convention gives the right to the parties to lay down submarine pipelines without getting approval from the other littoral states; however, in the case of environmental concerns, any project has to be discussed by the other coastal states, granting a comfortable position to Russia and Iran to hinder any US or EU-sponsored energy project. As a result, the promising opportunity of constructing the Trans-Caspian Pipeline (TCP) remains unrealized (Abilov, Mahmudlu and Abdullayev 2020).

The successful war in 2020 has also increased Azerbaijan's prestige among the Central Asian countries. The military victories, together with the political achievements, have not only prompted vocal support from these Turkic countries throughout the military operation, they have also increased Baku's potential to operate as a more thoughtful international actor.

Azerbaijan's role as a gateway towards the West was further increased after the Russian aggression against Ukraine in early 2022. The sanctions imposed on Russia by the West and the endeavours of the European states to replace Russian gas have increased the importance of cooperation between Central Asia and Azerbaijan. The issue of alternative transport corridors, such as the Middle Corridor, has become a frequent item on the international agenda (Huseynov 2022).

Following 2020, several bilateral and trilateral summits were held between Azerbaijan, Türkiye, and a third Central Asian partner country. At the beginning of 2021, Baku and Ashgabat signed a Memorandum of Understanding on the joint exploration and development of the hydrocarbon resources of the DostluK/Dostlug (Friendship) field (formerly known as Kyapaz and Sardar). In late 2021, three neighbouring countries, Azerbaijan, Iran, and Turkmenistan signed a three-way SWAP agreement. This development made it more feasible for Azerbaijan to supply both its trade partners, e.g. Georgia, Türkiye, and many countries in Europe, as well as its own needs. Nevertheless, the SWAP agreement has rendered the realization of the Trans Caspian Pipeline less probable, which also needs international investors. In early May

2023, İlham Aliyev stated that “We can provide technical assistance, we can provide our pipe-laying barges and we can provide access to our Sangachal terminal” but there is no financial support for the pipeline project. Azerbaijan “can only be a transit country and will definitely be a very fair transit partner” (O’Byrne 2023).

From Central Asia, Kazakhstan is Baku’s most important trade partner; while its export is minimal, Azerbaijan imports fuel and wheat from the country. As a gateway towards the western market, Baku has always been a special partner for Astana. Several agreements were signed to facilitate Kazakh hydrocarbon trade, and in 2008, Astana began transporting oil to the Baku-Tbilisi-Ceyhan pipeline by tanker, via the Caspian Sea (R. Huseynov 2017).

Along with the regular meetings within the OTS framework, İlham Aliyev has paid visits to Uzbekistan (2022, 2023), and he also received Shavkat Mirziyoyev in August 2023, when they signed an agreement for the establishment of the Supreme Interstate Council (Tekin 2023). He has visited Kyrgyzstan and Kazakhstan multiple times in recent years. During these official meetings, a great number of treaties were signed between the partners, ranging from economic issues to tourism and cultural cooperation (Huseynov 2022).

Despite these recent changes, the share of the Central Asian Turkic states remains low in Azerbaijan’s trade, although due to the SWAP agreement, Turkmenistan has been able to raise its share in Azerbaijani import. As the Azerbaijani economy is based on hydrocarbon trade and has a less diversified economy (Bagirov 2022), it has limited options to multiply its trade with its eastern neighbours. Nevertheless, the diplomatic efforts and the negotiations within the OTS framework may help boost trade and investment among the Turkic countries.

Cordial relations with Hungary

Although Hungary is not part of Azerbaijan’s traditional geopolitical sphere, its recently gained observer membership within OTS has strengthened its relations with Baku. Hungary opened an embassy

in Baku in 2009 and has worked hard to establish good political and economic relations with the country. Azerbaijan also supported Hungary's bid for the observer membership in the organization. Benefiting from the observer status, Hungarian politicians can meet more frequently with Turkic leaders, and OTS is an important platform for shaping relations with members and demonstrating cordial relations. During the Second Karabakh War, Hungary supported the territorial integrity of Azerbaijan.

President Ilham Aliyev's recent visit to Hungary for the 20 August, 2023 national holiday also indicates the friendly relations between the two leaders. At the recent OTS summit in Astana in 2023, Viktor Orban praised Ilham Aliyev's efforts to bring stability to the South Caucasus (Trend News Agency 2023).

Hungary has also opened an OTS Representative Office in Budapest, where every member state can envoy a diplomat. In line with the improving diplomatic relations, Hungarian investment activities in Azerbaijan have also increased recently. Hungarian Petrol Company (MOL) has purchased a 9.57% stake in the Azeri-Chirag-Gunashli oil field and an 8.9% stake in the Baku-Tbilisi-Ceyhan pipeline (MOL 2019), and Hungary has also indicated its readiness to buy Azerbaijani gas. In late 2022, Hungary, Romania, Georgia, and Azerbaijan signed a treaty to build an underwater electric cable under the Black Sea (Euronews 2022). Thus, the Hungarian political leadership is committed to establishing close and cordial ties with Azerbaijan and supports its diplomatic goals.

Conclusion

The dissolution of the Soviet Union opened a new chapter in the history of Azerbaijan and the Central Asian Turkic states. Having the freedom to conduct an independent foreign policy based on national interests and identity, the Turkic countries, including Türkiye, have made efforts to establish cordial relations. The cooperation emerging between the Turkic countries since the 1990s found a more institutionalized platform by the creation of the Turkic Council in 2009 and later the formation of the Organization of Turkic States in 2021. In line with this development,

several international organizations have been founded (e.g. TÜRKSÖY, TÜRKPÖ) in order to strengthen the identity-based links between the “brotherly” Turkic nations.

Azerbaijan, facing the burden of the First Karabakh War, opted for a multi-vector foreign policy by joining various international organizations. Turkic cooperation was highly suitable for such a policy for several reasons. First, the shared history and culture with other Turkic people enjoys support in the Azerbaijani society, especially vis-à-vis Türkiye. The feeling of “brotherhood” has also paved the way towards more pragmatic geopolitical cooperation. The significance of the Turkic World was demonstrated during the recent Karabakh wars. Beyond Türkiye’s tangible assistance (in terms of military technology, expertise, and diplomatic efforts), the Central Asian states’ solidarity has also increased Azerbaijan’s international stance. Russia’s attack against Ukraine in 2022 sent a strong message to the Turkic states about a further possibility of insecurity in the post-Soviet area, increasing the importance of OTS as a joint platform of Turkic leaders.

Beyond the ideological and political-security considerations, the Turkic countries are important trade partners, especially Türkiye. Türkiye is also a gateway for Azerbaijan towards Europe and the international markets in terms of fuel and petrol transport; consequently, cordial, even brotherly relations are vital for Baku. Concerning the Central Asian Turkic states, the relations are less developed, but Azerbaijan’s importance is on the rise for these states, as the realization of transport corridors (Middle Corridor) is impossible without Baku, which can serve as a bridge between East and West. The increased interest is obvious: the frequent visits, new agreements, and cordial meetings show that Azerbaijan has become an engine within Turkic cooperation.

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The Impact of the Middle Corridor on Central Europe: A Comprehensive Social Network Analysis

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<https://doi.org/10.47706/KKIFPR.2023.2.72-95>

Abstract: This study is about the geo-economics of Eurasia and focuses on the Middle Corridor, with particular attention paid to Central Europe, especially the V4 states. The paper uses social network analysis founded on graph theory, with a view to exposing economic contacts and trade links between the V4 countries and focusing on the roles they play in regional trade and foreign direct investments. This is what makes the V4, with its developed infrastructure and strategic location, capable of increasing the power of the Middle Corridor in the world economy. The analysis proposes that the participation of Central Europe in the Middle Corridor could help foster more trade, economic cooperation, as well as energy safety, with the objective of pursuing sustainable development and diversifying energy supplies. The paper also addresses how the Middle Corridor could contribute to the creation of an international network of economic interrelations, promote local value chain-driven development, and integrate various means of transport.

Keywords: geo-economics of Eurasia, Middle Corridor, Central Europe, V4

Introduction

Globalization and the subsequent changes in the constellation of global power, coupled with technological enhancements and climate change, are all defining features of the new era in the contemporary world

economic order. During these changing times, the world needs to learn how to change with the times in order to make the best use of its opportunities. Through fostering innovation, inclusiveness, and sustainable development, we can envision and create a better tomorrow for us all.

Some organisms were able to adapt and survive after the Cretaceous–Paleogene extinction that happened around 66 million years ago (Barnet, 2019). Much like an organism changing with its surroundings, economies also have to adapt and make changes in response to the changes in modern economy. By fostering economic cooperation, promoting technology and innovation, supporting sustainable development, encouraging cultural exchange, and facilitating political cooperation, states could contribute to the adaptation and resilience of economies in the new world order.

In an ever-evolving world, where the dynamics of global trade, connectivity, and economic cooperation continually redefine the contours of international relations, one geographic landscape stands at the crossroads of profound change and opportunity: *the Middle Corridor*.

Globalization has brought people, countries, and markets closer together to an unprecedented extent, leading us to believe that national borders are now obsolete remnants of the past (Ghemawat, 2022). However, upon a closer examination of the data, it becomes apparent that the world is far less integrated than it was previously believed. A recent document from MGI¹ reveals that the growth in global flows is currently propelled by intangible assets, services, and talent. The prevailing geopolitical dynamics present considerable obstacles to global cooperation, which typically serves as a safeguard against global risks. As per the Global Trends 2040 report by the US National Intelligence Council, it is unlikely for any single nation to dominate all regions or domains, and a wider array of actors will engage in competition to advance their ideologies, objectives, and interests (US National Intelligence, 2021). The world, depicted as Separate Silos, appears fragmented into several economic and security blocs of varying sizes and strengths, with a focus on self-sufficiency, resilience, and defence (Gasimli et. al., 2023). These blocs revolve around key powers such as the United States, China, the European Union (EU), and

1 The Migration Governance Indicator by the International Organization for Migration.

a few regional players. In this context, regional organizations assume crucial responsibilities. By promoting resilience at the regional level, they can have a cascading effect on enhancing global resilience within the multilateral system, which operates according to a rules-based order.

Geographical relevance: the Middle Corridor

The Middle Corridor is located in the centre of the Eurasian continent, linking Europe to Asia. It connects the cultures, economies, and histories of the different parts, including stretches along the eastern coast of the Mediterranean, Anatolia, the Caucasus, and Central Asia. This important route has also been instrumental in facilitating trade between east and west during different historical periods. Therefore, the Middle Corridor is an essential area for Europe due to its special geography, since as a lynchpin for energy transit through the South Caucasus, it links the resource-rich regions of Central Asia with the powerful industrial centres of Europe. Its impact also goes deeper than just the economy; it provides opportunities for building diplomacy, cultural exchange, and even peace-keeping in the difficult environments of this region.

The Middle Corridor has the potential to enhance regional value content (RVC) led development in the “Heartland” of Eurasia and link context-based RVCs with the national economic development policies of the states of the EU, the Caucasus, and Central Asia. According to the World Bank, various policy domains play a part in making global value chains succeed. Such measures include trade policy, logistics and trade facilitation, regulating business services, investments, business taxation, innovation, industrial development, adherence to global standards of governance, and an enabling environment that creates business opportunities (World Bank, n.d.).

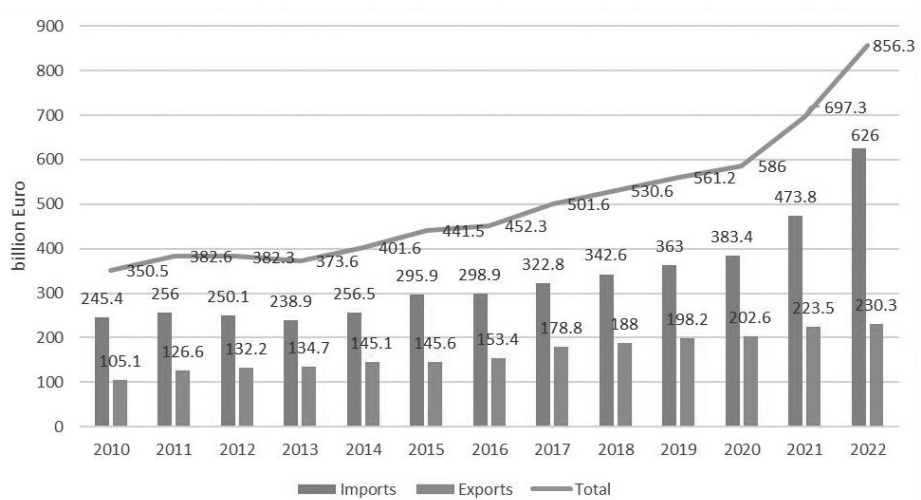
The economic prospects of the Middle Corridor

Economically, the Middle Corridor exceeds its geographical limits. From the China-Kazakhstan border via the Central Asian countries to the Caspian Sea, Azerbaijan, Georgia, and finally Türkiye, this is the main transport corridor that links the territories of Asia and Europe.

The Middle Corridor is also the most efficient land route linking Europe to Central Asia and the South Caucasus. The Middle Corridor is an important alternative corridor that cuts the transit time of the commonly used Northern Route, which covers approximately 10,000 kms, to around 7,000 kms, and reduces the journey from Asia to Europe to ten to twelve days (Report.az, 2022). The advantages emanating from this geographical efficiency make the Middle Corridor stand out as one of the most important thoroughfares in the international economy.

In this regard, it should be noted that despite its slight increase of 4.6 percent year on year in 2020, the exchange between the EU and China has witnessed impressive gains over the last few years, with even higher values recorded during both 2021 and 2022, considering the recent geopolitical and geo-economic trends in the Eurasian space (such as the Russia-Ukraine war) (Figure 1). Therefore, these emerging opportunities allow for a reconceptualization of the freight forwarding potential of the Middle Corridor.

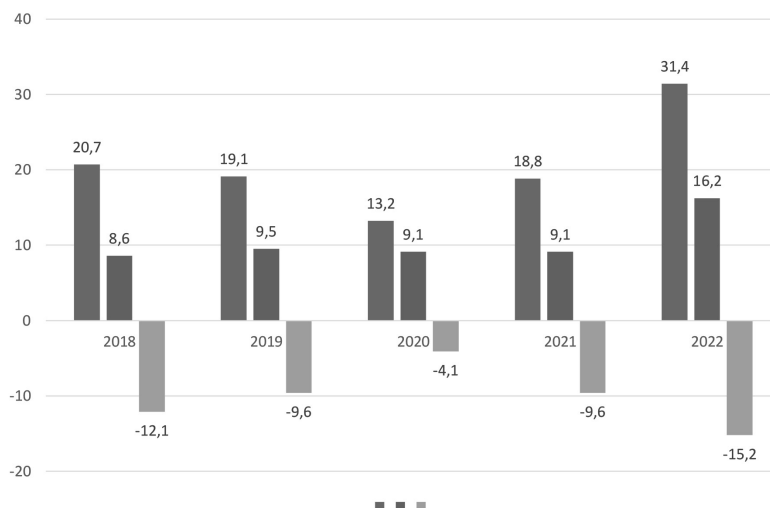
Figure 1.
EU Trade with China in Goods, 2010-2022



Source: Eurostat, 2023.

The export-import flow between the EU and Central Asia, an essential segment for the Middle Corridor policy, shows clear increases over the 2018-2022 period. In 2018, the European Union's imports from Central Asia comprised up to EUR 20.7 billion, with exports totalling EUR 8.6 billion, signifying a dynamic and mutually beneficial partnership. In 2020, this model started to change, with EU import sliding down to EUR 13.2 billion and export levelling at EUR 9.1 and demonstrating positive balances. The reduction of imports for a period of one year (which was partially caused by the global economic crisis that happened due to the COVID-19 pandemic) highlights the need to employ durable transport routes such as the Middle Corridor. Nevertheless, this fall was brief, and the positive trend resumed in 2022, with EU imports from Central Asia shooting up to EUR 31.4 billion and exports also increasing significantly, amounting to EUR 16.2 billion (Figure 2). These numbers not only confirm the increasing appetite of the EU towards imports from Central Asia, but they also represent the crucial function of trade channels like the Middle Corridor in creating and preserving favourable trade fluxes within these areas.

Figure 2.
European Union and Central Asia: Trade in Goods, Billion Euro.



Source: European Commission. 2023

A new economic artery

The transport corridors passing through the South Caucasus and Central Asia are progressively integrating with the Middle Corridor, as well as the broad trade regimes in these domains. The Middle Corridor not only serves to support trade links, it also creates opportunities for enhanced transport infrastructure and complete region-wide integration. The plethora of transport facilities crossing through different nations in this zone have also only reinforced both convergence and integration.

According to a detailed review by Kenderdine and Bucsky (2021) under the Asian Development Bank, total cargo shipment amounted to over 120 million tons in the year 2018, with approximately 2.2 million tons moved through the railway lines². The success of this corridor is likely to improve when the interlinking of the countries that run along it is enhanced. However, if other economies were to be included in the scope of the Middle Corridor, this would enhance its potential even more.

With this concept in mind, the Zangezur Corridor, which links the Caspian and the Mediterranean Sea, Southeast and Central Asia, and Europe, becomes the primary channel of diversification and enhancement of trade (Graphic 2). Through the establishment of the Zangezur Corridor, the Middle Corridor gains an extra route towards integration among the other linkages that make up an extended web of connectivity in the region. As such, the Middle Corridor is set to bring about a range of significant advantages following its establishment within the intricate fabric of regional transport infrastructure. The various benefits include the establishment of trade relations, promoting economic integration, and fostering substantial advantages for the countries straddled along this corridor.

The Zangezur Corridor presents an opportunity for massive revenue to be realized by the special economic zones established therein. On 1 July, 2021, Azerbaijan opened the first ever free economic zone (EZ) of its kind, dubbing it the Alat Free Economic Zone (AFEZ) (Museyibov, 2021). This zone may be linked with the newly built Baku International

2 This study emphasizes the huge market that is in the rail transportation segment of the Middle Corridor, with a projection of over 80 million tons of capacity.

Seaport, which is nearby at Alat, only about 50 miles from the capital. The proposed AFEZ spans approximately 850 hectares and expects to bring in additional income while also transforming the country's export-oriented manufacturing environment (News.az, 2023).

Graphic 2.
The Zangezur Corridor



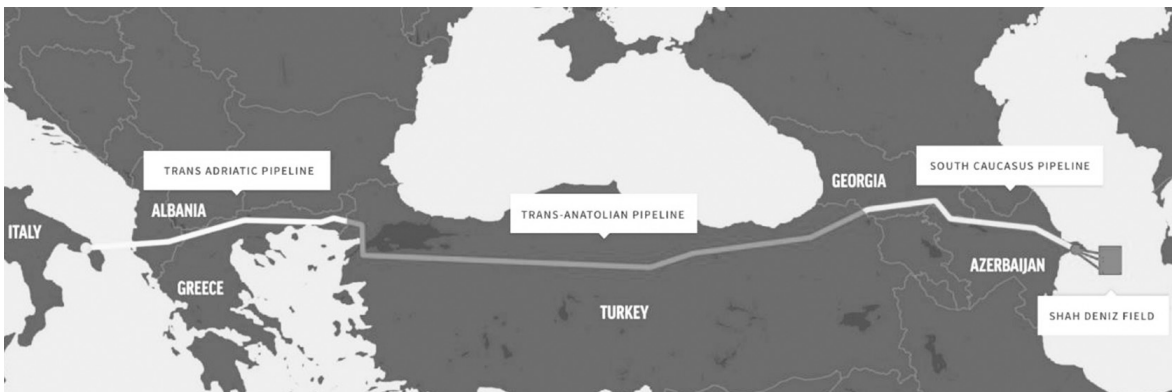
Source. TRT World and Anadolu Agency

It should also be noted that Kazakhstan (Aktau and Atyrau) and Turkmenistan (Ashgabat) also have significant EZs within this region. Kazakhstan's free economic zones commenced operation in 2022, and their role should be perceived as an addendum of the Azerbaijan Free Economic Zone. The future of the Ashgabat region also comes with great economic potential. Therefore, the Zangezur Corridor will provide an easy transit of economic values between Special Economic Zones in the South Caucasus and Central Asia, as well as other neighbouring countries. The Middle Corridor promotes increased economic linkage in these regions, in tune with the EU interests. As a key driver of regional economic development and cooperation, the Middle Corridor will meet the EU's emerging trade associations and economic engagement in this space.

Moreover, Europe is partnering with the Middle Corridor on important megaprojects in Eurasia for the sake of enhancing energy security and connectivity. Some of these projects include the Trans-Anatolian Natural Gas Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP), which Azerbaijan has been praising and implementing (Ministry of Energy of the Republic of Azerbaijan, 2023). Therefore, as a forward-looking actor, the EU supports these efforts, which are of great interest for the diversification of its energy resources and transportation systems (Bárkányi-Vasa, 2023).

The Southern Gas Corridor includes a total of 1,850 km of TANAP, which is the backbone of SGC and is designed to ensure the diversification of the EU's energy security. The Southern Gas Corridor stretches over 3,500 kilometres, and it will provide the European Union with an adequate substitute for Azerbaijani gas with a volume of up to 31 billion cubic meters (Ministry of Energy of the Republic of Azerbaijan, 2023). TANAP runs across Azerbaijan, Georgia, and Turkey, leading it to TAP, which continues through Bulgaria, Greece, Macedonia, Albania, Serbia, and Bosnia and Herzegovina. Looking ahead, the master plan is to increase TANAP's capacity from 16 BCM to 31 BCM per year (Graphic 3).

Graphic 3.
Southern Gas Corridor



Source: Southern Gas Corridor. Based on www.sgc.az/en

Additionally, the EU's interest in the Trans-Caspian Fiber Optic (TASIM) initiative demonstrates its commitment to enhancing digital connectivity between Europe and Asia, with the project aiming to establish a cross-border fibre-optic network spanning from Frankfurt to Hong Kong and encompassing the entire expanse of Eurasia.

Graphic 4.
Caspian-European Green Energy Corridor



Source: Prepared by the Center for Analysis of Economic Reforms and Communications of the Republic of Azerbaijan (CAERC)

In addition, Azerbaijan has embarked on a significant initiative aimed at establishing the Caspian-European Green Energy Corridor in collaboration with its European partners (Graphic 4). An important milestone in this effort occurred on 17 December, 2022, in Bucharest, Romania, where an agreement pertaining to “green energy” was made among the governments of the Republic of Azerbaijan, Georgia, Romania, and Hungary. This accord, denoted as the “Agreement on a strategic partnership in the field of green energy development and transmission between the Governments of the Republic of Azerbaijan, Georgia, Romania and Hungary” not only marks a historic agreement but also heralds a new era of opportunities for Azerbaijan (Report News Agency, 2023).

This visionary initiative has already spurred the establishment of the Green Energy Advisory Council, which is entrusted with overseeing the realization of the project. On 3 February, 2023, a high-level discussion convened in Baku, with the active participation of the relevant ministers from Azerbaijan, Georgia, Hungary, and Romania, focusing on the conceptualization of the future activities related to the development and transmission of green energy. In June of the same year, a third ministerial meeting took place as part of the Baku Energy Week. These deliberations were instrumental in advancing the objectives outlined in the Agreement, reinforcing Azerbaijan's commitment to sustainable energy and enhancing its role as a key player in the evolving energy landscape of the region.

These megaprojects, with their substantial investments and operational capacities, collectively advance the EU's goal of mitigating its energy vulnerabilities and fostering closer cooperation with the nations along the Middle Corridor, thereby positioning the EU as a key player in shaping the geopolitical and economic dynamics of the region.

Bridging the EU and Eurasia: the Middle Corridor connection

The Trans-European Transport Network (TEN-T) Core Corridors play a crucial role in the overall European transportation strategy, and their importance extends outside the EU, to areas such as the South Caucasus, Central Asia, and Türkiye. These corridors play an important role in promoting greater economic ties between the surrounding regions, as well as intra-European trade and connectivity. The Middle Corridor is in line with several TEN-T corridors, including the Mediterranean Corridor and the Orient/East-Med Corridor. Such alignments boost the synergy effects and the logistical transit chains that are essential for trade between Europe and Asia and pass through the South Caucasus and Türkiye. With the Middle Corridor connecting with the TEN-T core corridors, the transport of goods and people becomes easier, and the time taken in transit is lowered, as seen in Graphic 5.

Many of these TEN-T core corridors are geared towards a specific geographical region and objective, which collectively builds towards the development of a complex and interlinked European transportation

system, for instance, the Baltic-Adriatic Core Corridor, which links countries such as Poland, the Czech Republic, Austria, Slovenia, and Italy. Stretching from the Baltic to the Adriatic Sea, the objective of this corridor is to facilitate trade between the northern and the Baltic regions with the Mediterranean. It promotes sustainable and ecological transport alternatives and uses different modes of transport, such as road, rail, and sea.

Graphic 5.
TEN-T Core Corridors

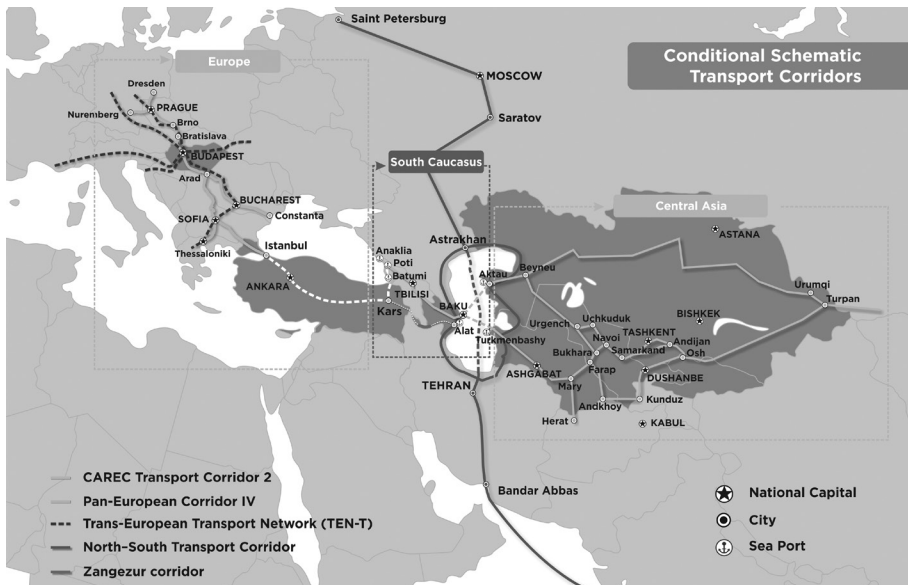


Source: PortNews Magazine

Additionally, some of the transport corridors within the EU may connect to other corridors that go through Central Asia, the South Caucasus, and Türkiye. This will enhance the creation of transport corridor networks that will enhance trading between Central Asia, the South Caucasus, and Europe. The corridors align their objectives of improved connectivity,

trade facilitation, and economic growth with the EU's interests, which seek to promote regional stability and cooperation by integrating with the TEN-T Core Corridors (Graphic 6).

Graphic 6.
Conditional Schematic Transport Corridors Connecting
the Middle Corridor



Source: CAERC

The role of the Visegrad countries (V4) and the impact of the Middle Corridor

General overview of the V4 countries

The Middle Corridor boasts a strategic location and an ideal economic atmosphere that makes it one of the most important global economies. From a geopolitical location within Central Europe, the V4 countries play a vital role in boosting the effectiveness of the Middle Corridor in terms of world trade activities. The V4 would benefit immensely from

the intensified regional interactions that can be supported by the Middle Corridor. With the Middle Corridor linking Asia with Europe, the V4 states could explore new markets, expand trade relations, and firm up economic exchanges with the areas along the Middle Corridor (Foreign Policy Research Institute, n.d.).

Meanwhile, the V4 countries have a solid infrastructure and can offer expertise and investments in developing the transport links of the Middle Corridor (International Institute for Strategic Studies, n.d.). The development of the joint infrastructure is not just about the V4 countries, such activities will fuel economic progress along the Middle Corridor as well. However, energy security is also essential for the V4 states, and energy diversification and energy routing are among the primary goals of the V4 countries, which the Middle Corridor suits well. Joint programmes within the energy sector may thus improve both the V4's energy security and that of the EU.

The Middle Corridor is also part of the objectives of the Caspian-European Green Energy Corridor, in which sustainable development becomes crucial for the V4 countries. The sustainability agenda of the V4 countries, as well as the overall objectives for environmental management within the Middle Corridor, can also be enhanced through collaborative efforts in green energy projects.

The methodology of a Social Network Analysis of the V4 based on graph theory

Social Network Analysis (SNA) is an effective analytical paradigm within graph theory that yields valuable information about how a social network functions and what its overall architectural makeup looks like (Bihari and Pandia, 2015). SNA can assist with understanding how different countries connect economically and diplomatically within the sphere of international economics and politics. One way of using SNA entails examining the foreign trade turnover and FDI of the Visegrad group of countries.

Economic integration is indispensable for achieving economic linkages among nations, and it is made up of foreign trade exchange and FDI. Social network analysis is used here to assess the trends and

dynamics of the foreign direct investment and foreign trade turnover of the V4 countries. The analysis uses data from the Coordinated Direct Investment Survey (CDIS) database of the International Monetary Fund to understand how the economies of these countries depend on each other during their cooperation.

In addition, the CDIS database is used as the primary dataset in this study, giving a broad overview of inter-V4 mutual FDI. This dataset employs 2019 as its base year in order to minimize the influences of the global economic fluctuations caused by the Covid-19 pandemic. It reflects the situation of such investments at the end of the reference period. Each V4 country behaves as an individual node within the network, while the linkages between them symbolize international trade flux and FDI flows. Using a Python-based NetworkX package, graph theory ideas are incorporated for network creation.

Bihari et al. (2015), Wasserman and Faust (1994), Freeman (1979), and Jafarov (2023) all state that centrality measurements are important factors to consider when assessing the impact of nodes in the network that has been created. We make use of the following centrality measures:

1. Degree Centrality:

- The number of direct connections a node has within the network is evaluated by degree centrality.
- The formula is given as $C_D'(p_k) = \frac{\sum_i^n a(p_i p_k)}{n-1}$ where n is the number of nodes, p_k is the node in focus, a is the activation function indicating connectivity, and $n-1$ represents the maximum possible connections for any element.
- Both input and output degree centrality types are considered to understand the connections entering and exiting each node.

2. Closeness Centrality:

- Closeness centrality measures the average “distance” from a node to all other nodes in the network.
- The formula is $C_C'(p_k) = \frac{n-1}{\sum_i^n d(p_k, p_i)}$ where d represents the shortest distance between nodes.

3. Betweenness Centrality:

- Betweenness centrality gauges how often a node serves as a bridge in the shortest inter-node distances.

- The formula is $C_B'(p_k) = \sum_{s,t \in V} \frac{\sigma(s,t/p_k)}{\sigma(s,t)}$, where σ denotes the shortest distances on the corresponding nodes, V is the set of all nodes, and $\sigma(s,t/p_k)$ is the shortest distance with the involvement of the p_k -th node.

4. Eigenvector Centrality:

- This method assesses a node's centrality while taking other nodes' transitive effects into account.
- The computation entails building an adjacency matrix and utilizing the eigenvalues and eigenvectors of the matrix to calculate centrality scores.

Estimated centrality indicators are used to understand the influence and dependency of the V4 nations on FDI and the variations in international commerce. The objective of the study is to pinpoint the major problems, crucial hubs, and innovations promoting financial inclusion in the V4 area. By integrating the perspective of graph theory into the economic data, this method offers a thorough understanding of the social network dynamics in the V4 nations based on FDI and foreign trade factors. The findings will help understand the internal relationships and business processes in the V4 region.

The findings of the Social Network Analysis of the V4 countries

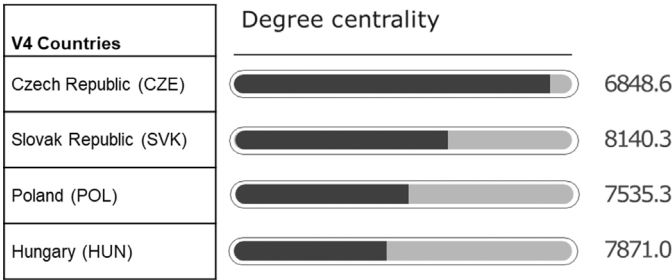
Significant knowledge about the dynamics of regional economies can be gained by carefully examining the products of the networks of trade and foreign direct investment (FDI) for the Visegrad Group (V4) nations, namely the Czech Republic (CZE), Hungary (HUN), Poland (POL), and Slovakia (SVK). Relevant findings into the dynamics of these partnerships are provided by the examination of their trade and Foreign Direct Investment (FDI) networks, with an emphasis on degree centrality metrics, the Revealed Comparative Advantage (RCA) index, and key exporting products (Hausmann et. all, 2007).

First, as seen by its high degree centrality in Figure 3, the significant participation of the Czech Republic in the V4 trade network is a result of its advantageous geographic location, diversified industrial base, and longstanding trade relations. The trade patterns of the Czech Republic

indicate a diverse approach to trade, as evidenced by the country's significant relationships with both EU and non-EU nations. An additional analysis of the main trade sectors of the Czech Republic, including machinery and automobiles, reveals the country's advantages and disadvantages in the international marketplace.

Second, Slovakia's trade centrality score highlights its integral role in regional trade, particularly in the automotive and electronics sectors. The trade patterns of the Slovak Republic, which are heavily influenced by its EU membership and geographical proximity to key markets, demonstrate an economic strategy focused on high-value manufacturing and export-oriented growth (Figure 3).

Figure 3.
Degree Centrality Measures of the V4

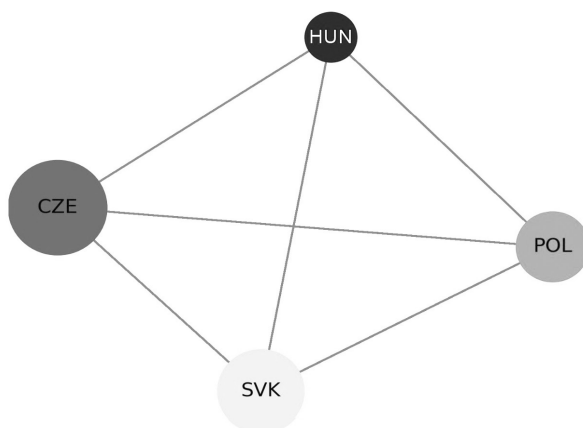


On the other hand, Poland's centrality (7,535.3) indicates a considerable trade network, which reflects its diverse economic structure and significant role in regional trade (Figure 3). This can be attributed to its large market size, diversified economy, and strategic position as a bridge between Eastern and Western Europe. Poland's trade structure, emphasizing sectors like machinery, food products, and textiles, reflects its historical economic transformations and ongoing efforts to diversify its trade portfolio (Graphic 7).

Hungary's centrality in the trade network, while lower than its V4 counterparts, is nonetheless noteworthy, underscoring its active participation in regional trade (Graphic 7). Hungary's economic focus on sectors such as pharmaceuticals, the automotive and electronics industries, coupled with its strategic initiatives to bolster trade ties within

and beyond the EU, presents a nuanced picture of its trade dynamics. Indeed, having a low score in the analysis of degree centrality should not indicate that Hungary is supposed to limit its active participation in the development of trade relations.

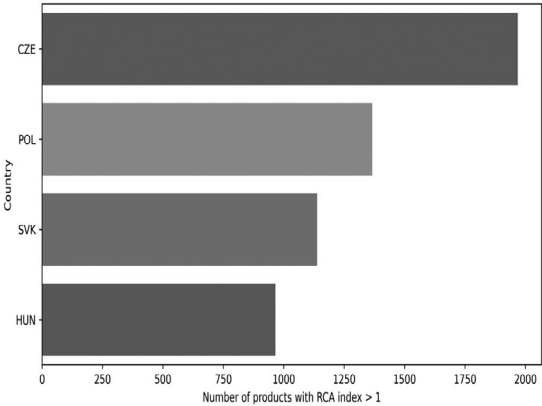
Graphic 7.
Degree Centrality Nodes of the V4 Countries



The leading position of the Czech Republic in RCA, with 1,968 products, suggests a diversified economic structure, with a particular emphasis on sectors such as machinery and transport equipment. This diversification not only provides a buffer against market fluctuations but also positions the country as a key player in the European industrial landscape. Poland's diverse range of products with a high RCA index also highlights its multifaceted economic base.

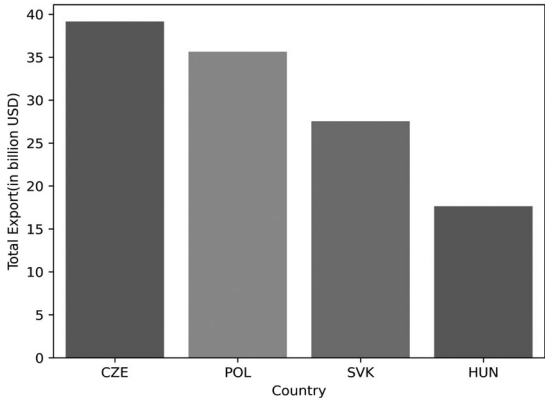
With 1,138 and 965 items, respectively, Slovakia and Hungary exhibit noteworthy but different economic profiles. Slovakia's industrial policies and methods to attract FDI are in line with its emphasis on electronics and the automotive industry. Hungary's RCA distribution, on the other hand, shows a concentration in machinery and pharmaceuticals, which is influenced by its recent policy measures and past economic development.

Graphic 8.
Number of Products with RCA Index >1 in the V4 Countries



Meanwhile, total export, as indicated in Graphic 9, corresponds to the RCA index at a high degree because as countries get a higher number of products with an RCA index greater than 1, the export capacity of these countries is affected. The Czech Republic plays a leading role in this regard, as its total export reaches USD 40 billion, followed by Poland with a total export of about USD 35 billion. Moreover, although the total export of the Slovak Republic exceeds USD 25 billion, together with Hungary, it lags behind the Czech Republic and Poland.

Graphic 9.
Total Export of the V4 Countries in billion USD.



As it can be seen in Table 1, all four countries record a degree centrality of 2. The total number of neighbours directly connected to an interconnection node represents this measure. This means that there are two links to a particular country by way of relationships or exchanges between other entities in the network. The third measures (known as In-degree centrality or 1 per country), signify the incoming links, indicating how dependent these nations are on the network.

Likewise, the out-degree centrality for each country is also shown as 1 for all four countries. Thus, these countries have some form of outward relations in the network. These commonalities in the values for all four countries suggest a relatively standard level of connection, which could be taken to imply that each country has about the same status or role as any other.

Table 1.
Centrality Measures of the V4 Countries

Country	Degree Centrality	In-Degree Centrality	Out-Degree Centrality
Hungary	2	1	1
Czech Republic	2	1	1
Poland	2	1	1
Slovak Republic	2	1	1

Due to equal degree centrality, this means that these countries interact at approximately the same rate, suggesting a balance between them. If handled well, this equilibrium can promote an environment that embraces equality and respect, which are key ingredients for successful cooperation. These countries have equal influence on each other, as indicated by the corresponding in-degree and out-degree

centralities. The reciprocal nature of this process helps keep steady, beneficial relationships. Additionally, the unified centrality measures suggest a high degree of coherence among the V4 states, and this cohesion is paramount in order to act in concert in external relations, including talks with the EU or at major summits. Finally, having the same level of results based on the social network analysis, it could be summed that the joint activities aiming the inter-regional cooperation would potentially yield the same level of benefits.

Policy recommendations and concluding remarks

Taking into account all the above-mentioned facts and points, several policy recommendations can be formulated:

- *Enhancing regional integration will be a driver for trade facilitation and connectivity considering the rising role of the Middle Corridor.*

The Middle Corridor, as a bridge between Asia and Europe, offers massive opportunities of trade and improved connectivity. Developing stronger economic linkages and infrastructures will propel the V4 into the critical logistics and business heart of this area. However, this does not merely concern physical connectiveness between member states; it involves the harmonization of policies, aligning regulations, and common infrastructure projects between the member countries. These will simplify cross-border trade and remove logistic hindrances towards achieving efficiency in the corridor of trade. Leveraging this competitive advantage will be critical in determining whether the economy of the V4 will grow. Therefore, the V4 countries should improve on their integration to attract more investments, increase their trade, and be able to compete favourably in global international economics. This strategy also complies with the EU's objectives on economic convergence and competitiveness. With the change of the economic landscape globally, the capacity of the V4 countries to act simultaneously as one powerful, agile, and effective economic region of Europe will form the basis of their endurance. Thus, enhanced regional integration is a short-term strategy towards gaining a significant place in the world market.

- *Diversifying energy sources will reduce the dependence on one supplier, and investment in alternative energy sources will greatly reduce the dependence on traditional energy supplies by promoting sustainable development.*

Traditional energy sources, which are usually imported and vulnerable to geopolitical influences, become a risk factor in terms of the stability and sustainability of the national economy. These risks can be addressed by the V4 through investment in alternative sources like renewable energy, including solar, wind, and biomass, as well as new technologies in energy storage and distribution. Furthermore, the move to diversify energy sources is not just for the sake of security, it also reflects the global trend towards environmental sustainability that reduces carbon emission levels. With the shift in the world towards healthier sources of energy, the V4's investment in various green initiatives will make them a forerunner in sustainability, also presenting opportunities in terms of new industries and tech developments. Thus, diversification can provide a stable and more independent energy supply while contributing to fighting climate change on a global scale. Therefore, the move to a mixed energy model would be indispensable for the V4 countries, not only as an initial measure of energy security, but also in order to fulfil the objectives set during long-term sustainable development efforts.

- *Investing in sustainable practices alongside the Middle Corridor, including the V4 region, will serve global environmental goals and long-term sustainable economic development.*

Such investment conforms to the international environmental objectives and guarantees economic and ecological durability for the area in the future. This brings the V4 to meaningful participation in the sustainability of the Middle Corridor, thereby strengthening the green and innovative character of this transit route. However, all Middle Corridor stakeholders including the V4 have made an international commitment to sustainability that will only strengthen the reputation of the corridor while supporting the efforts to maintain the viability of the corridor as a safe environmental passageway from Asia to Europe.

- *Bolstering digital connectivity in the V4 region will position the V4 countries as drivers of the Middle Corridor, considering their rising competitive advantage in the digital era.*

Improved connectivity between the V4 and Asia and Europe and the increased competitiveness of the region on the global market due to the enhanced digital infrastructure. Enhancement in digital infrastructure entails more than the physical development of broadband and 5G networks; it includes digital literacy among people, and the digitalization of services and industries. Since digital technologies drive global economic growth, investments in digital infrastructure can help attract investors and enhance innovations for the V4 sector, making them more competitive in the world economy.

- *Promotion of multilateral cooperation beyond the EU will increase the V4's global influence and foster international partnerships.*

The core idea of this strategy lies in cultural, economic, and political communication with the Middle Corridor states, as well as other countries. The V4 should enter into multilateral partnerships in order to take advantage of each other's strengths, pool resources and knowledge, and collectively tackle similar problems. Through this approach, the V4 may be able to take stronger positions within the international arena, thereby enhancing economic and diplomatic diversification for a more inclusive and broad-based international presence.

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Trade and Economic Opportunities: Azerbaijan's Contribution to the Middle Corridor

Peter Karacsony

<https://doi.org/10.47706/KKIFPR.2023.2.96-109>

Abstract: Azerbaijan's economy and trade have undergone spectacular development in recent decades. One of the most important stages in this process was when Azerbaijan became a key participant in the Middle Corridor route, contributing to the successful establishment of the transcontinental transport route that connects Europe with China and Central Asia. The Middle Corridor is of strategic importance because it offers an alternative route to the European market for China and the Central Asian countries, bypassing Russia. The recent conflict between Ukraine and Russia has made the Russian route inaccessible. Thus, the Middle Corridor remains the only viable option on the east-west route, which increases the strategic importance of Azerbaijan. As a result, Azerbaijan's active role in the development of the Middle Corridor is leading to the economic growth of the region, expansion of trade relations, and more efficient use of the transport infrastructure. Azerbaijan is also committed to regional cooperation and economic integration, which contributes to a closer connection between the Central Asian and European regions.

Keywords: Azerbaijan's economy, the Middle Corridor, Central Asia

Introduction

The economy of Azerbaijan has gone through various stages of development over the centuries, with regional geopolitical factors and the wealth of energy sources having had a significant impact on its development.

The early history of Azerbaijan's economy is closely related to the Soviet Union. The area was integrated into the Soviet Union at the end of the 1920s (Swietochowski, 1985), and with it the economic transformation began. In addition to the industrial and energy production developments, the collectivization and planned economy model managed by the Soviet Union determined the economic structure of Azerbaijan. The collapse of the Soviet Union in 1991 thus brought a new era for the Azerbaijani economy. The country's independence created an opportunity for economic reforms and market-oriented development. However, in the early 1990s, Azerbaijan was forced to face economic difficulties, including falling energy prices and the consequences of war conflicts. Azerbaijan spent much of the 1990s dealing with the severe social and economic consequences of the loss of the Karabakh region and stabilizing its economy (Yavuz and Gunter, 2022). In the early 2000s, Azerbaijan's economy slowly but gradually began to recover. Energy carriers, especially carriers of petroleum and natural gas, played a prominent role in the growth of the economy and in attracting foreign investments (Ciarreta and Nasirov, 2012). Overall, Azerbaijan's economic history shows that the country is seeking a balance between the traditional economic sectors and modernization while also responding to regional challenges and opportunities. Future prospects suggest that in addition to the energy sector, Azerbaijan will also invest in additional economic sectors to develop a sustainable and diversified economy for long-term development.

The main indicators of Azerbaijan's economy

Azerbaijan's GDP has traditionally been heavily dependent on oil and gas production (Ibrahimov, 2016), and so changes in the oil market and fluctuations in world energy prices have a strong impact on its GDP. The country's economy has been growing strong for years, but changes in the price of oil make this growth vulnerable.

Azerbaijan's GDP has shown continuous growth from the 2000s, only the Covid-19 pandemic caused it to decline, after which it started to grow again from 2021 (Table 1). The sectors that contribute the most to the country's GDP are mining and quarrying, manufacturing, retail and wholesale trade, transport, storage and communication, as well as real estate, renting and business activities.

Table 1.
Production of the GDP (Quarterly GDP, current prices, million manats)

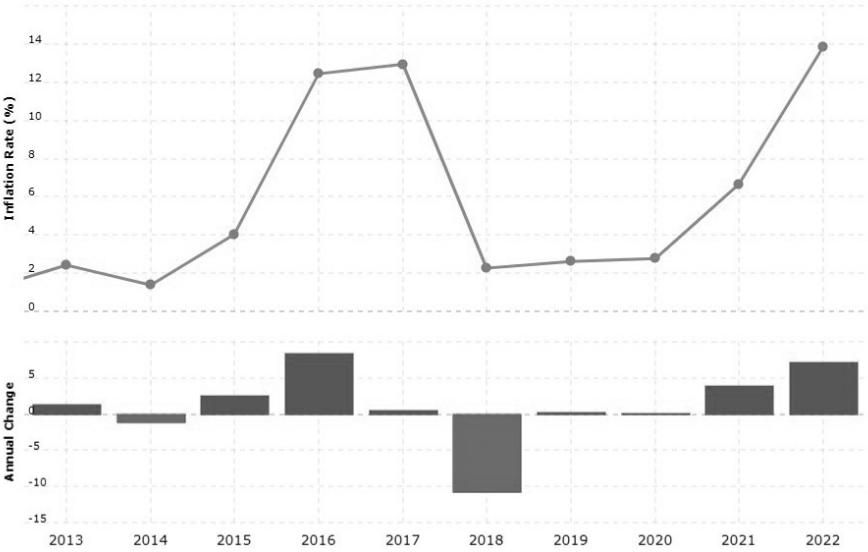
	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture, hunting and forestry	522,2	1 551,9	1 464,9	973,0	530,7	1 727,4	1 539,6	892,9
Fishing	17,4	51,9	49,4	33,6	22,4	68,6	68,6	40,8
Mining and quarrying	7 199,6	7 064,3	6 853,8	7 728,9	5 899,0	3 691,9	4 535,1	5 122,2
Manufacturing	966,6	1 088,7	1 009,8	1 032,6	1 125,0	1 075,9	1 090,1	1 137,4
Electricity, gas and water supply	254,1	215,1	221,0	251,1	298,5	239,5	242,0	276,0
Construction	1 110,7	1 371,9	1 452,0	2 164,2	1 059,3	1 196,5	1 459,6	2 003,1
Retail and wholesale trade, repair of vehicles, personal and household goods	1 834,2	1 898,1	1 996,8	2 456,8	1 828,9	1 972,4	2 043,1	2 522,2
Hotels and restaurants	385,4	448,1	497,2	649,6	315,7	107,4	162,7	243,4
Transport, storage and communication	1 445,2	1 511,6	1 614,2	1 768,4	1 632,4	1 610,7	1 682,2	1 787,8
Financial intermediation	326,5	367,8	390,1	417,8	347,5	367,4	375,7	394,8
Real estate, renting and business activities	823,7	908,2	967,8	1 185,7	844,1	917,8	922,5	1 134,5
Public administration and defence: social security	591,4	634,3	583,4	780,8	647,9	656,7	774,6	819,0
Education	547,0	584,2	483,8	794,3	717,2	694,7	569,8	711,8
Health and social work	287,4	345,8	330,4	476,0	434,0	392,8	532,5	545,5
Other community, social and personal service activities	363,3	444,0	471,2	668,6	615,6	440,4	496,0	478,2
FISIM	-92,3	-97,4	-99,5	-104,9	-82,6	-87,1	-89,0	-93,6
Net Taxes	1 612,7	1 825,5	1 884,1	2 040,2	1 808,0	1 740,2	1 698,0	1 602,2
Gross domestic product	18 195,1	20 214,0	20 170,4	23 316,7	18 043,6	16 813,2	18 103,1	19 618,2

	2021				2022				2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agriculture, hunting and forestry	541,2	1 832,7	1 630,1	1 116,4	648,3	2 229,0	2 136,4	1 160,7	779,2	2 517,4	2 324,1
Fishing	22,9	70,6	71,8	51,1	21,2	72,8	69,8	37,9	27,2	76,8	75,9
Mining and quarrying	6 514,2	6 931,9	7 773,8	11 430,0	14 104,8	15 576,4	15 471,6	15 110,4	12 302,5	9 958,3	9 289,2
Manufacturing	1 182,6	1 471,0	1 613,5	1 715,7	1 680,9	1 562,6	1 710,2	1 745,4	1 604,5	1 728,2	1 762,7
Electricity, gas and water supply	331,9	275,2	305,3	411,5	412,9	295,6	341,8	422,4	430,4	336,1	368,8
Construction	1 010,0	1 119,1	1 437,1	1 977,3	1 111,5	1 405,8	1 362,5	2 591,8	1 378,6	1 372,2	1 892,8
Retail and wholesale trade, repair of vehicles, personal and household goods	2 011,9	2 259,0	2 413,3	2 656,2	2 326,8	2 437,0	2 756,9	3 506,7	2 744,5	2 811,3	3 067,1
Hotels and restaurants	288,4	222,9	292,1	373,0	414,2	517,0	591,2	592,8	615,1	776,6	735,3
Transport, storage and communication	1 832,0	1 914,2	2 038,9	2 248,9	2 133,5	2 477,2	2 640,3	2 676,4	2 271,7	2 351,4	2 430,2
Financial intermediation	422,1	445,4	455,3	478,0	560,5	568,7	571,4	573,7	652,6	662,2	688,4
Real estate, renting and business activities	919,8	1 001,7	1 005,9	1 242,4	1 028,0	1 043,3	1 148,5	1 171,8	1 184,7	1 192,5	1 279,1
Public administration and defence: social security	782,1	792,4	933,2	984,8	817,6	904,6	1 114,0	1 127,8	989,4	998,6	1 261,5
Education	802,6	777,9	640,8	796,8	937,5	908,2	744,9	930,5	1 050,4	1 072,2	885,4
Health and social work	427,0	388,0	520,7	533,0	568,0	514,2	697,0	713,8	622,2	624,0	818,7
Other community, social and personal service activities	656,2	481,6	545,8	554,4	786,7	820,6	826,3	890,4	901,4	905,0	858,5
FISIM	-82,5	-87,1	-89,0	-93,4	-81,7	-86,5	-95,5	-96,6	-98,9	-100,8	-71,6
Net Taxes	1 731,0	1 924,0	1 982,4	1 942,2	2 206,0	2 466,4	2 716,9	2 476,1	2 735,7	2 799,7	2 896,5
Gross domestic product	19 393,4	21 820,5	23 571,0	28 418,3	29 676,7	33 712,9	34 804,2	35 632,0	30 191,2	30 081,7	30 562,6

Source: State Statistical Committee of the Republic of Azerbaijan, 2024

The annual average inflation rate in 2022 accelerated to 14%, driven by food price increases, the surge in energy prices, and rising levels of inflation both around the world and among the trade partners of the country (Figure 1).

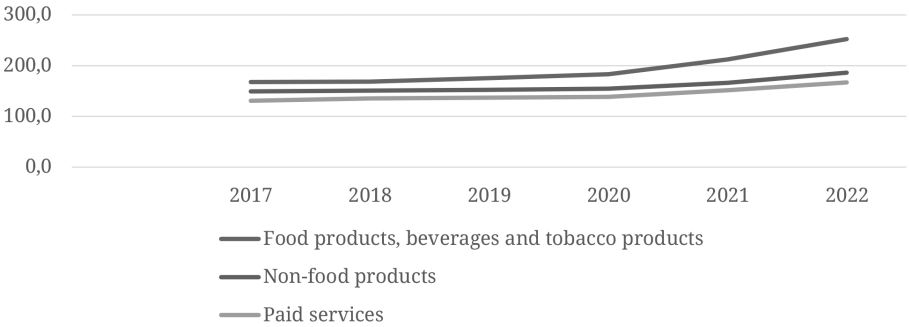
Figure 1.
Azerbaijan's inflation rate 2013-2023



Source: macrotrends.net/countries/AZE/azerbaijan/inflation-rate-cpi

Figure 2 shows the annual change in the consumer price index (CPI). The increase in inflation was due to the increase in food prices in this recent period.

Figure 2.
Consumer price index (2010=100, in percent)

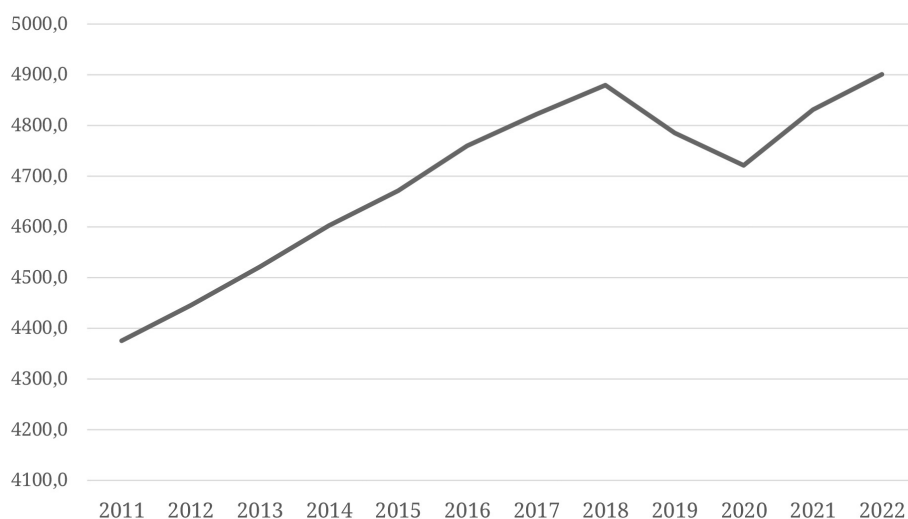


Source: State Statistical Committee of the Republic of Azerbaijan, 2024

During the 1990s, a large number of able-bodied persons were unemployed in Azerbaijan. As a result of the loss of the Karabakh region, there were more than 1 million refugees in Azerbaijan (Isayev and Abilov, 2016), which was one of the most significant factors that increased the economic problems (Mahmudova and Guliyev, 1996). Total employment rose very slowly until the 2000s, and many educated young people went to work abroad, mainly in Russia and Turkey, thereby triggering the phenomenon of brain drain (Karácsony-Vasa, 2021). However, due to the social reforms initiated by the government in the mid-2000s, employment began to rise strongly, which was only interrupted by the pandemic (Figure 3).

Figure 3.

Number of employed people (at the end of the year, thousand persons)



Source: State Statistical Committee of the Republic of Azerbaijan, 2024

According to the State Statistical Committee, the current employment rate is over 80%. However, the distribution of employment within the sectors is changing. The employment rate in the agriculture and construction sectors is decreasing, while the employment rate in the service sector is increasing. The employment rate has been increased in the transportation, communication, and tourism sectors.

Foreign trade

Azerbaijan's history is closely tied to its membership in the Soviet Union, with the country only gaining its independence in 1991. The new sovereign state had to face economic challenges and the difficulties of establishing a market economy. Foreign trade was initially limited, partly due to the country's long association with the Soviet Union.

Table 2.
Dynamics of foreign trade turnover

Years	In million US dollars			
	trade turnover	imports	exports	balance
2011	44 161.7	9 756.0	34 405.7	24 649.7
2012	43 813.5	9 652.9	34 160.6	24 507.7
2013	43 554.1	10 712.5	32 841.6	22 129.1
2014	39 407.5	9 187.7	30 219.8	21 032.1
2015	25 809.0	9 216.7	16 592.3	7 375.6
2016	21 596.6	8 489.1	13 107.5	4 618.4
2017	24 263.8	8 783.3	15 480.5	6 697.2
2018	31 782.7	11 465.9	20 316.8	8 850.9
2019	33 065.3	13 667.5	19 397.8	5 730.3
2020	24 203.5	10 732.0	13 471.5	2 739.5
2021	35 636.8	11 703.2	23 933.6	12 230.4
2022	56 212.1	14 539.9	41 672.2	27 132.3

Source: State Statistical Committee of the Republic of Azerbaijan, 2024

Therefore, Azerbaijan's foreign trade has undergone significant changes over the years, especially in recent decades (Sökmen Gürçam, 2021). The country's economy has traditionally relied on oil and gas extraction, and a significant part of foreign trade has been oil and gas exports (Aslanova and Fatahova, 1996). The country's trading partners include

many countries in the region, as well as the European Union, Turkey, and China. In addition to its dependence on oil and gas production, Azerbaijan is also trying to increase its participation in other economic sectors in order to ensure the diversification of its foreign trade and achieve economic stability. Furthermore, since the mid-2000s, Azerbaijan has pursued economic diversification. Industries such as the steel, chemicals, and food industries have benefited from investments. In order to diversify foreign trade, the country has also tried to develop a wider range of trading partners (Akhundova, 2022).

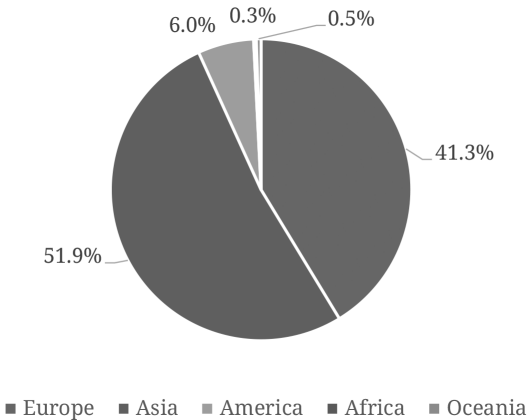
During the past decade, Azerbaijan's foreign trade has undergone significant development. Based on the data in Table 2, it can be said that Azerbaijan's domestic trade has improved significantly every year, except for the period of the pandemic. The value of exports exceeds the value of imports in the examined period, and the country has a positive trade balance. This means that Azerbaijan exports more goods and services to other countries than it imports. Such a positive trade balance has many potential effects on Azerbaijan's economy. On the one hand, the trade surplus has increased the value of the country's currency on the international market, and therefore, the country's currency can be stronger against other currencies. On the other hand, the positive trade balance has created an opportunity for the country's economy to grow, also attracting foreign investors to the country.

Analysing the regions, it can be concluded that in 2022, the largest percentage of Azerbaijan's foreign trade partners in terms of imports were Asian countries (51.9%), while Azerbaijan imports the lowest number of products from the Oceania region (0.3%) (Figure 4).

In the case of exports, the European countries are Azerbaijan's main partners (72.7%), while the countries of the Oceania region comprise the smallest target in terms of exports (0.4%) in 2022 (Figure 5). The EU is Azerbaijan's first trading partner and biggest export market. It is also Azerbaijan's largest foreign investor, both in the oil and the non-oil sectors. The bilateral relations between the European Union and Azerbaijan are based on the EU-Azerbaijan Partnership and Cooperation Agreement, which has been in force since 1999. The EU is the biggest customer for Azerbaijani oil and the oil that is transited through Azerbaijan. The Southern Gas Corridor is a

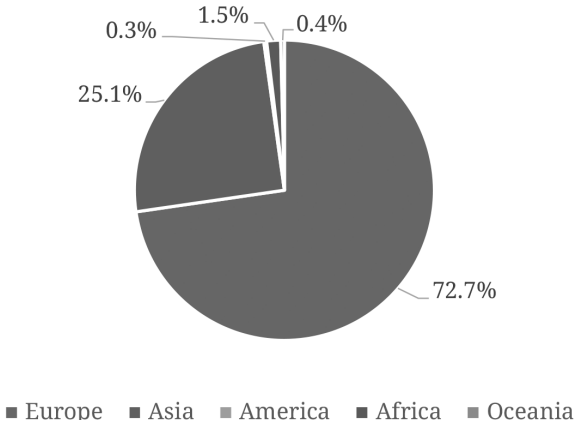
strategic initiative to bring Caspian, Central Asian, and Middle Eastern gas resources to the European markets, and it is a key tool for enhancing the security of energy supplies in Europe (Vasa, 2021; Dincer, 2023; Bárkányi & Vasa, 2023).

Figure 4.
Geographical structure of imports (share in total imports)



Source: State Statistical Committee of the Republic of Azerbaijan, 2024

Figure 5.
Geographical structure of exports (share in total exports)



Source: State Statistical Committee of the Republic of Azerbaijan, 2024

The role of Azerbaijan in the Middle Corridor

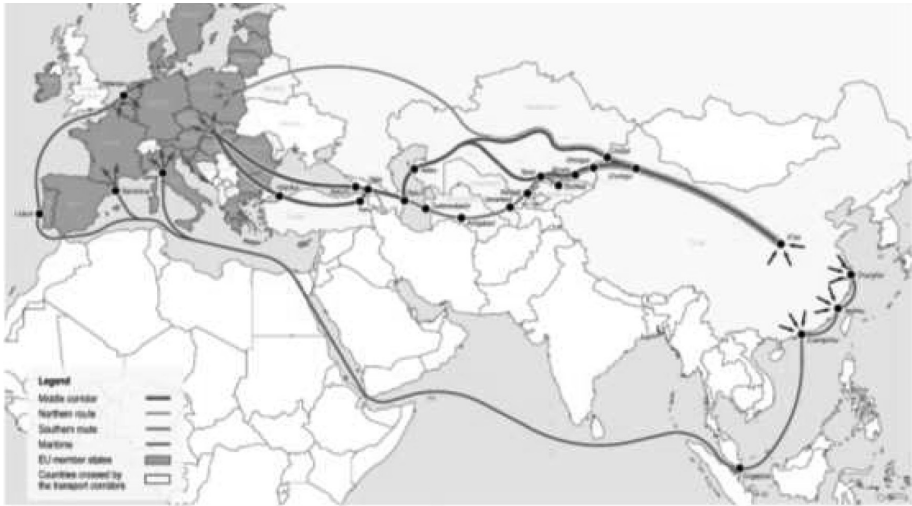
The Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor, is a multilateral institutional development linking the container rail freight networks of the People's Republic of China (PRC) and the European Union with the economies of Central Asia, the Caucasus, Turkey, and Eastern Europe. This multilateral, multimodal transportation facility connects Caspian and Black Sea ferry terminals with rail systems in the PRC, Kazakhstan, Azerbaijan, Georgia, Turkey, Ukraine, and Poland. The development of trans-Eurasian and Eurasian rail freight is still fundamentally policy and support-driven on the PRC side, but at the same time it depends on the demand-side driving forces of the European Union to increase traffic (Kenderdine and Bucsky, 2021). However, the development of the Middle Corridor is institutionally independent and potentially transformative for the economies of Central Asia, the Caucasus, and Turkey. These economic corridors bring together the countries along the route, contributing to their economic and political integration.

The trade volume between Azerbaijan and China has been growing since 2015, when Azerbaijan officially became a part of the Middle Corridor. The trade volume between the two countries amounted to USD 561 million in 2015. In 2016, this figure approximated to USD 975 million; in 2017 it was USD 1,298 million, in 2018 USD 1,310 million, and USD 2,184 million in 2019. China's investments in Azerbaijan have also reached USD 800 million (Tekir, 2022).

The Middle Corridor (Figure 6) offers a clear advantage in terms of transport time between China and Europe, with 13 to 21 days compared to the sea route, which takes 35 to 45 days. From a European perspective, it also offers access to the growing markets of Central Asia and the Caucasus region, as well as faster access to the Middle East, North Africa, and the European Mediterranean region via the ports of Georgia and Turkey (Walter, 2022).

Azerbaijan plays a prominent role in the Middle Corridor. This role has several dimensions, including various economic, geopolitical, and infrastructural aspects. Azerbaijan's role in this strategic trade route comprises the following:

Figure 6.
The Middle Corridor and other trade corridors
connecting Europe and Asia



Source: World Bank, 2003

1. Energy sector: Azerbaijan has significant reserves of oil and natural gas, through the exploitation of which it represents an important energy supply area. The Azeri-Chirag-Guneshli (ACG) and Shah Deniz fields stand out among the fields from where energy can be exported through the route, strengthening Azerbaijan's role in the energy markets. The transit of Azerbaijan's oil and gas in the region also plays a key role in the relations between the energy-producing and energy-consuming countries. Through the energy resources offered by Azerbaijan and their transit, Europe can reduce its dependence on traditional energy suppliers such as Russia. This is of strategic importance in diversifying the European energy supply and increasing the security of energy sources.
2. Railway connections: Azerbaijan has part of the Baku-Tbilisi-Kars (BTK) railway line, which connects the country with Georgia and Turkey. This rail link is an integral part of the Middle Corridor trade route, enabling the efficient transport of goods between Asian countries and Europe.

3. Sea ports: Azerbaijan has ports that connect to the Caspian Sea, for example, the Baku Sea Port. These ports play an important role in the transportation of goods as well as maritime trade to and from Azerbaijan.
4. Economic development: Through its economic role in the Middle Corridor, Azerbaijan can also promote its own economic development. The transit opportunities can increase employment, as well as boost the logistics and trade sectors.
5. Geopolitical importance: Azerbaijan is becoming a strategically important player on the geopolitical map of the region through the trade route of the Middle Corridor. Azerbaijan tries to maintain geopolitical balance both politically and economically. Through the transportation of energy resources and economic cooperation, the country maintains close relations not only with its traditional allies, but also with countries in other regions.
6. Peace-building role: Azerbaijan's role in the Middle Corridor can contribute to regional peace and stability, as the country actively participates in cooperation initiatives and regional economic development. Economic integration and joint projects promote good neighbourly relations with neighbouring countries. Economic recovery in the Karabakh region involves many challenges, but Azerbaijan has the opportunity to support the economic development of the region with a range of measures. Some of these measures include:
 - Infrastructural development: Through infrastructure investments, Azerbaijan can contribute to the growth of the Karabakh economy. The development of new roads, bridges, and energy and water supply systems makes it possible to transport goods more efficiently and boost economic activity.
 - Investments and financial support: Azerbaijan can provide financial support and investments to Karabakh. This can create opportunities for the development of businesses and industries, as well as create jobs.
 - Labor market development: Azerbaijan can support labour market development in the Karabakh region. Through training programs, educational initiatives, and professional courses, employees' skills and competitiveness can be improved.

- Developing tourism: By exploiting the potential in tourism in Karabakh, Azerbaijan can help in the development of tourism. Tourism can grow the local economy, as the income generated by tourists can help local businesses.

By combining these measures, Azerbaijan can contribute to the economic recovery of Karabakh and the long-term sustainable development of the region. However, it is important to establish appropriate coordination and partnerships with both the local communities and the international actors.

Conclusion

Azerbaijan presents dynamic development, the country is an active participant in the European energy supply landscape, and it tries to balance its income from energy production with the development of other economic sectors. However, geopolitical challenges continue to play a decisive role in the country's foreign trade decisions and economic development. In the coming years, further diversification of the country's economy and further development of the infrastructure are expected, while the energy sector continues to play a key role in the economy and foreign trade.

The future of Azerbaijan's economy depends on many dynamic factors, and the country has ambitious plans for economic development and diversification. Azerbaijan has traditionally relied on oil and gas extraction, and this sector has played a key role in its economy. However, economic diversification is important for future development. Investments in steel production, and the chemical and food industries can contribute to the diversification of the economy and create jobs. Exploiting the opportunities inherent in the agricultural sector and increasing food safety are also important factors (see Vasa et al., 2020). The introduction of modern agricultural technologies, the development of irrigation, and supporting rural development can help the growth of the agricultural sector. Applying the principles of Industry 4.0 and promoting technological innovation can help the country increase its competitiveness on the international markets.

The country strives for balanced foreign relations and sees regional cooperation as the key to development. A further strengthening of trade relations with its neighbouring countries and international partners may promote economic development. Attracting foreign investment and improving the business environment are also key for Azerbaijan.

The development of trade routes, the rail and road networks, and the digital infrastructure can all facilitate business activities and foreign investment. A further development of the Middle Corridor trade is particularly important, as it can strengthen Azerbaijan's position as a regional trade centre. Azerbaijan's role in the Middle Corridor is therefore multifaceted, and the trade route can contribute to the economic development of the country, as well as the stability and cooperation of the region as a whole.

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Energy Transit and Diversification: Azerbaijan's Role in the Middle Corridor

Sandor Seremet

<https://doi.org/10.47706/KKIFPR.2023.2.110-131>

Abstract: After the collapse of the Soviet Union, the states of the South Caucasus gained strategic importance in the global policies of the West. The region serves as a gateway to the Caspian Region, Central Asia, and in a broader sense to Southeast and East Asia. From the three states of the region, Azerbaijan has been able to emerge as a regional actor of strategic importance. Due to its rich carbohydrate resource base, and the clever and pragmatic economic and foreign policies of Baku, it has been able to attract investments not only in order to develop its own production but also to develop an efficient infrastructure that serves both the export of the goods it produces as well as being a key element of a global east-west and north-south trade. Based on these conditions, Azerbaijan has become an important provider of energy, and due to the current geopolitical shift, it is also emerging as a significant energy transit hub in the region. This article examines the role of Azerbaijan in the diversification of global trade routes, and the importance of Azerbaijan in European energy security as a supplier and a transit hub of various energy sources and electricity.

Keywords: Azerbaijan, Middle Corridor, Caspian Region, Southeast and East Asia

Introduction

Throughout the history of mankind, trade has been one of the most important activities that has allowed civilizations to rise and previously isolated cultures to spread and merge with others. As times changed, so

did trade, but the ancient principals and routes have remained, and the crossing points of these routes have become even more important today. The higher the levels globalization has reached, the more clearly visible it has become that the trade routes between East and West will bear significant importance and the control over them will become a major tool of influence in global processes. The South Caucasus is a pivotal region in this regard, and Azerbaijan is key factor within the South Caucasus. Let us see why.

Currently, China is one of the largest exporters on the globe, with the trade turnover between Beijing and the European Union reaching nearly EUR 2.3 billion per day according to 2023 data¹. As a central player in global trade with an enormous market in the West, China relies on two primary routes for its extensive trading activities. The first, known as the Northern Route, traverses vast Russian territories, serving as a crucial land-based conduit. This overland route offers advantages such as large-scale transportation and a reduced risk of weather disruptions. The second key route, the Southern Route, heads southward, predominantly utilizing maritime pathways. This sea-based route, with its high capacity and cost-effectiveness, is the preferred choice for the majority of China's cargo. While the shipping industry remains an efficient global trade facilitator, dependence solely on maritime routes exposes trade to risks such as piracy, maritime disputes, and potential sea lane chokepoints.

The Russia-Ukraine war and the ensuing sanctions have disrupted the geopolitical trade landscape, raising concerns about the security of the Northern Route through Russia². Given the significance of European markets for China's trade, the instability surrounding the Northern Route has prompted a search for alternative pathways. Geopolitical tensions and the sanctions on Russia have increased reluctance among European stakeholders, leading to heightened operational risks and costs. To maintain seamless trade with China, there is a need for alternative overland routes that are strategically located, geopolitically secure, and logistically feasible. The Middle Corridor, passing through

1 Dobrov, Dmitriy (2023), Inosmi. Otnosheniya Evrosoyuza i Kitaya zashli v geostrategicheskiy tupik. 13.12.2023. https://inosmi.ru/20231213/kitay_es-267051079.html

2 Bárkányi, P. – Vasa, L. (2023). The revival of regional cooperation in Central Asia in the perspective of Hungary's Eastern Opening Policy. *Economic and Regional Studies / Studia Ekonomiczne I Regionalne* 16(2), 241-256.

Turkic states like Kazakhstan and Azerbaijan, emerges as a potential solution, offering a more secure and stable trade path, circumventing the issues linked to the Northern Route.³⁴ The war, however, has not only disrupted supply chains and transportation routes. The main issue that arose with the outbreak of the war is Europe's severe energy dependency on the fossil fuels coming from and through Russia. With the risk of transit pipelines in Ukraine being damaged and the disruption of the North Stream pipelines, Europe has had to find a substitute for its energy supplies. These conditions have increased Baku's significance in Eurasian logistics and European energy security enormously.

Having a great sense of geopolitical reason and recognizing its geostrategic location at the crossroads of world trade, and based on the strong economy granted by its wisely used fossil-fuel resources, Azerbaijan has been able to develop a strong but sometimes risky multivector foreign policy. This multivector behaviour has allowed Baku to build strong ties with its partner countries along the route of the Middle Corridor and in Europe, with the aim of creating a new hub of transportation. This goal seems to have been achieved. In addition, Azerbaijan is also a strong player on the energy market, and the Baku cargo transit hub is now aiming to become a major energy transit hub as well.

The corridors and Azerbaijan

The South Caucasus in general and Azerbaijan in particular inherited quite an extensive transportation infrastructure from the Soviet era. Yet the ensuing territorial disputes and armed conflicts not only caused physical damage to the region, they also made it unstable and risky. However, the idea to include the region in the wider transportation

- 3 Mehdiyade, S. (2023), The Geopolitics of the Middle Corridor: A Critical Examination of Trade Routes and Azerbaijan's Strategic Position. Politicon. 15. 05. 2023. <https://politicon.co/en/analytics/165/the-geopolitics-of-the-middle-corridor-a-critical-examination-of-trade-routes-and-azerbaijans-strategic-position> (downloaded: November 26, 2023)
- 4 Vasa, L. – Barkanyi, P. (2023), Geopolitical and Geo-Economic Importance of the Middle Corridor: A Comprehensive Overview. Eurasian Journal of Economic and Business Studies 67(2), 20-32. <https://ejebbs.com/index.php/main/article/view/295> (downloaded: December 01. 2023)

network was peaking. The first attempt was to incorporate the region in the TRACECA Program, which began at the Brussels Conference in May 1993, involving the Ministries of Trade and Transport from eight countries: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. The Brussels Declaration was adopted at this conference, paving the way for the implementation of the TRACECA interregional technical assistance program. Financed by the European Union, its goal was to develop a transport corridor from Europe, crossing the Black Sea, the Caucasus, the Caspian Sea, and reaching the Central Asian countries. In 1993, an initial EUR 15 million was allocated for projects aiming to enhance trade and transport, diversify traditional flows, and open up routes to the West. The programme plan was developed through four sectoral working groups (Trade Facilitation, Road, Rail, and Maritime Transport). These groups, with representatives from the participating states, were responsible for project identification and endorsement. In April 1997, a joint TRACECA-BSEC Conference in Tbilisi examined linking TRACECA with the Black Sea region and the Trans European Transport Networks. Ministers from 16 participating countries expressed the wish to integrate these and agreed to collaborate closely on specific actions and projects. In September 1997, President Heydar Aliyev of Azerbaijan and President Shevardnadze of Georgia proposed hosting a Presidential Conference in the Caucasus in 1998, leading to the signing of the Multilateral Agreement on Transport initiated within the TRACECA program. Supported by TRACECA, this resulted in the International Conference “TRACECA – Restoration of the Historic Silk Route” held on 8 September, 1998 in Baku. The conference, attended by the Presidents of Azerbaijan, Bulgaria, Georgia, Kyrgyzstan, Moldova, Romania, Türkiye, Ukraine, and Uzbekistan, as well as representatives from 32 countries and 12 international organizations, led to the signing of the Basic Multilateral Agreement on International Transport for Development of the Transport Corridor Europe-Caucasus-Asia (MLA).⁵

Once the conflicts in the region were more or less settled, a number of European projects were implemented. Brussels has funded 14 transport projects under TRACECA, supporting regional countries in upgrading

5 TRACECA. History of TRACECA. <https://traceca-org.org/en/about-traceca/history-of-traceca/> (downloaded: 2023. december 1.)

their transport infrastructure since 1995. The extension of the EU's Trans-European Transport Networks (TEN-T) to the South Caucasus in 2018 marked a significant development. In Azerbaijan, the Indicative TEN-T Investment Action Plan focused on the Alyat Free Trade Zone and the east-west railway connecting to Georgian ports in the Black Sea. Since the early 2000s, two major intercontinental land transportation projects have been prominent in the South Caucasus, the International North-South Transport Corridor (INSTC), and the already mentioned Middle Corridor.⁶

The International North-South Transport Corridor was initiated by Russia in 2000 and ratified by India, Iran, and Russia in 2002, in order to boost cargo transportation between India, Russia, Iran, and Azerbaijan. Its key objective is to provide an efficient trade route that connects the Indian Ocean and the Persian Gulf with the Caspian Sea and extends to Northern Europe. Serving as an attractive alternative to the traditional Suez Canal route, the corridor has the potential to reduce transit times by 40% and freight costs by 30%. Although the initiative was developing well, the imposition of stricter sanctions on Iran introduced new challenges, causing significant delays in INSTC-related infrastructure projects.⁷ Baku has participated in the project since 2005⁸.

The Middle Corridor, as a potential addition to the Chinese Belt and Road initiative, was launched on 7 November, 2013, during the II International Transport and Logistics Business Forum New Silk Road in Astana. The leaders from JSC National Company Kazakhstan, CJSC Azerbaijan Railways, and JSC Georgian Railway signed an agreement to establish the Coordination Committee for the development of the Trans-Caspian International Transport Route (TITR). Subsequently, in

6 Mammadov M.-Muradov M.-Revilla G. (2023) Economy, Energy and Transport Corridors. In: SOUTH CAUCASUS: GLOBAL, GEOPOLITICAL AND SECURITY SIGNIFICANCE GEOPOL21 AND TOPCHUBASHOV CENTER JOINT REPORT. Topchubashov Center. Baku, 2023 38 p. (available at: <https://top-center.org/en/reports/3496/south-caucasus-global-geopolitical-and-security-significance>)

7 Sidhu Arman, (2023) Backgrounder: International North-South Transport Corridor (INSTC). Geopolitical Monitor. 12.12.2023. available at: <https://www.geopoliticalmonitor.com/backgrounder-international-north-south-transport-corridor-instc/>

8 E-CIS. (2022) Mezhdunarodnye transportnye koridory prevratyat Azerbaydzhan v mezhdunarodnyy khab. Internet Portal of the CIS. 27.04.2022. <https://e-cis.info/news/566/99954/> (downloaded: 30.11.2023.)

February 2014, the Coordination Committee for the Development of the Trans-Caspian International Transport Route was formed to enhance the flow of goods through this route. In December 2016, participants of the Coordinating Committee from Kazakhstan, Azerbaijan, and Georgia decided to establish the international association called Trans-Caspian International Transport Route, which started its activities in 2017.⁹ The most important element of the operation of the Middle Corridor was the construction and completion of the Baku-Tbilisi-Kars railway, followed by the enhancement and enlargement of the Baku International Sea Trade Port, and the creation of the Alat Free Economic Zone in Azerbaijan. Presently, the Baku International Sea Trade Port stands as the most advanced facility in the Caspian Sea, boasting a throughput capacity of up to 15 million tons of cargo, including 10,000 twenty-foot equivalent units (TEU). In the future, the port capacity is projected to reach 25 million tons of cargo, accommodating 500,000 TEU.¹⁰

Despite the numerous investments and perspectives, these corridors were rather considered backup routes. Before the full-scale invasion of Ukraine, both the EU and China favoured the route through Russia for trade, leveraging its robust rail infrastructure and lenient customs controls. However, Russia's invasion of Ukraine shifted attention to the South Caucasus and Central Asia as a viable trade route. In late 2022, Kazakhstan, Azerbaijan, Georgia, and Türkiye presented a roadmap for developing the Middle Corridor until 2027. Kazakhstan, Azerbaijan, and Georgia established a logistics company in June to enhance transportation, and discussions between Uzbekistan and Georgia aimed at strengthening ties took place the following month. The Middle Corridor also featured prominently during Georgian Prime Minister Irakli Garibashvili's visit to Kazakhstan in July.¹¹

9 Middle Corridor. History. <https://middlecorridor.com/en/about-the-association/history-en>

10 Poghosyan, B. Dr. (2023). Instability in the South Caucasus will negatively impact the Middle Corridor. *The Armenian weekly*. 26.07.2023. available at: <https://armenianweekly.com/2023/07/26/instability-in-the-south-caucasus-will-negatively-impact-the-middle-corridor/>

11 Advaliani, Emil (2023), Central Asia and the South Caucasus Draw Closer Together. Carnegie Endowment for International Peace. 6.10.2023. <https://carnegieendowment.org/politika/90731> (downloaded:)

The geopolitical shifts persuaded Russia to seek alternative routes for its own trade, one of the best examples for which is the International North-South Transport Corridor that connects Russia and India through the South Caucasus and/or the Caspian Sea and Iran. The key element of this route, which is mostly going to rely on railways, is again Azerbaijan, which makes it a crossing point of the trade routes that connect the largest global economies, and a cornerstone of Eurasian connectivity. The development of INSTC also accelerated when it gained significance with the outbreak of the Russo-Ukrainian war.

Considering this, we can see that Azerbaijan's strategic location has allowed Baku to emerge as a new Eurasian transit hub at the crossing point of the east-west and north-south transportation corridors that have gained critical importance with the current geopolitical shifts, ensuring sustainable trade and cross-regional connectivity. The most critical issue that has arisen with Russia's full-scale invasion of Ukraine is the disruption of the energy supply to Europe that has caused significant anomalies in the European economies. As a result, energy security has become one of the top issues to be addressed by the European governments.

Energy supply, multivector foreign policy, connectivity

With the disruption of the Russian energy supplies to Europe, a rapid and intense seeking of substitute supplies began. Azerbaijan became another key element in the puzzle, as the significant reserves of fossil fuels in the Caspian region were often considered a possible solution to decreasing dependence on Russian natural gas and oil.

After the collapse of the Soviet Union, the South Caucasus went through a number of armed conflicts. Azerbaijan faced violent conflicts initiated by Armenia in and around Karabakh, which ended with the signing of the Bishkek ceasefire agreement, which basically meant defeat for Baku. The leadership of Azerbaijan had to act, and in order to balance out the painful ceasefire, significant changes were needed that would improve the economic position of the country, allowing Baku to achieve its regional strategic goals. This led to a major milestone in the history

of independent Azerbaijan. In September 1994, the State Oil Company of Azerbaijan Republic (SOCAR) signed the so-called Contract of the Century, which was a Production Sharing Agreement with the participation of a consortium of oil companies from six western countries (Amoco, BP, Delta Nimir, Exxon, Lukoil, McDermott Pennzoil, Ramco Statoil, TPAO, Unocal). The success of the enterprise hinged on the extensive resources of the Azeri-Chirag-Guneshli field (ACG), which was explored as part of the contract. By mid-2021, total investment in the field had surpassed USD 39 billion, and cumulative production had exceeded 3.9 billion barrels by 2022.¹² Despite the rich resource base of Azerbaijan, transportation has remained a key issue. This led to serious conflicts of interest, as several routes were offered, one through Russia and one through Iran, although the negotiators of the United States were able to negotiate a deal that would avoid both Russia and Iran. This would reinforce the US geopolitical objectives in the region, which they had failed to achieve in Kazakhstan, which exported its oil to west via the Russian pipelines. To balance the Russian side, Baku had to offer a significant share of the Contract to Russian Lukoil. Nevertheless, the Contract of the Century *“provided a vital link with Europe, ensured the presence of tangible Western interests in the country, thus helping it to avoid the inevitable trap of total dependence on Russia and laid the foundations for the traditional multi-vector, balanced foreign policy of Baku. President Heydar Aliyev summarised its salience, saying that it showed Azerbaijan to be a fully independent country open to the world economy, owning its own wealth and maintaining firm relations with the developed countries of the world and their largest companies.”*¹³

Although the Russian element in oil export remained significant, it became clear that alternative routes had to be developed and built. After the conclusion of the Contract of the Century, the Azeri crude was exported via the Northern route, the Baku-Novorossiysk pipeline. A major milestone was achieved in 1996, when a trilateral contract concluded between the International Operating Company of Azerbaijan, SOCAR, and Transneft reflected all legal and technical issues, stipulating for the transportation of oil to the port of Novorossiysk. In this agreement,

12 Mammadov M.-Muradov M.-Revilla G. (2023) Economy, Energy and Transport Corridors. 26 p.

13 Ibid p. 27. citation from The Ministry of Energy of the Republic of Azerbaijan.

Russia acknowledged that it is not the owner of Azerbaijan's oil, and that the owner of this oil is its producer. The crude oil from Azerbaijan arrived on the world market according to the new conditions in late 1997, with an annual capacity of 6.1 million tons.¹⁴

In 1996, the leaders of Azerbaijan and Georgia also signed an agreement to establish a new pipeline to transport the crude oil from the Azeri, Chirag, and Guneshli fields to the Georgian port of Supsa. The operation of the Baku-Supsa pipeline started in April 1997, with an annual capacity of 5.1 million tons. The most significant project for Baku was the construction of the Baku-Tbilisi-Ceyhan pipeline, which became the main export route of Azeri oil. The political decision to establish the pipeline was declared on 26 April, 1998, and the Ankara declaration supporting it was signed on 29 October, 1998. The contract for oil transportation via the Baku-Tbilisi-Ceyhan pipeline was signed in Istanbul on 18 November, 1999. Construction started on the Sangachal terminal, and the Azeri section joined the Georgian one in October 2004. The pipeline, with an annual capacity of 60 million tons, has transported over 2.7 billion barrels of crude oil since its operational commencement. The significance of the project extends to economic, political, and energy security for Azerbaijan, Georgia, Türkiye, Europe, and the world. The project has received significant international support, and beside the main actors (Azerbaijan, Türkiye, and Georgia), the declaration was also signed by the leaders of Kazakhstan and Turkmenistan in order to provide alternative routes for their own exports.¹⁵ The operation of the pipeline was temporarily suspended due to the risk created by the Russo-Ukrainian war.

The BTC pipeline has become a significant tool in Baku's hands in terms of increasing its regional significance not only as a serious producer and exporter of crude oil but also as a major player in the transit and transportation of oil from Central Asia to the West. BTC is also used for the transportation of Kazakhstani crude oil. Another factor of significant importance in the transportation and transit of the energy resources of the Caspian Sea and the Caspian Countries of Central Asia is the tanker fleet of Azerbaijan, which is the largest one on that body of water.

14 Azerbaijan.az. The Main Transport Routes of Energy Resources. <https://azerbaijan.az/en/related-information/133>. (downloaded: 5.12.2023)

15 Ibid.

SOCAR and the Swiss-Dutch Vitol are the largest transporters of crude oil from Turkmenistan. According to the agreement of the parties, the oil from the Cheleken field was transported via BTC and delivered to Baku by the SOCAR tankers, and the oil from the Ekerem oil field was transported by Vitol and sold to SOCAR for further transit. In 2019, Vitol was able to knock SOCAR out from the Turkmen transit, using the Russian Transneft pipelines that run from Makhachkala. However, since Vitols' fleet is smaller than the fleet that owns SOCAR, this state did not last long. In 2020, SOCAR could not only come back to the Turkmen transit, it also won tenders for transporting oil from the Ekerem field with the condition that it will further transport it via the BTC.¹⁶ The full-scale Russian invasion of Ukraine has increased the importance of the BTC as a transit route for the Central Asian countries even more. The amount of Turkmen oil transported to Azerbaijan increased by 4.4 times in January-February 2023 alone.¹⁷

It was not only Turkmenistan that faced issues with the transportation of its crude oil after the outbreak of the war. Kassym-Jomart Tokayev has paid special attention to the development of alternative routes for the supply of Kazakh oil to foreign markets, since most of the extracted raw materials go through Russian territory. This has put pressure on Astana, which has been less helpful in circumventing the sanctions imposed on Russia or in legalizing parallel imports, and it is actively negotiating with the European Union. On 4 July, 2022, the President of Kazakhstan conducted a telephone conversation with the President of the European Commission. Tokayev called on the European Union to "cooperate" in the development of alternative transcontinental corridors, mentioning, among other things, the international transport route across the Caspian Sea. He also announced that Kazakhstan is ready to use its hydrocarbon potential to stabilize the situation in the world and in the European markets. The next day, the Primorsky District Court of the city of Novorossiysk suspended the activities of the Caspian

16 Novikov, V. V. (2021). GEOPOLITICHESKIE I EKONOMICHESKIE FAKTORY RAZVITIYA ENERGETICHESKOGO SEKTORA AZERBAIDZHANA I TURTSII. *Geoekonomika energetiki*, 13(1), 157-174. <https://cyberleninka.ru/article/n/geopoliticheskie-i-ekonomicheskie-factory-razvitiya-energeticheskogo-sektora-azerbaydzhana-i-turtsii> (downloaded: 17.12.2023).

17 Kondratiev, V. (2023) Kazakhstan i Turkmenistan sushchestvenno uvelichili eksport nefti v Azerbaydzhan. *Kaspijskij Vestnik*. 26.05.2023. <http://casp-geo.ru/kazakhstan-i-turkmenistan-sushchestvenno-uvelichili-eksport-nefti-v-azerbaydzhan/>

Pipeline Consortium (CPC) for 30 days for violating several documents included in their oil spill response plan. Many saw this as a sign. Russia has options to put pressure on Kazakhstan and show the high price to be paid for deteriorating relations, and blocking Kazakh oil exports is just one of these options.¹⁸

To avoid such issues, Kazakhstan would like to supply up to 8% of its oil through Azerbaijani territory. Negotiations with Baku began 2022, when Tokayev visited Azerbaijan on an official visit. The parties agreed to supply 1.5 million tons of oil per year at the Sangachal terminal, with subsequent pumping through the BTC pipeline. By the end of April 2023, 125,000 tons had been shipped from the Tengiz field along this route, with an additional 3.5 tons of crude oil on the Aktau-Baku route by the end of 2023. Even though the Kazakh oil is heavier than the one that is transported from Azerbaijan via the BTC, and Azerbaijan does not want to mix the lower-quality crude with its own oil, there is room for further cooperation. In the near future, Kazakhstan plans to pump up to 6 million tons of oil through the territory of Azerbaijan. Baku has offered Astana to use the Baku-Supsa pipeline, the operation of which was stopped last spring. So far, the discussions are about pumping 5 million tons of oil from the Kashagan field on the Kazakh Caspian shelf.¹⁹

As seen above, Baku has had the capacity to take advantage of its strategic geography, and through the economic benefits from the Contract of the Century, it was not only able to develop its own oil production and export, but it has also recognized the potential in transportation for other crude oil producers of the Caspian region.

Baku, however, does not only export crude oil, the production and export of natural gas also started in 1999. The Shahdeniz gas condensate field, discovered in 1999, marked a milestone in Azerbaijan's gas industry, catalysing Azerbaijan's transformation into a gas-exporting nation. Following President Heydar Aliyev's official visit to Türkiye in 2001, contracts for gas sales to Türkiye and gas transit through

18 Seremet S., (2023). Az orosz-ukrán háború hatása Közép-Ázsia és Oroszország viszonyára. Eurázsia Központ Elemzések. EK/2023/18. 7 p. <https://eurasiacenter.hu/2023/03/31/az-orosz-ukran-haboru-hatasa-kozep-azsia-es-oroszorszag-viszonyara/>

19 Panfilova V., (2023)., Marshruty kazakhstanskoy nefti pereorientiruyut na Azerbaydzhan. Nezavisimaja Gazeta. 10.04.2023. https://www.ng.ru/cis/2023-04-10/1_8702_petroleum.html

Georgia were signed. Gas from Shah Deniz entered the Turkish gas pipeline via the Baku-Tbilisi-Erzurum pipeline, which runs parallel with the BTC oil pipeline, in 2007, making Azerbaijan a gas exporter. The Southern Caucasus Pipeline (SCP), part of the Southern Gas Corridor, is 690 km long, with a capacity of 20 billion cubic meters. It is planned to be expanded, involving a new pipeline in Azerbaijan and two compressor stations in Georgia, tripling annual gas exports to over 20 billion cubic meters.²⁰

The most important project of natural gas export from Azerbaijan is the Southern Gas Corridor, which plays an important role in the energy security of Europe. Georgia, Türkiye, Greece, Bulgaria, Albania, and Italy were the first to join, and later Montenegro, Croatia, along with other countries of South-East Europe, will be able to participate in it. The official opening ceremony of the Southern Gas Corridor took place at the Sangachal terminal in Baku on 29 May, 2018. The two critical elements of the corridor, the Trans-Anatolian Natural Gas Pipeline System (TANAP) and the Trans-Adriatic Pipeline (TAP), are fully operational.

The Trans-Anatolian Gas Pipeline holds significant economic and political significance. It serves not only as a conduit for gas produced under the Shah Deniz project but also facilitates global market access for natural gas from various Azerbaijani fields. Operating from the eastern border of Azerbaijan to the western border of Türkiye, the pipeline ensures reliable transit. Moreover, it connects the expanded South Caucasus Pipeline, establishing crucial connections with multiple pipelines in the European Union. The capacity of TANAP is estimated to reach 31 billion cubic meters (BCM) in 2026. As a strategic continuation of the SCP and TANAP, TAP ensures the efficient transport of gas from Shah Deniz-2 via Greece and Albania, spanning the Adriatic Sea to southern Italy and onward to Western Europe. This initiative presents significant prospects for delivering Azerbaijani gas to key European markets, including Italy, Germany, France, Great Britain, Switzerland, and Austria. The annual capacity of TAP is 10 bcm, which is planned to be increased to 20 bcm.²¹

20 Azerbaijan.az. The Main Transport Routes of Energy Resources. <https://azerbaijan.az/en/related-information/133>. (downloaded: 5.12.2023)

21 Ibid

Hungarian, European, and Central Asian interests in cooperation with Azerbaijan

Although supplies from Azerbaijan were important to diversify and secure the European energy system, the already existing, well-expanded east-west gas transportation system that had remained from the Soviet era and had been further expanded by Russia made decision makers less motivated in developing the south-north pipelines beside the existing ones.

The cutting of Russian natural gas supply shook the European economies, especially those of Central Europe. Having been well integrated in the transportation system and possessing a significant storage capacity had made these countries confident about their supply. Natural gas comprised 24.5% of the Hungarian energy mix in 2022, in second place after nuclear energy.²² Energy generation technologies place more and more emphasis on gas-fired turbines, so in addition to base load energy and renewable energy, critically important balancing energy is provided by gas-powered peak power plants even in the West. Therefore, advanced technologies also focus on gas, and it is a critical factor in the power generation of the country. In addition, there is also quite significant residential consumption, which is even more critical for Hungary.

Natural gas ranks in first place in Hungary's primary energy consumption, which is mostly due the fact that it is continuously available, adapts to the emerging needs, and plays an important role in meeting both residential heating needs as well as domestic electricity production. The most important factor determining the development of domestic natural gas consumption is winter weather, followed by electricity and industrial use. Natural gas consumption shows a long-term downward trend, but in the last few years it has stabilized around 10 billion cubic meters.²³

Due to the extensive gasification, most households in Hungary use natural gas delivered on the local delivery gas lines. One third of Hungarian gas consumption is residential use. Even though recent data shows

22 Papp, L. (2023) Így termelt áramot Magyarország 2022-ben. Villanyautósok. 18.02.2023. <https://villanyautosok.hu/2023/02/18/igy-termelt-aramot-magyarorszag-2022-ben/>

23 FGSZ. Statisztikai adatok. <https://fgsz.hu/a-foldgazrol/a-foldgaz-szerepe/statisztikai-adatok>

that compared to 2022, gas consumption decreased by almost 1 bcm in 2023, one third of which was achieved through the stricter household consumption limits,²⁴ Hungary heavily depends on reliable gas supplies, one source of which is the Caspian region in general and Azerbaijan in particular. Based on the agreement signed by the Hungarian MVM Energy and the Azeri SOCAR on 2 June, 2023, 100 million cubic meters of natural gas will arrive in Hungary from Azerbaijan by the end of the year. This delivery can be the basis for a long-term gas purchase contract, within the framework of which up to 2 billion cubic meters of natural gas may arrive annually, according to the Hungarian authorities.²⁵ The connection to the Hungarian gas transportation system is established via interconnectors.

Later the same year, in August 2023 another major deal was settled with a major global natural gas supplier, Turkmenistan. According to the available statements, Hungary aims to purchase 1 bcm natural gas annually. The journey of the Turkmen gas will lead through Iran to Azerbaijan and Türkiye via the existing infrastructure. Turkmenistan is ready to expand its natural gas export to the West in order to decrease its dependency on the Chinese market and Russian transit, although with the start of a full-scale gas supply from Turkmenistan, the Iranian transit may lack capacity. According to the experts, the solution would be the construction of the Trans-Caspian Pipeline, which would run on the bottom of the Caspian Sea, linking Turkmenistan and Azerbaijan with a capacity of 30 bcm per year. The proposed pipeline would connect to the BTE and then continue through TANAP to Türkiye and Europe.²⁶ The idea of this subsea pipeline is not new, but it was first rejected due to the disputes over the Caspian Sea, and later due to the issue of accessing the

24 Portfolio. (2023) Beszakadt a gázfogyasztás Magyarországon, rengetegen visszafogták magukat. 19.07.2023. <https://www.portfolio.hu/gazdasag/20230719/beszakadt-a-gazfogyasztas-magyarorszagon-rengetegen-visszafogtak-magukat-628815>

25 HVG. (2023) Szijjártó Péter: 100 millió köbméter földgáz érkezik idén hazánkba Azerbajdzsánból. 02.06.2023. https://hvg.hu/gazdasag/20230602_Szijjarto_Peter_100_millio_kobmeternyi_foldgaz_erkezik_iden_Magyarorszagra_Azerbajdzsanbol

26 Nelson, H., (2023). Turkmenistan Signs its First-Ever Energy Deal with the EU. Caspian Policy Center. 24.08.2023. <https://www.caspianpolicy.org/research/energy-and-economy-program-eep/turkmenistan-signs-its-first-ever-energy-deal-with-the-eu>.

carbohydrate fields of the sea between Baku and Ashgabat. The first issue was solved by the Aktau Convention in 2018, while in 2021 Azerbaijan and Turkmenistan signed a memorandum on the joint exploration and development of the hydrocarbon resources of the Dostluk field in the Caspian Sea, which was also ratified by the parliaments of Azerbaijan and Turkmenistan. According to this memorandum, the hydrocarbon resources are distributed in the following proportions: 30% is in the ownership of Azerbaijan, while 70% belongs to Turkmenistan, and transportation is implemented through the energy transport system of Azerbaijan.²⁷

With this issue solved, and due to the vacuum created by the ban of Russian gas on the European market, Turkmenistan has become interested in the construction of the pipeline, but the financing part still remains open, as Baku has declared that even though it would be happy to transport the Turkmen gas, it would not finance the construction of the pipeline. According to President Aliyev, this should be done by international investors and the interested buyers from Europe. Nevertheless, such a pipeline would also help Azerbaijan, as it would help Baku meet its 20 bcm per year commitment, and it would even multiply the volume.²⁸ Europe and Turkmenistan, on the other hand, would de-risk their supply by avoiding Iran, as the pariah status of Teheran may generate certain pressure on the European buyers. For now, the deadlock is unsolved - even if Azerbaijan is ready to provide its territory for the Trans Caspian Pipeline, without proper financing, the project remains on paper. The only solution suggested for now by Recep Tayyip Erdogan is to deliver the gas from Turkmenistan in tankers and then pump it to the BCE and South Gas Transportation Corridor.²⁹

The southeastern states of Europe are also interested in cooperation with Azerbaijan. TAP and the Bulgaria-Serbia pipelines, and the frequent bilateral meetings with the leaders of Bulgaria, Romania, and Serbia are proof of

27 Novikov, V. V. (2021). GEOPOLITICHESKIE I EKONOMICHESKIE FAKTORY RAZVITIYA ENERGETICHESKOGO SEKTORA AZERBAIDZHANA I TURTSII. *Geoekonomika energetiki*, 13(1), 164-165 p.

28 O'byrne, D. (2023). Turkmenistan signals major change in energy-export stance. *Eurasianet*. 15.08.2023. <https://eurasianet.org/turkmenistan-signals-major-change-in-energy-export-stance>

29 Panfilova, V. (2023)., Vengriya dlya Azerbaydzhana – komfortnyy partner v ES. *Nezavisimaya Gazeta*. 04.09.2023. https://www.ng.ru/cis/2023-09-04/5_8817_partner.html

that. *“At the turn of 2023-2024, Azerbaijan found itself at the forefront of regional changes in the belt from South-Eastern Europe to the Caspian Sea, demonstrating the ability to offer answers to them, as well as a model of interaction/cooperation on most of the most significant challenges. This seems to be essence of the proactive or flagship role strategy that the Republic of Azerbaijan began to play in the 2020s,”*³⁰ which the geopolitical shifts caused by the Russian invasion of Ukraine have amplified even more. In 2023, Europe received about 12-12.5 bcm of gas from Azerbaijan, and by 2027, the volume of gas sent to Europe should double. Today, buyers of Azerbaijani gas in Europe are Italy, Greece, Bulgaria, Romania, and Hungary, while supplies to Serbia will begin in 2024.³¹ In addition to these, there are international cooperation platforms to promote connections with Baku, such as the Solidarity Ring (STRING), a joint initiative supported by the European Commission, which aims to increase the security of natural gas supplies for the European Union and the Central and Southeastern European regions, and which would help develop the transmission network systems of Bulgaria, Romania, Hungary, and Slovakia to enable additional gas deliveries from Azerbaijan³².

It is now clear that Azerbaijan has become an unavoidable element of the energy security of Central and Southeastern Europe not only due to its own production but also due to the transit capabilities established during the last decades. With the increasing demand on Caspian and Central Asian carbohydrates that can be delivered to Europe via secure and politically neutral routes, it is critical to maintain pragmatic connectivity with the region, ensuring the proper conditions for the operation of the existing capacities and the development of new transit projects that would connect the Central Asian states with the transit system of the South Caucasus. Fossil fuels, however, are not infinite.

30 Guseynov, I. (2023)., *Strategiya Aliyeva dlya Yugo-Vostochnoy Evropy*. Haqqin.az. 14.12.2023 <https://haqqin.az/comics/303025>

31 Ibid

32 Eustream. An International MoU on the Solidarity Ring Initiative. 25.04.2023. <https://www.eustream.sk/en/about-us/press/news/medzinarodne-memorandum-projekte-solidarity-ring.html>

Green energy: generation, export, and transit

The green transition is a topic that is being addressed seriously in Azerbaijan, as SOCAR announced at the 28th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP-28) organized in Dubai.³³ Even now major power generation facilities based on renewable energy sources are in operation and are being developed by foreign investors. Baku, just like with the carbohydrates produced in the country, aims not only to export the generated green energy but also to become a hub for transiting electricity from the Central Asian states on the other side of the Caspian Sea, i.e. Kazakhstan and Turkmenistan. However, not only a reliable transition system has to be established for this, but an enhanced development of RES power generation must also take place in Azerbaijan.

The leaders of Azerbaijan, Georgia, Hungary, and Romania signed a Strategic Partnership Agreement on 17 December, 2022, committing them all to working together on a green energy transit project that involves the development of an undersea power line on the bottom of the Black Sea. The agreement was signed in the presence of Ursula von der Leyen, President of the European Commission, representing the European Union, which in July 2022 also signed a memorandum of understanding with Azerbaijan to provide assistance with Azerbaijan's renewable energy plan in return for Baku agreeing to double gas exports to Europe by 2027.³⁴ The underwater cable is planned to be nearly 1,200 km long, with a capacity of 1 GW, which can translate 8.8 TW-hours per year. The cost of the construction is estimated around EUR 2.3 billion and is planned to be partially financed by the EU. The completion of the project is scheduled for 2029.³⁵

The share of renewables in the energy system of Azerbaijan is estimated to be 1,688 MW, which means approx. 20%, and which should reach 33% by 2028. Significant developments are being done by the UAE-based Masdar,

33 Gasimov, K. (2023.) SOCAR aims to achieve net zero by 2050. Trend. 3.12.2023. <https://en.trend.az/business/3832381.html>

34 O'Byrne, D. (2023) Azerbaijan positioning itself as green energy exporter. Eurasianet. 09.08.2023. <https://eurasianet.org/azerbaijan-positioning-itself-as-green-energy-exporter>

35 Kubaik, M. (2023)., Azerbaijan Set to Become a Green Energy Supplier to the EU. In. Eurasia Daily Monitor Vol. 20. Issue 3. available at: <https://jamestown.org/program/azerbaijan-set-to-become-a-green-energy-supplier-to-the-eu/>

which has delivered the largest PV power-plant in the South Caucasus. The Garadagh solar power plant, a 230 MW facility situated near Baku, is set to generate an annual output of 500 million kWh of electricity. With the launch of this solar energy station (SES), the share of installed renewable energy capacity in Azerbaijan's energy system has risen from 16.5% to 21.2%. The company also plans to install a 315 MW solar power plant in the Neftchala region, a 445 MW solar power plant in the Bilasuvar region, and a 240 MW wind power plant in the Garadagh region. Concurrently, a "green energy zone" is taking shape in the Karabakh region, according to preliminary studies conducted by the Japanese energy company TEPSCO.³⁶ Azerbaijan's overall renewable energy potential is estimated at approximately 27 GW on land and 157 GW offshore. 4 GW of this is planned to be implemented by 2027, most of which is planned to be exported. This amount should later increase to 25 GW.³⁷

Offshore power generation mostly means wind power in the Caspian wind corridor. ACWA Power, a prominent Saudi developer, investor, and operator of power generation, water desalination, and green hydrogen plants, has announced the finalization of four agreements for advancing new renewable energy projects in Azerbaijan. Building upon recent collaborations, including the SAR 1.1 billion, 240 MW wind power plant project, ACWA Power's latest Memorandum of Understanding with Azerbaijan's Ministry of Energy, signed in February 2023, encompasses the development of a battery energy storage system. Additionally, implementation agreements for 1 GW and 1.5 GW of onshore and offshore wind projects have been completed. A cooperation agreement with SOCAR ensures joint efforts in the fields of renewable energy and green hydrogen exploration as well.³⁸ This allows Baku to be confident it can generate enough of the requested energy that has to be exported to Europe via the Black Sea underwater power line.

36 Ankhundov, Kh. (2023). "Baku Forms Hub: Electric Transit from Central Asia to Europe". Caliber.az. 23.11.2023. <https://caliber.az/post/205584/>

37 Devonshire-Ellis, Ch., (2023). Unlocking Central Asia's Gas Transit Potential via the Caspian-EU Green Corridor. Silk Road Briefing. 14.11.2023. <https://www.silkroadbriefing.com/news/2023/11/14/unlocking-central-asias-gas-transit-potential-via-the-caspian-eu-green-corridor/>

38 ACWA Power. (2023). ACWA POWER EXPANDS PRESENCE IN AZERBAIJAN THROUGH KEY RENEWABLE ENERGY PARTNERSHIPS. 9.02.2023. <https://www.acwapower.com/news/acwa-power-expands-presence-in-azerbaijan-through-key-renewable-energy-partnerships/>

The possibility of exporting electricity via the Black Sea Energy project opens the opportunity for Baku to become yet another transit hub, but now for electricity. Kazakhstan by the end of 2022 is reported to have had 130 operational renewable energy facilities, with a combined capacity of 2,400 MW. By the end of 2023, an additional 15 facilities with a total capacity of 276 MW are slated to be commissioned. As part of the Black Sea Energy project and the expansion of two land energy bridges, the Azerbaijani-Georgian-Turkish bridge (commissioned in 2015) and a bridge under construction from Nakhchivan Autonomous Republic (NAR) to Türkiye, Azerbaijan aims to enhance its transmission infrastructure capacity.³⁹ Turkmenistan, as a significant electricity exporter to Central Asia, also has certain interest in exporting its electricity to the old world, especially since the foundation stone for a new 1,574 MW power plant was recently laid on the Turkmen coast, near Turkmenbashi Port.⁴⁰ Therefore, a plan for laying an underwater power cable through the Caspian Sea does not seem to be such wishful thinking after all. With the ever-increasing demand for energy in Europe, especially for electricity due to the carbon reduction goals of the EU, the electric power transfer from Central Asia may be just as crucial as the import from Azerbaijan.

Conclusion

Thanks to its independent and national interest-based multivector foreign policy, Azerbaijan has been able to build strong and constructive cooperation with the West, while still keeping its traditional good relations within the post-Soviet realm. Recognizing its geostrategic location, Azerbaijan has become a key element of the trade corridors running from east to west, such as the Middle Corridor and from north to south, e.g. the International North South Transport Corridor, neither of which can avoid Baku. With the geopolitical shifts, these routes, which had been more of a backup to the traditional routes, have gained importance,

39 Ankhundov, Kh. (2023). "Baku Forms Hub: Electric Transit from Central Asia to Europe". Caliber.az. 23.11.2023. <https://caliber.az/post/205584/>

40 Devonshire-Ellis, Ch., (2023). Unlocking Central Asia's Gas Transit Potential via the Caspian-EU Green Corridor. Silk Road Briefing. 14.11.2023. <https://www.silkroad-briefing.com/news/2023/11/14/unlocking-central-asias-gas-transit-potential-via-the-caspian-eu-green-corridor/>

which gives Azerbaijan further advantages in the implementation of its geopolitical strategies. The outbreak of the Russo-Ukrainian war has caused major energy supply disruptions in Europe. In order to secure the energy supplies, Europe is forced to diversify its energy supply chains, in which Azerbaijan plays a key role. Thanks to the rich resources of the Caspian basin, the country has been able to build a strong economy that has made it possible to develop an extensive export infrastructure through the South Caucasus, which not only allows it to export the Azeri carbohydrates but also provides transit for the producers of Kazakhstan and Turkmenistan. SOCAR, the State Oil Company of Azerbaijan, owns the largest tanker fleet on the Caspian Sea, which enables SOCAR to transport the crude oil from the Central Asian states to the port of Baku and transit it to the European markets via the BTC pipeline. With the ever-growing demand for the Central Asian natural gas resources, Azerbaijan is of critical importance in the future deliveries of Turkmen gas as well. Considering the decarbonization efforts of the EU, the supply of electricity has become critically important. Although power generation from renewable sources is still under development in Azerbaijan, it has demonstrated impressive progress, and soon it will be able to export about 4 GW of green energy. A significant part of this will be exported to Europe via the Black Sea Energy Project conducted by Azerbaijan, Georgia, Hungary, and Romania. In the framework of the project, a 1,200 km power cable will be laid on the bottom of the Black Sea, with a power transfer capacity of 1 GW. This project may later make it possible to import electricity to the EU from Kazakhstan and Turkmenistan, who are willing to export their energy to the European markets. Azerbaijan plays a critical role in these efforts, as in the current climate, it has emerged not only as a significant exporter of carbohydrates and green energy but also a regional hub of Eurasian energy transportation.

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The Baku-Tbilisi-Kars Railway and the Zangezur Corridor: Enhancing Regional Connectivity

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<https://doi.org/10.47706/KKIFPR.2023.2.132-142>

Abstract: International trade routes have played an important role throughout history, and the creation, maintenance, and upgrading of transport routes has been a strategic goal for most states and remains so in the modern era. Situated at the border between Europe and Asia, at the intersection of major transport routes, Azerbaijan is known as a particularly important transport and logistics hub, since the east-west and north-south international transport routes that cross Azerbaijan's territory are highly advantageous for freight transport in terms of both distance and duration. However, the ever-changing geopolitical situation of the 21st century has had a significant impact in this area. The major powers of Asia (China, Türkiye, and Iran), as well as Russia, the US, and Europe all attach great importance to Azerbaijan, and this role is expected to become even more important as a result of the war between Azerbaijan and Armenia in 2020 and the sanctions that will be imposed in the wake of the conflict that began in Ukraine in 2022. This article shows the impact the Baku-Tbilisi-Kars (BTK) railway and the Zangezur corridor has had on rail transport as an integral part of the global transit route.

Keywords: BTK railway line, Caucasus region, freight transport

Introduction

Throughout history, the South Caucasus region has played a key role in establishing and strengthening economic relations between Europe and Asia. The foundations of this are the trade corridors that

pass through the region and connect to the Silk Road, the historical roots and important role of which in trade relations have always been at the centre of trade agreements.

The importance of the Silk Road remains today, making significant contributions to the trade relations between East and West, and North and South (Satiji et al. 2023). In particular, Central Asia and the South Caucasus represent a transit route for trade from China to Europe. The countries of the region also have abundant natural resources, such as oil, gas, cotton, and uranium, the trade of which has made the region an important economic centre. In addition, transportation is a key issue for sustainable development and modern society in general (Cai et al., 2023; Bárkányi-Vasa, 2023).

Although the system of European sanctions against the Russian economy, which prohibits goods destined for the European Union from passing through Russian railway stations and ports, has not slowed Sino-European trade (+10% in Q1 2022 compared to Q1 2021), it is naturally pushing foreign shippers to focusing on the Central Asian and Trans-Caucasus regions (de Waal, 2022). Thus, the demand for transport infrastructure in these regions is expected to be much higher in the coming years than it was before 2022, when only 2% of the trade volume between Asia and Europe was transported by road and rail on the central branch of the “New Silk Road”.

Among the many significant geopolitical consequences of Russia’s war against Ukraine is the resurgence of the Central Corridor as a regional economic zone that encompasses Central Asia, the Caucasus, and Türkiye as an increasingly attractive alternative route between Europe and China. Russia’s war has severed the land link through the New Eurasian Land Bridge, also known as the Northern Corridor, which runs through (now heavily sanctioned) Russian and Belarusian territory (Eldem, 2022). Although the Central Corridor will not be able to fully replace the Northern Corridor, regional integration along the Trans-Caspian international transport route is likely to increase its potential in the long term, at the expense of Russia.

Since the beginning of the war in Ukraine, the cooperation between Türkiye and Azerbaijan has boosted the use of transport networks across Central Asia (LevyStone, 2022). Türkiye, which does not share any borders with Central Asian countries, sees neighbouring Azerbaijan,

which shares a border with Kazakhstan and Turkmenistan on the Caspian Sea, as a key hub for the region. Türkiye already launched a transport corridor in 2018 to connect Turkmenistan and Afghanistan via Georgia and Azerbaijan (Lapis Lazuli) (Figure 1). The recent reconfiguration of the Trans-Caucasus region offers a possibility for Türkiye to gain more direct access to the Caspian Sea and Central Asia through the creation of the Zangezur transport corridor. The establishment of the Zangezur corridor has also attracted the interest of Tashkent, which is holding trilateral talks with Ankara and Baku on the issue. The other Central Asian country that is watching Azerbaijan and Türkiye closely is Kazakhstan, for which the Central Corridor linking China, Azerbaijan, Türkiye, and Europe is becoming increasingly important due to the war in Ukraine. Türkiye and other western countries are trying to ensure the flow of resources through the South Caucasus and Central Asia to Europe by bypassing Russia and Iran (Gawliczek & Iskandarov, 2023).

Figure 1.
South Caucasus Transport Routes



Source: de Waal (2021)

The Baku-Tbilisi-Kars Railway

Given that trans-Eurasian rail freight traffic is growing, it is not surprising that the countries in the Caucasus region are keen to expand their rail networks with new routes and new logistics hubs. The increasing competitiveness of the east-west international transport corridors, which create an integrated rail freight network between Europe and Asia, is leading to a situation in which the countries of the Eurasian region must make maximum efforts to fully implement the transport projects that have been initiated.

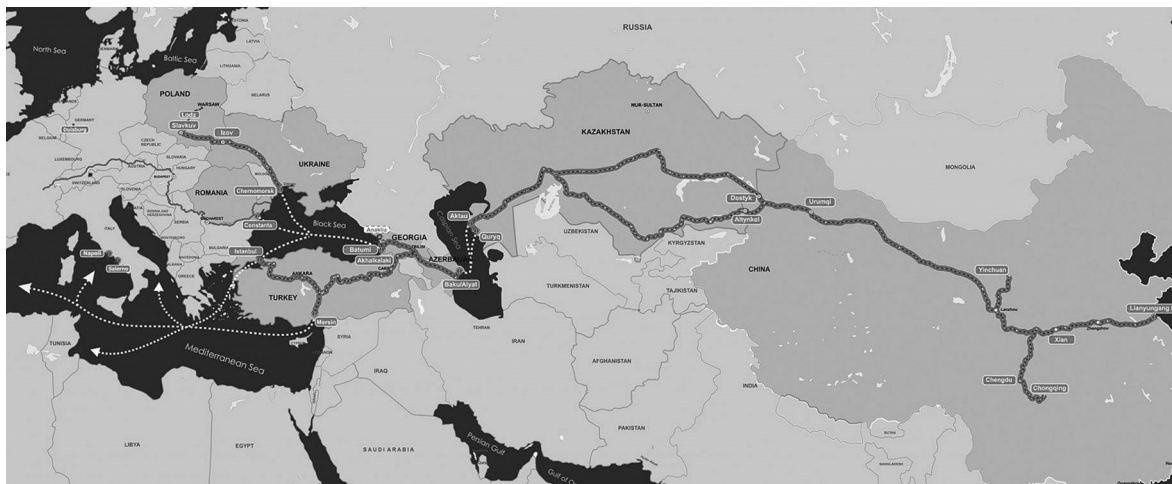
The Baku-Tbilisi-Kars (BTK) railway line runs from the Caspian Sea coast of Azerbaijan to the capital of Georgia, and then southwards to the eastern part of Türkiye, where it joins the wider Turkish railway system and connects to the European rail network (Shepard 2016). This railway line is designed to become a key part of the central route of the New Silk Road network of emerging trade and the transport corridors between China and Europe.

The railway project linking Baku in Azerbaijan with Kars in eastern Türkiye via Tbilisi in Georgia is no exception in this respect. According to Parkhomchik (2020), the participants see the new BTK railway line as a land bridge between the emerging markets of Asia and Europe, aiming to restore the ancient Silk Road, which allowed goods to be transported by rail from Asia to Europe, bypassing Russia in just 15 days. The BTK railway line was designed to become a key part of the route of the central branch of the emerging New Silk Road network. Already referred to in the mid-1990s as the “project of the century”, this economically and politically important rail initiative has become one of the most important logistics hubs of our time, with a throughput of 2.4 million tonnes since it opened in 2017.

The BTK railway line has a total length of 829 km, with 504 km crossing Azerbaijan, 246 km crossing Georgia, and 79 km crossing Türkiye. Goods from the east, such as China and South Korea, are transported from Kazakhstan to Azerbaijan via the Caspian Sea by purpose-built cargo ships. The goal for the railway is to handle 17 million tonnes of freight by 2034. In 2022, 691,000 tonnes of freight were transported on the Baku-Tbilisi-Kars railway line.

The BTK railway, also known as the “Iron Silk Road”, reopened the direct rail link between the Caucasus region and Türkiye after the Armenian-Azerbaijani conflict in the early 1990s had brought the Armenia-Türkiye railway to a standstill (Eldem, 2022). The opening of the freight transport link between Azerbaijan and Türkiye not only completed the shortest rail corridor between China and Europe, it also improved connectivity between Türkiye and the Central Asian and South Caucasus states (Figure 2).

Figure 2.
The Middle Corridor



Source: www.middlecorridor.com

Originally scheduled to be completed in 2014, a number of problems with the Turkish section of the line caused delays to the Turkish section of the BTK project while the Azerbaijani and Georgian sections were already operational. The construction of the railway line was finally completed in 2017. As part of the project, a 178 km section of the Akhalkalaki-Marabda-Tbilisi railway line was upgraded. The most significant milestone of the initiative was the construction of a new railway line from Akhalkalaki to Kars, including a 29 km section in Georgia and a 76 km section in Türkiye. The parties faced a number of technical and financial difficulties during the construction of the new railway line.

Due to a lack of interest from leading international financial institutions, the three countries involved in the construction of the BTK financed the project themselves. The completion of the project was also hampered by technical and legal problems related to the construction of the tunnel on the Akhalkalaki-Kars section of the line.

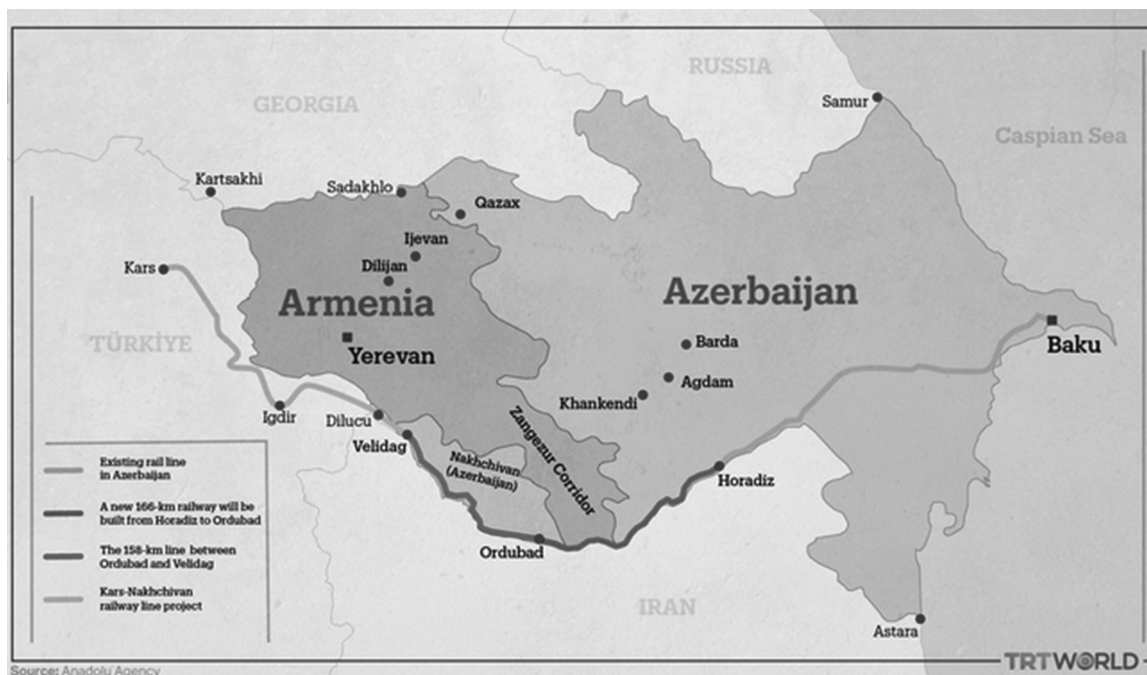
The completion of the project has contributed to the strengthening of economic relations between the countries along the route. The construction of the BTK railway line will bring significant economic benefits to Georgia, Türkiye, and Azerbaijan. Furthermore, significant revenues can be generated for the participating countries through the development of transshipment stations in key locations, such as the port of Baku.

Technically, the BTK railway is part of the so-called Trans-Caspian International Transport Route (TITR), which aims to provide a shortcut from China to Türkiye or Ukraine via Kazakhstan, and from there on to Europe. As the TITR partner countries have already started to align their tariffs and offer preferential prices for their transit goods, it is expected that Türkiye will become the second main destination for goods on the TITR corridor, in parallel with the opening of the BTK railway line.

The Zangezur Corridor

Nowadays there is more and more mention of the Zangezur Corridor in the news about the Caucasus region as one of the most important development opportunities in the region. The Zangezur Corridor is part of a strategic transport route that connects the capital of Azerbaijan, Baku, and the Kars province of Türkiye through the territory of Armenia. The Zangezur Corridor is also part of a strategic transportation route that runs from Azerbaijan's capital Baku to Kars in Türkiye's eastern province, passing through Armenian territory near the border with Iran. The Corridor thus passes through the territories of Azerbaijan and Armenia and reaches Nakhchivan, an autonomous region of Azerbaijan that is adjacent to Türkiye (Figure 3).

Figure 3.
The Zangezur Corridor



Source: TRT World (2022)

Zangezur, now part of southern Armenia, has been a disputed territory since World War I. During communist Soviet Union, the territory of the Azerbaijan located between Nakhchivan and Azerbaijan became part of the Armenian Soviet Socialist Republic (SSR). Today, Zangezur is part of the Syunik province of Armenia.

To end the Karabakh war in 2020, which ended with an Azerbaijan's victory, Armenia and Azerbaijan signed a tripartite cease-fire agreement mediated by Russia, which included provisions for the opening of transport routes. Article 9 of the ceasefire agreement stated that "all economic and transport links in the region must be dissolved. The Republic of Armenia guarantees the safety of transport links between the western regions of the Republic of Azerbaijan and the Autonomous

Republic of Nakhchivan in order to organize the unhindered movement of people, vehicles and cargo in both directions.” Azerbaijan’s position is that Article 9 includes the opening of the Zangezur Corridor, and although Russia, whose peacekeepers are responsible for enforcing the agreement between Azerbaijan and Armenia, does not call the route the Zangezur Corridor or even recognize it as a corridor, it supports its opening.

Armenians have not publicly embraced the idea of opening the corridor, but Yerevan, according to Azerbaijani officials and international diplomatic sources, has recently had a positive attitude towards the project, given that it has positive economic returns for Armenia as well. In this way, its opening depends on the development of a comprehensive Armenian-Azerbaijani agreement.

During the Soviet era, Moscow built two railways to connect Nakhchivan with the Azerbaijani mainland in the region Baku now calls the Zangezur Corridor. Azerbaijani media and analysts sometimes refer to this area as the Nakhchivan Corridor. However, these railways became unusable during the first Karabakh war, which began in 1992. Baku now aims to rebuild the Soviet-era railway lines and build highways in the region to connect Azerbaijan with the exclave of Nakhchivan. In addition, as mentioned, the corridor is also part of a major transport project connecting Baku with Istanbul.

According to news reports, Azerbaijan wants to complete the construction of the Zangezur corridor by 2024. The Azerbaijan State Railways is carrying out the construction of the Horadiz-Agbend line, which stretches from the town of Horadiz in Fuzuli province to the Armenian border, and the town of Agbend in Zangilan province. Turkish companies are also actively involved in the construction of the line. The railway line from Baku to the town of Horadiz is already in operation. Some parts of this line, from Horadiz to the Armenian border, were destroyed earlier, and the dam flooded some parts. Therefore, a new 166 km railway line will be built from Horadiz to Ordubad in Nakhchivan. 78% of the project design and 38% of the construction has been completed on the Horadiz-Agbend line, and 64 kilometres of rails have been laid, together with the accompanying side roads. A 30-meter area on both sides of the line has also been cleared of mines (Rehimov, 2023) (Figure 4).

Figure 4.
Construction of the railway that stretches to the Zangezur Corridor



Source: Rehimov (2023)

The Horadiz-Agbend line is expected to be completed in 2024. Azerbaijan's longest railway bridge (a 13-span, 418-meter-long bridge) has been built on the Horadiz-Agbend railway line. The 158 km railway line from Ordubad to the Velidag Station located in the north of Nakhchivan, close to Türkiye, Armenia and Iran, will be undergo extensive repairs, and the line, which now ends in Velidag, will be extended 14 km (8.6 mi) to the Armenian border. The construction of a 43 km section of the line that will pass from the Armenian part of the line through the Zangezur region will begin once a final agreement between Yerevan and Baku is reached. Türkiye and Azerbaijan also have a railway line project to connect Kars to Nakhchivan. When all these projects are finished, a new transport connection will be established between Türkiye and Azerbaijan, and uninterrupted land and railway communication will be established between Türkiye and Russia via Azerbaijan.

Of course, this project has both supporters and opponents. The Zangezur rail corridor would be near or adjacent to Armenia's border with Iran, which worries Tehran that the project could sever its border with Yerevan.

Conclusion

The establishment of European and Central Asian railway connections makes a significant contribution to the strengthening of the diversity of connections. The importance of this has increased significantly since the start of the Russian-Ukrainian conflict in 2022. These projects show that the countries of the region are committed to increasing connectivity and promoting economic cooperation. The Zangezur Corridor represents a suitable alternative route and therefore security and capacity expansion for the Middle Corridor. In addition, it would contribute to the economic development and integration of the recently liberated areas and Nakhichevan. The implementation is hindered by many political obstacles, although under optimal conditions, the technical implementation of the railway line and the corridor can be optimized.

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Sustainability Efforts and the Possibility of Balanced Growth in Azerbaijan in the Context of the Environmental Performance Index, the Sustainable Development Goals Index, and Ecological Footprint Data

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<https://doi.org/10.47706/KKIFPR.2023.2.143-163>

Abstract: This article provides an analysis of Azerbaijan's sustainability endeavours, exploring the potential for achieving equilibrium in terms of the Environmental Performance Index, the Sustainable Development Goals Index, and ecological footprint data. The economy of Azerbaijan heavily relies on the production of oil and gas, making it a significant contributor to its GDP and export revenue. The article emphasizes the geopolitical importance of Azerbaijan, serving as a vital nexus for East-West transport cooperation. The authors argue that in order to realize its sustainability objectives, Azerbaijan must strive for economic diversification and reduce its reliance on the energy sector. It is further proposed that Azerbaijan should capitalize on its strategic position to advance sustainable development and harmonize its economic growth. Additionally, the authors delve into the obstacles faced by Azerbaijan in attaining balanced growth and broadening its economic base.

Keywords: Azerbaijan, Sustainability Efforts and the Possibility of Balanced Growth, ontext of the Environmental Performance Index, Sustainable Development Goals Index, Ecological Footprint Data

Introduction

The Republic of Azerbaijan is a transcontinental nation situated on the dividing line between Eastern Europe and West Asia, encompassing the South Caucasus region. Its modern establishment as an independent state restored independence on 30 August, 1991, just before the disintegration of the Soviet Union the same year. With a population of 10 million inhabitants, the country covers approximately 86,600 square kilometres of the Caspian Sea coastline and boasts substantial reserves of oil and gas. Azerbaijan held a significant standing as a major global oil producer during the late 19th century, but its oil industry did not progress significantly during the Soviet era (Bagirov, 1996).

After the country's independence, the hydrocarbon sector saw a revival thanks to new exploration leading to the discovery of significant new oil and gas reserves. The resulting upsurge in the sector produced an extraordinary economic boom during that decade, unmatched in recent global history. Between 2000 and 2010, Azerbaijan's gross domestic product (GDP) at constant prices quadrupled, thanks to a more than 15% average annual growth rate of real GDP, which is a unique achievement for any economy and makes Azerbaijan the fastest-growing economy in the world in these years. Over the same period, as measured by internationally comparable GDP per capita, Azerbaijan jumped three notches in the World Bank classification scale, from being classified as a "low-income country" in 2000 to being treated as an "upper middle-income country" (with a GDP per capita level of more than 7,000 USD) by 2011 (UNECE, 2013).

Azerbaijan's GDP totalled USD 78.7 billion in 2022, an increase of 4.6 percent from 2021. During this period, the country's non-oil GDP increased by 9.1%, while oil GDP decreased by 2.7. Industry accounted for 51.1% of GDP, trade and automotive repair for 8.2%, transport and logistics for 6%, construction for 4.8%, agriculture, forestry, and fisheries for 4.8%, hospitality services for 1.6%, information and communications for 1.4%, and taxes for 7.4%. In 2022, Azerbaijan reported a foreign trade increase of 55.4% of USD 52.7 billion. At the same time, the country also reported an overall increase in total net exports, with exports increasing by 71.6% year-on-year to USD 38.1 billion, and imports increasing by 23.9% to USD 14.5 billion. The top imports were iron and steel, machinery, vehicles,

and food products (mostly meat and dairy). Azerbaijan's top export destinations in 2022 were Italy, Turkey, Israel, and India (ITA, 2023).

The downside of these developments is the skewed structure of Azerbaijan's economy. The country's economy is anchored in oil and gas production, which accounted for roughly 47.8% of the country's GDP and over 92.5% of export revenue in 2022. While the structure of imports is dominated by the imports of machinery and transport equipment, the latter mostly reflects equipment for the oil and gas industry.

Azerbaijan shares comparable long-term challenges with other oil-reliant economies. Although Azerbaijan's oil and gas resources are currently being extracted at a high rate, it is anticipated that this boom will soon reach its peak as the country's proven reserves diminish. This underscores the imperative for Azerbaijan to transition away from its dependency on the energy sector and foster the growth of its non-oil economy. Consequently, policymakers are facing a significant hurdle in their pursuit of a more diversified economic structure, particularly considering the projected finite duration of the oil boom.

The Middle Corridor

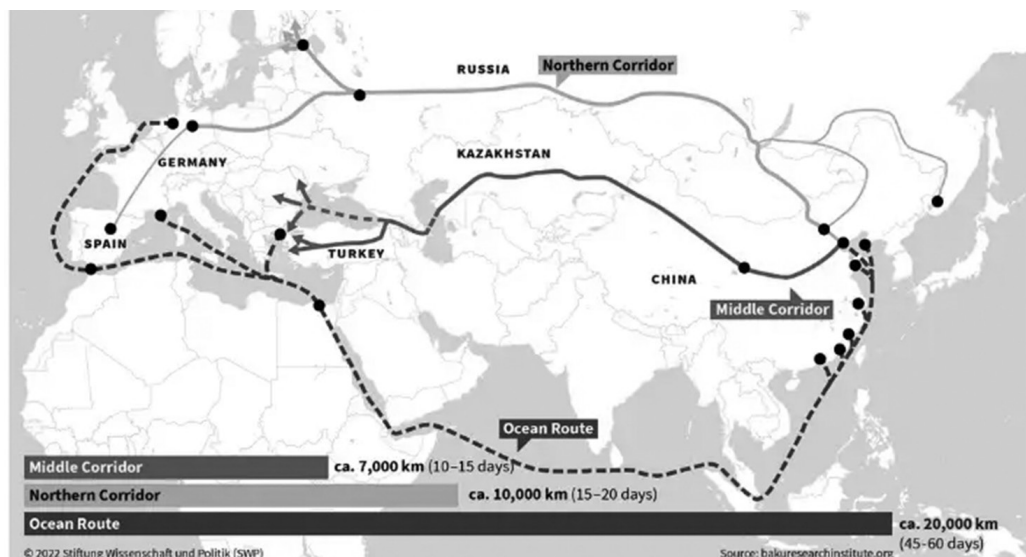
Situated at the crossroads between Europe and Asia, Azerbaijan enjoys a powerful geostrategic position that allows it to act as a powerful communication and trade hub in Eurasia. For the future development of East-West transport cooperation, Azerbaijan is a crucial geostrategic point, as landlocked Central Asia provides a passageway to Europe and already has a well-established railway network with neighbouring Georgia and Turkey (Ivkovic, 2018; Tekir, 2022; Satiji et al., 2023).

In 2013, President Xi Jinping of the People's Republic of China unveiled the Belt and Road Initiative during his visit to Kazakhstan. Spanning across Asia, Europe, and Africa, this initiative aims to establish global connectivity by linking China to the rest of the world. It comprises two main components, namely the Silk Road Economic Belt and the Maritime Silk Road. The former endeavours to create a terrestrial network connecting China to Central Asia, Russia, the South Caucasus, West Asia, Europe, the Persian Gulf, and the Mediterranean region, while the

latter seeks to establish maritime links between China's coastline and the South China Sea, the Indian Ocean, and the Mediterranean. Widely regarded as the most ambitious initiative on a global scale, the Belt and Road Initiative has garnered participation from 148 countries by April 2023 (GFDC, 2023).

The Belt and Road Initiative is comprised of six economic corridors. Azerbaijan participates in the China-Central Asia-West Asia Economic Corridor. This corridor, also known as the Trans-Caspian International Transport Route (TITR) or the Middle Corridor, is gaining popularity as a key east-west connection, particularly following Russia's invasion of Ukraine and the subsequent sanctions.

Figure 1.
The Middle Corridor



Source: Jafarova, 2023

The Middle Corridor offers a route that is at least 2,000 km shorter than the Northern Corridor, which passes through Russia. This translates to reduced travel time, with the potential to shorten the journey between China and Europe to as little as 12 days, while the Northern Corridor

currently requires 19 days. Most importantly, the Middle Corridor helps companies mitigate the risks, uncertainties, and sanction-compliance issues associated with transit through Russia. The development phase of the route also opens up new opportunities for B2B and B2G engagements in logistics, transportation, and infrastructure construction as countries strive to modernize and expand their railway systems and seaports. It also offers access to new markets with an estimated population of over 80 million along the route. The Middle Corridor is already utilized by various global logistics companies, including Austria's Rail Cargo Group, Denmark's Maersk, Finland's Nurminen Logistics, and the Netherlands' rail bridge cargo (Vasa - Bárkányi, 2023).

Beside connecting China with Europe, this corridor also connects Central Asian countries to South Caucasian countries. In June 2023, bilateral discussions with Kazakhstan resulted in the signing of a memorandum of understanding (MoU) that envisages investments of EUR 5 billion over the next five years to develop infrastructure and enhance the efficiency of the Middle Corridor. At the same time, bilateral discussions with the Georgian authorities are focused on digitalization as a way of overcoming customs and administrative bottlenecks along this part of the Middle Corridor.

Export diversification, the growth of railway profits, and boosting regional connectivity are some of TITR's positive contributions to Azerbaijan's economy.

National Sustainability Strategy

In 2017, Azerbaijan demonstrated its dedication to global efforts to address climate change by ratifying the Paris Climate Agreement and pledging its commitment to Nationally Determined Contributions (NDC) as part of the international agenda. Moreover, Azerbaijan has voluntarily embraced green economy endeavours by participating in the Batumi Initiative on Green Economy. The Nationally Determined Contribution of Azerbaijan entails a significant decrease of 35 percent in carbon emissions from the levels recorded in 1990 by the year 2030. The government also expressed conditional consent for a further reduction of 40 percent by 2050 during COP27.

Recognizing global patterns and obstacles, the Azerbaijani government established a comprehensive trajectory for the socioeconomic and environmental progress of the nation through the implementation of “Azerbaijan 2030: National Priorities for Socio-Economic Development” in 2021. A Socio-Economic Development Strategy for 2022-2026 has also been enacted to materialize the goals outlined in Azerbaijan 2030, delineating the planned initiatives and anticipated outcomes. The objectives of the Socio-Economic Development Strategy 2022-2026 are intrinsically interlinked and harmonized with the Sustainable Development Goals (SDGs). The primary aim of this strategy is to transform Azerbaijan into a country characterized by sustainable, environmentally conscious, and inclusive growth. This aspiration encompasses endeavours such as fostering green industrialization, safeguarding biodiversity, establishing a proficient waste management system, augmenting the utilization of renewable energy resources, and expanding the integration of green vehicles and other eco-friendly technologies.

Sustainability Initiatives

Green port

In May 2018, a completion ceremony for the first phase of the construction of the New Baku International Sea Trade Port took place. As of 2023, the port has the capacity to handle ferries and Ro-Ro vessels, with an annual carrying capacity of 15 million tons and 100,000 containers. Its prime location at the crossroads of major transit freight routes positions the port as a pivotal logistics centre for the entire region. Additionally, the port aims to align its operational principles with the Sustainable Development Goals, actively contributing to the global sustainable development strategy by establishing sustainable mechanisms for regional supply chain development. The strategic activities of the port contribute to 11 of the 17 SDGs, which are already encompassed in its mission statement and implementation plans. In December 2022, the port became a signatory to the United Nations’ Global Compact initiative.

Green energy

The Ministry of Energy of the Republic of Azerbaijan established the State Agency for Renewable Energy Sources in 2020. Furthermore, the Republic of Azerbaijan enacted the Law “On the Use of Renewable Energy Sources in Electricity Generation” in 2021.

On 4 June, 2022, an annex was signed by the Ministry of Energy of the Republic of Azerbaijan and bp in the city of Shusha, Azerbaijan. The annex outlines the necessary actions to be taken to successfully implement the Shafaq solar power plant project, in accordance with the Implementation Agreement signed in June 2021. The purpose of the annex is to facilitate the progression of the joint implementation of the 240 MW solar power plant project in Jabrayil.

On 15 December, 2022, the Ministry of Energy of the Republic of Azerbaijan and Fortescue Future Industries (FFI) of Australia entered into a Framework Agreement to collaboratively explore and advance renewable energy initiatives, particularly the potential of “green hydrogen,” within Azerbaijan. This agreement encompasses a thorough examination and implementation of projects spanning a combined capacity of up to 12 GW dedicated to the generation of renewable energy and green hydrogen within Azerbaijan.

The construction of a 230 MW solar power plant by the UAE-based company Masdar and a 240 MW wind power plant by the Saudi Arabian company ACWA Power is currently in progress. Additionally, the Ministry of Energy of the Republic of Azerbaijan has signed executive agreements with Masdar pertaining to the evaluation, development, and execution of onshore, industrial-scale, 1 GW solar and 1 GW wind energy projects, as well as 2 GW offshore, integrated wind and green hydrogen projects.

The government took a significant step towards promoting the use of green energy by entering a memorandum of understanding with Georgia, Romania, and Hungary in December 2022. The aim of this agreement is to collaborate in the development and transmission of renewable energy through an electric cable installed beneath the Black Sea. To ensure the successful implementation of this project, a thorough feasibility study of the installation of electric cables is expected to be completed by the end of 2023.

In December 2022, the Ministry of Energy signed a MoU with the European Bank for Reconstruction and Development. This collaboration aims to secure support for the development of a low-carbon and climate-resilient power sector in Azerbaijan.

Green finance

Currently, the measures to implement green finance in Azerbaijan's financial system are fragmented. The level of awareness of sustainable finance within the financial sector is inadequate; there is no regulatory framework for sustainable finance; and there is a lack of classification for sustainable activities, financial instruments, mechanisms, and risk management systems in financial institutions.

To address these issues, the Central Bank of Azerbaijan has developed a roadmap for sustainable finance from 2023 to 2026. This roadmap incorporates the best international practices and aims to integrate climate-related and ESG (Environmental, Social, and Governance) factors into the decision-making and risk management processes of financial intermediaries. It also focuses on developing standards, creating an ecosystem for sustainable financial instruments, and promoting financial stability.

The ultimate objective of this roadmap is to foster the emergence of sustainable finance that considers climate-related and environmental risks as well as social and governance factors while ensuring financial stability. To achieve these goals, the roadmap includes measures to ensure equitable financial access for various social groups such as gender, age, and persons with physical or mental disabilities. It also aims to improve financing options for micro, small, and medium enterprises; enhance the possibilities of digital financial services; develop microfinancing; deepen financial inclusion; and improve corporate governance in banks.

By implementing a Sustainable Finance Roadmap, Azerbaijan aims to foster the development of a sustainable financial system that actively considers environmental, social, and governance factors. This will not only contribute to addressing climate-related and environmental risks but also promote inclusive and responsible economic growth.

Green buildings

The State Agency on Alternative and Renewable Energy Sources (SAARES) was established in 2011 to oversee energy projects, including those related to green buildings. SAARES has facilitated the development of energy-efficient buildings and has been actively involved in raising awareness of sustainable construction techniques. The government has also taken steps to encourage green building certification to promote sustainable urban development. The Green Building Council Azerbaijan (GBCA) was established to certify buildings based on their environmental performance, awarding LEED certification to those that meet the high standards.

Azerbaijan has also made significant progress in promoting the use of sustainable building materials. Local authorities provide incentives to builders who choose these materials, and the government has established partnerships with local suppliers to ensure their steady availability. SAARES has collaborated with manufacturers to promote energy-efficient windows, insulation materials, and solar panels, thereby reducing the environmental impact of construction projects.

Energy efficiency is a key focus of Azerbaijan's green buildings. The government has implemented building codes and regulations that enforce energy performance standards, and renewable energy sources have been integrated into architectural designs to generate clean electricity.

To further promote green building practices, Azerbaijan raises public awareness and provides education on eco-friendly practices. SAARES conducts workshops and training programs for professionals and the public. Educational institutions have incorporated sustainable building concepts into their curricula, ensuring that future professionals are equipped with the necessary knowledge and skills.

SDG Investor Map and the Impact Investing Ecosystem Study

The National Coordination Council on Sustainable Development, a department of the Ministry of Economy of the Republic of Azerbaijan, organized the Second Baku Forum on Sustainable Development on 15 and 16 November, 2023. The forum aimed to advance progress

towards the Sustainable Development Goals at both national and global level and was conducted in partnership with the United Nations Development Programme (UNDP).

The Azerbaijan SDG Investor Map was introduced on the first day of the forum. This tool provides valuable market intelligence to investors, enabling them to identify investment opportunities that align with a country's SDG priorities. The Azerbaijan SDG Investor Map focuses on ten specific areas for investment within four key priority sectors: Infrastructure (such as industrial wastewater treatment, non-hazardous waste disposal and recycling, and hazardous waste recycling), Renewable Resources & Alternative Energy (including large-scale wind and solar farms, as well as carbon capture technology), Food and Beverage (highlighting modern irrigation methods and software solutions for agriculture and food processing), and Services (with a focus on tourism).

In addition, the forum included a presentation on the Impact Investing Ecosystem Study in Azerbaijan. This study provides a comprehensive analysis of a country's investment landscape and stakeholder mapping. It was developed by the Istanbul International Center for the Private Sector in Development (ICPSD), a part of UNDP, with the goal of promoting sustainable investing guided by the SDGs.

GHG Emissions

Azerbaijan joined the global pursuit of mitigating climate change by ratifying the Paris Climate Agreement in 2017 and committing to Nationally Determined Contributions (NDC) to that international agenda. In addition, Azerbaijan voluntarily committed to green economic actions in the Batumi Initiative on Green Economy (BIG-E).

On the one hand, the nation has willingly committed to achieving a 35% reduction in greenhouse gas (GHG) emissions by 2030 compared to the levels observed in 1990 (through the NDCs). However, since 2010, there has been a significant surge in energy demand, primarily fuelled by increasing urbanization and a threefold increase in energy demand from the transportation sector. In 2019, carbon dioxide (CO₂) emissions accounted for over 70% of Azerbaijan's total GHG emissions, as reported by the EU (2021) and World Bank (2022).

Additionally, fugitive emissions such as unintentional methane release from the oil and gas industry were estimated to have contributed approximately 13.8% of the nation's overall GHG emissions in the same year. Over the years, Azerbaijan has experienced a decrease in energy intensity, plummeting from 6.93 kWh in 1995 to 0.91 kWh in 2010, and averaging 1.13 kWh from 2010 to 2018. In parallel, CO₂ productivity exhibited a more than threefold increase between 2000 and 2010, subsequently stabilizing at that level. This trend can primarily be attributed to slower growth in CO₂ emissions compared to the expansion of the country's GDP (*ibid.*).

Azerbaijan's performance in the UN Sustainable Development Goals Index

The SDG Index is an assessment of each country's overall performance on the 17 SDGs, giving equal weight to each goal (Sachs et al., 2023). The score indicates a country's position between the worst possible outcome (a score of 0) and the target (a score of 100). The dashboard and trend arrows help identify priorities for further actions and indicate whether countries are on or off track to achieve their goals and targets by 2030, based on the latest trend data. The 2023 SDG Index edition includes 97 global indicators. Two-thirds of the data come from official statistics (typically from United Nations custodian agencies), with one-third from non-traditional statistics, including research centres, universities, and non-governmental organizations.

Since 2015, the SDG Index and Dashboards have been peer-reviewed, and the global edition was statistically audited by the European Commission in 2019 (Schmidt-Traub et al. 2017; Papadimitriou, Neves, and Becker 2019). More detailed information is available in the detailed methodology paper (Lafortune et al. 2018), and in Lafortune et al. (2020). The SDG index scores serve as a valuable tool for monitoring a country's progress in achieving sustainable development. Analysing these data can help identify both areas of success and those that may require more attention or targeted interventions.

In 2015, Azerbaijan committed to implementing the 2030 Agenda for Sustainable Development and adopted SDGs as a roadmap for its national development policies. The government established the National

Coordination Council on Sustainable Development and established bilateral and multilateral cooperation with local and international organizations. At the national level, Azerbaijan prioritized 88 targets and 119 indicators across all 17 SDGs. Azerbaijan also accepted the 18th National Sustainable Development Goal on Mine Action Activities in April 2023.

Table 1
Averages and deviations from the average for the countries
of the former Soviet Union

	SDGi (2022)	SDGi - average
Armenia	73.3	5.3
Azerbaijan	73.5	5.5
Belarus	77.5	9.5
Georgia	75.0	7.0
Kazakhstan	71.6	3.6
Kyrgyz Republic	74.4	6.4
Russian Federation	73.8	5.8
Tajikistan	69.2	1,,2
Turkmenistan	68,5	0.5
Ukraine	76.5	8.5
Uzbekistan	71.1	3.1
Global average	68.0	

The data show a noteworthy advancement in Azerbaijan’s development goals, with a consistent upward trend from 62.34 (2000) to 73.53 (2022). This indicates a positive trajectory in the progress of the country. While the changes in scores appear to be gradual, a closer look reveals significant improvements in specific indicators, with notable strides in the following areas:

- Prevalence of undernourishment (2001: 17; 2007: 2.5)
- Maternal mortality rate per 100,000 live births (2000:55.52; 2019:26.87).
- Neonatal mortality rate per 1,000 live births (2000:34.27; 2021:9.51)
- Mortality rate, under-5 per 1,000 live births (2000:74.59; 2021:18.59)
- Participation rate in pre-primary organized learning: % of children aged 4 to 6 (2010:30.37; 2021:83.81)
- Lower secondary completion rate (2000: 38.25; 2021: 107.84)
- Population using at least basic drinking water services (2000:73.59; 2020:96.04)
- Population using basic sanitation services (2000:62.28; 2019:96.13)
- Population with access to clean fuels and technology for cooking (2000:70.3; 2020:96.8)
- Unemployment rate of the total labour force, ages 15+ (2000:11.78; 2023:5.36)
- Population using the internet (2000: 0.15; 2021: 86)
- Mobile broadband subscriptions (2008: 0; 2021: 68.85)

According to the Sustainable Development Report 2023, the status of SDG targets for Azerbaijan (% trend indicators) is as follows:

- Achieved or on track: 48.3%
- Limited progress: 34.5%
- Worsening: 17.2%

The Environmental Performance Index

The Environmental Performance Index (EPI) provides a data-driven summary of the state of sustainability worldwide (Wolf et al., 2022). The EPI assesses environmental performance in 180 countries by evaluating 40 performance indicators across 11 categories. This evaluation measures each country's progress in terms of climate change, environmental health, and ecosystem vitality. These indicators serve as national-scale indicators to determine the extent to which countries

meet the established environmental policy targets. The EPI offers a scorecard that identifies both leading and struggling countries in terms of environmental performance while also providing practical advice to countries aiming for a sustainable future. Countries with high scores demonstrate an enduring commitment to implementing policies that safeguard environmental health, preserve biodiversity and habitats, conserve natural resources, and decouple greenhouse gas emissions from economic growth.

Table 2
EPI averages for the countries of the former Soviet Union.
For an explanation of the abbreviations see Figure 2.

	EPI (2023)	PCC	HLT	ECO
Armenia	48.30	41.40	40.70	58.10
Azerbaijan	38.60	36.40	30.70	44.40
Belarus	48.50	39.60	51.10	55.40
Georgia	39.10	43.60	37.50	35.70
Kazakhstan	40.90	34.90	37.50	48.10
Kyrgyz Republic	35.70	34	29.10	40.40
Russian Federation	37.50	29.10	50.60	39
Tajikistan	37.10	27.30	16.60	55.70
Turkmenistan	37.00	30,20	42.30	40.70
Ukraine	49.60	54.70	43.60	48
Uzbekistan	38.20	41.30	26.50	41
Global average	42.90	40.4	42.9	45.1

Figure 2.

EPI metrics for Azerbaijan in the EPI 2022 database. The 40 performance indicators are grouped into 11 issue categories, which are in turn aggregated into three policy objectives (Source: epi.yale.edu)

Policy Objective	Issue Category	TLA	Wt.	Indicator	TLA	Wt.
Climate Change PCC (38%)	Climate Change Mitigation	CCH	100%	Projected GHG Emissions in 2050	GHN	36.3%
				CO ₂ Growth Rate	CDA	36.3%
				CH ₄ Growth Rate	CHA	8.7%
				CO ₂ from Land Cover	LCB	3.9%
				GHG Intensity Trend	GIB	3.9%
				F-Gas Growth Rate	FGA	3.7%
				Black Carbon Growth Rate	BCA	2.6%
				GHG Emissions per Capita	GHP	2.6%
				N ₂ O Growth Rate	NDA	1.8%
Environmental Health HLT (20%)	Air Quality	AIR	55%	PM _{2.5} Exposure	PMD	47%
				Household Solid Fuels	HAD	38%
				Ozone Exposure	OZD	5%
				NOx Exposure	NOE	5%
				SO ₂ Exposure	SOE	2%
				CO Exposure	COE	2%
				VOC Exposure	VOE	2%
	Sanitation & Drinking Water	H2O	25%	Unsafe Drinking Water	UWD	60%
				Unsafe Sanitation	USD	40%
	Heavy Metals	HMT	10%	Lead Exposure	PBD	100%
	Waste Management	WMG	10%	Mismanaged Solid Waste	MSW	50%
				Recycling Rates	REC	25%
				Ocean Plastic Pollution	OCF	25%
Ecosystem Vitality ECO (42%)	Biodiversity & Habitat	BDH	43%	Terrestrial Biome Protection (national)	TBN	22.2%
				Terrestrial Biome Protection (global)	TBG	22.2%
				Marine Protected Areas	MPA	22.2%
				Protected Areas Rep. Index	PAR	14%
				Species Habitat Index	SHI	8.3%
				Species Protection Index	SPI	8.3%
				Biodiversity Habitat Index	BHV	3%
	Ecosystem Services	ECS	19%	Tree Cover Loss	TCL	75%
				Grassland Loss	GRL	12.5%
				Wetland Loss	WTL	12.5%
	Fisheries	FSH	11.9%	Fish Stock Status	FSS	36%
				Marine Trophic Index	RMS	36%
				Fish Caught by Trawling	FTD	28%
	Acid Rain	ACD	9.5%	SO ₂ Growth Rate	SDA	50%
				NO _x Growth Rate	NXA	50%
	Agriculture	AGR	9.5%	Sustainable Nitrogen Mgmt. Index	SNM	50%
				Sustainable Pesticide Use	SPU	50%
	Water Resources	WRS	7.1%	Wastewater Treatment	WWT	100%

The most significant gap in Azerbaijan can be seen in the Environmental Health (HLT) policy objective. We examined the reasons for this in detail by examining the various issue categories. The results are the following:

AIR: 22.1, H2O: 45.6, HMT: 40.4, WMG: 30.8

Indicators: **PMD:2**, HAD: 40.6, OZD: 35.5; NOE: 32.7; SOE: 38.9; COE: 59.4; VOE: 42.7

Based on the air quality indicators, the biggest problem is PMD (PM_{2.5} exposure), Improvements in this indicator can be expected from the modernisation of transport and industry.

Table 3.

Deviations from the EPI global average for the countries of the former Soviet Union. For an explanation of the abbreviations see Figure 2.

	EPI – average	PCC – average	HLT – average	ECO – average
Armenia	5.4	1.0	-2.2	13.00
Azerbaijan	-4.3	-4.0	-12.2	-0.70
Belarus	5.6	-0.8	8.2	10.30
Georgia	-3.8	3.2	-5.4	-9.40
Kazakhstan	-2.0	-5.5	-5.4	3.00
Kyrgyz Republic	-7.2	-6.4	-13.8	-4.70
Russian Federation	-5.4	-11.3	7.7	-6.10
Tajikistan	-5.8	-13.1	-26.3	10.60
Turkmenistan	-5.9	-10.2	-0.6	-4.40
Ukraine	6.7	14.3	0.7	2.90
Uzbekistan	-4.7	0.9	-16.4	-4.10

Cross-Border Pollution and Environmental Cooperation in the South Caucasus

For Azerbaijan, there are major environmental problems in the region, the solution of which does not depend only on Azerbaijan. Although the country is working to restore its environment, which has been affected by the war for 30 years, it needs international support in transboundary environmental problems. Two main environmental problems can be highlighted.

First one is the transboundary river pollution. The important environmental problem of the region is the pollution of the transboundary Okchuchay River (Armenian: Voghji River) by Armenia. The Okchuchay, with a length of 84 kilometers (52 miles), flows from Armenia into Azerbaijan. According to data provided by Armenia's Ministry of Ecology the Okchuchay is one of Armenia's most polluted rivers and has been classified as Class 5 in terms of pollution, the highest possible level. Research by Armenian experts (A. V. Gabrielyan, G. A. Shahnazaryan and S. H. Minasyan, 2018). The root causes of the river's pollution were lack of management and planning, poor operating experience and inadequate waste management.

The heavy metal production complexes such as Copper Molybdenum Combine, which is located upstream of the Okchuchay River in the territory of Kajaran city, in the southeast of Armenia and another one is Kapan Polymetal, is located downstream of the Okchuchay River.

The Ministry of Ecology of Azerbaijan conducted monitoring in the river and discovered that the level of pollution of the Okchuchay River is higher than other border rivers. The amount of nickel exceeds seven times the norm, iron four times and copper-molybdenum compound two times. According to an evaluation by the U.N. Economic and Social Council (ECOSOC) dating back to 2007, the ecological and chemical status of the Okchuchay River system is "not satisfactory for aquatic life"

Another river pollution problem may occur in the Araz River, one of the largest rivers in the region. Thus, the new and large Yeraskh metal smelting plant is planned to be built near the Araz river (Nazrin Baghirova 2023). Although the construction of the mentioned metal smelting plant was stopped after successive protests, it was planned to be built the plant in the area near the Araz river but far from the border.

The second one and most horrifying regional environmental issue is the “Metsamor” Nuclear Power Plant (NPP). The “Metsamor” is the last of its kind of nuclear power plant. Built in 1960’s old model of using a pressurised water reactor is often cited as the most dangerous kind of nuclear power plant. The NPP poses a potential threat not only to the Armenia and the whole South Caucasus region but the broader region, populated tens of millions of people. European Union had made several calls for the NPP and similar facilities in Balkans as Bulgaria, Slovakia and Lithuania to be shut down. All but “Metsamor” were closed.

Ecological Footprint

Ecological footprint is an indicator developed by the Global Footprint Network (GFN) to measure a country’s ecological impact. It measures the amount of land required to support a country’s consumption and waste disposal patterns (Wackernagel and Rees, 1995). The ecological footprint includes land used for food, timber, energy, and infrastructure. It also includes land required to absorb carbon emissions and other pollutants. It is a useful indicator of sustainability because it reflects how human activities impact the environment and how sustainable the current consumption patterns are. Additionally, the ecological footprint has been widely adopted by international organizations, such as the United Nations, as a measure of sustainability. The ecological footprint is versatile and provides many possibilities for analysis (Kocsis, 2014). The ecological footprint for each country is expressed in terms of global hectares (gha) per person. The global average ecological footprint for the last available year (2018) is 2.8 gha per person, while biocapacity (the number of hectares available to each person) is 1.6 gha per person (GFN 2018). This means that the resources of the Earth are overused by 75%.

An analysis of ecological footprints reveals a significant disparity between countries in terms of their impact on the environment. High-income countries tend to have higher ecological footprints per capita, indicating that their lifestyles are highly resource intensive. These countries tend to have higher levels of consumption and waste generation. The countries with the highest ecological footprint per capita include Qatar (with an ecological footprint of 14.27 hectares per person), Luxembourg (12.95),

Bahrain (8.17), the United States of America (8.12), and the United Arab Emirates (8.1). These countries consume a high level of energy and rely heavily on fossil fuels for their energy needs.

On the other hand, low-income countries tend to have lower ecological footprints per capita, indicating that their lifestyles are more sustainable. According to GFN's 2018 data, the best-performing countries according to the ecological footprint indicator are Yemen (with an ecological footprint of 0.5 hectares per person), Timor-Leste (0.59), Haiti (0.64), Afghanistan (0.69), and Rwanda (0.75). However, this does not imply that these countries live well due to their low levels of resource consumption.

Table 4
Ecological footprint of Azerbaijan.

Record	Built-up Land	Carbon	Cropland	Fishing Grounds	Forest Products	Grazing Land	Total
Consumptive Environmental Footprint Per Capita	0.05	1.19	0.78	0.01	0.12	0.21	2.36
Biocapacity Per Capita	0.05	0	0.61	0.01	0.1	0.17	0.94

According to the GFN, Azerbaijan's ecological footprint in 2022 was 2.36 gha/capita, nearly half of which is its carbon footprint. This raises questions about the likely success of its climate policy under the EPI.

Summary

Azerbaijan's economy is heavily dependent on oil and gas production, which accounts for a large portion of its GDP and export revenue. The country has experienced rapid economic growth in recent years, but its economy is skewed towards the hydrocarbon sector. Azerbaijan's

strategic location makes it a potential hub for East-West transport cooperation, but its reliance on the energy sector presents a challenge for achieving balanced growth.

Based on the analyses of various country-level sustainability performance data, Azerbaijan is currently grappling with several complex issues that span various aspects of society. Addressing these multifaceted challenges requires a comprehensive and coordinated approach from all stakeholders. Policymakers, government bodies, and relevant organizations must collaborate to develop strategic policies and allocate sufficient investment. Simultaneously, societal efforts and community engagement must be fostered to create awareness, encourage active participation, and mobilize collective action towards achieving the development goals of the United Nations.

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The European Union's Approach to the Southern Caucasus

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<https://doi.org/10.47706/KKIFPR.2023.2.164-175>

Abstract: This article analyzes the behavior of the European Union towards to the South Caucasus, especially Azerbaijan. The research targets the European Parliament's members' perception to Azerbaijan, using a novel dataset of plenary speeches in the EP in the current 2019-2024 EP term. Based on a wide range of factors and reasons behind the EU actions, as well the consequences from certain diplomatic engagements, they are designed to highlight all hurdles and complexities which persist in international relations.

Keywords: South Caucasus, European Parliament, Azerbaijan

Introduction

The European Union's (EU) foreign policy direction has been continuously altering based on various aspects including the geographical proximity, economic conditions and cultural differences. According to Malovec (2023), the EU focuses its foreign policy direction based on the Common Foreign and Security Policy (CFSP) which was created in 1993 by the Treaty on European Union (TEU). Indeed, many subsequent treaties including the Maastricht Treaty in 1993 have been instrumental to strengthen the CFSP directions (European Union External Action, 2020).

The CFSP was created as a tool to promote international cooperation and the interests of EU states in foreign policy by ensuring peace, security on an international level and creating democratic values including human rights. This policy is built on the basics of the UN Charter, which reflects

that European Union stays committed to international diplomacy and adheres by rules of international behavior. Importantly, the CFSP covers policy on Common Security and Defence Policy (CSDP), a core component in how the EU approaches crisis management through employment of both civilian and military assets (Kaskina, 2023). In real-life applications, the strategic orientation of CFSP encompasses emerging global political challenges, including conflicts in neighboring territories and aggressive aspirations on the part of great powers such as Russia or China (EUR-Lex., 2011). Over time, the CFSP has been increasingly integrated into other sectors of the EU external relations such as trade policy, association and policy development cooperation and internal security which are conducted via the Community Method (European Commission, n.d.).

It is important to note that common EU foreign policy is not existing. There are soft, iterate approaches based on liberal foundations, but these will not be enough in key regions. Consequently, member states will build pragmatic foreign policy and economic relations in the region according to their own interest, resulting in becoming each other's competitors. EU is still keeping its status and presence as a soft power, admitting its limited capacity to mobilise the member states to support an agenda more focused on hard power issues (Vasa, 2020).

The European Union's controversial attitude to the region

One of the foreign policy directions of the EU is dedicated to the South Caucasus region. The key goal of the European Union in its policy towards the Caucasus regarding socio-economic aspect is to promote progress of a market economy and creation of favorable conditions for business to attract investors from Europe. The EU provides considerable financial aid with a focus on the countries of Commonwealth of Independent States (CIS) through its technical assistance program, CIS (European Commission, 1992). So as to help in this aid, the EU has established Technical Assistance for the Commonwealth of Independent States (TACIS) program. This program has the following central goal to be

achieved – fostering of development in Central Asia-Caspian Sea-South Caucasus-Black sea transit line by using highways at maximum (Meister, 2022). The EU's increasing interest in the South Caucasus countries stems from the organization's expansion, which now encompasses the Black Sea.

There is an apparent inclination within the EU to treat the South Caucasus as a unified region, possibly driven by a strategy that, to some extent, surpasses individual states with shared geopolitical criteria (Deen et. al., 2023). Nevertheless, the practical experience has shown a certain extent of inconsistency between what EU advocacy holds and its behavior. The practice shows that double standards are used towards the Caucasian states, and it is not possible for the EU to have a great impact in the region if it continues to sustain it.

In the Ukraine case, therefore, European Union's approach emphasizes on its two-tier standards of striking a balance between self-determinism and territorial integrity. The support of the EU for Ukraine has been consistent, particularly after Russia occupied Crimea in 2014 and war began to explode on the east side (Matsaberidze, 2015). This support has increased especially after Russia's large-scale attack on Ukraine in 2022.

The first premise lies in the considerations of a fundamental legal framework governing international relations as established by the UN Charter which accentuates on states, their sovereignty and territorial integrity. Any threat or use of force to the boundaries and territorial integrity of any state, or political independence is forbidden by the Charter of Article 2(4) in which the EU has taken it as a leading principle in Ukrainian case (Bellinger, 2022). The Russian take-over of Crimea in 2014 and the subsequent invasion, which resulted thereafter, across eastern Ukraine have been widely considered as contraventions of this principle.

For the retaliation of these actions, EU together with other international communities have referred to several resolutions delivered by UN general assembly as well as Security Council to condemn Russia's acts and at the same time affirming that Ukraine is a sovereign country. In a noteworthy manner, UN General Assembly Resolution 68/262 that was passed in the year 2014 reconfirmed Ukraine's sovereignty

and territorial integrity from within its borders as internationally recognized, and it underlined once again by invalidity of Crimea referendum in same year.

In addition, the position of EU on the matter is also driven by its international treaty obligations and its own legislative structure. A much important document in this connection is the EU-Ukraine Association Agreement, effected in 2017 (Krasnodębska, 2021). It enhances political association and economic integration in the context of wider support for EU relations with Ukraine which is based on shared commitment to international law principals, the fundamental values such as democracy, rule of law and human right.

Economic sanctions have also been employed by the EU as a measure to reinforce international law. The US and the EU imposed sanctions on Russia with the objective to affect its policy in regard to support of separatist groups, which were created after they declared independence in Luhansk and Donetsk areas.

The EU's strategy towards Ukraine rests on three main pillars: the reinstating the territorial integrity of Ukraine, focusing on economic sanctions and isolation of Russia within international community and depending upon American support. The leaders of Europe said that they were committed to supporting Ukraine until Russia withdraws from all the territory it occupied. The EU reacted to the conflict with multiple sanctions against Russia and, simultaneously, offered Ukraine diverse kinds of support (Le Gloannec, 2015). Moreover, the EU has provided substantial financial assistance to Ukraine, including grants and loans as well as support in such issues like the green transition, economy, and education. However, the EU's strategy remains a debatable subject, including its efficiency and capability of keeping up in the long term. If the US political landscape changes and Europe needs to reduce its dependence on the United States, it would be unsustainable for them.

On the other hand, when the EU's foreign policy approach is analyzed from the different perspectives, it reveals that there is no unanimous approach. For instance, in the case of Azerbaijan-Armenia conflict over previously called Nagorno-Karabakh, the EU's stance is much more inclined toward the ideology of so called "self-determinism" rights of

the Armenians residing in the internationally recognized territories of Azerbaijan. Although the invasion of the internationally recognized territories of Azerbaijan by the separatists of Armenia had been the same type of the violation of the territorial integrity principle, the EU's approach has been proving that there are double standards when it comes to the different scenarios (Saari et. al., 2021).

It is an obvious fact that the conflict that has its roots in the late Soviet era transformed into a major war both in early 1990s and again in 2020. The EU has officially stated that it respects international law on the territorial integrity of Azerbaijan. Nevertheless, the position becomes a little bit more complex if viewed through all those humanitarian aspects and rights of ethnic Armenians living in Karabakh region.

The EU has taken part in humanitarian assistance and calling for protection of all civilians within the region. It is an undeniable fact that self-determination approach is based on the historical context of decolonization, and this principle finds its legal support within both the UN Charter and a number of international documents drawn up during 1950's such as International Covenant on Civil and Political Rights. In general, it is not understood that provision supports the secession of regions from sovereign states without consent. Therefore, in conflicts over territories, the principle of territorial integrity usually surpasses others.

In contrast, it is much clearer that the EU adheres to principles of international law in its response to Ukraine crisis where Russia annexed Crimea 2014 and supported separatist movements in Eastern Ukraine. On the other hand, the EU has given a very strong stand supporting Ukraine's territorial integrity as well as condemning Russia's actions on grounds that they violate international law. Hence, the principle of territorial integrity resonates with EU's strategic interests in relation to Ukraine comprising the stability aspect of its eastern borders and the wider European security architecture. The EU's support for Ukraine also mirrors its wider pursuit of the geopolitical contest with Russia and has avowed commitment to assisting post-Soviet states in their Euro-Atlantic integration. However, when it comes to the case of Azerbaijan-Armenia conflict and the territorial integrity of Azerbaijan, the EU's stance could be aligned as dual standards.

The Eastern Partnership program of the EU focuses on enhancing relations with countries in Eastern Europe and South Caucasus, which also includes Armenia and Azerbaijan. This implies a balanced, mutual relationship-building without sharply advocating for either party in the Karabakh issue. There is a number of factors, which influence diplomacy of the EU in the region, such as its energy interests, the stability of the South Caucasus, and its relations with key regional players like Russia and Turkey. The difference in the policy approach by the EU concerning its support for territorial integrity regarding Ukraine and its more variegated support to other stakeholders within Armenia-Azerbaijan conflict showcase hurdles that may hinder the adoption of a coherent approach about these issues respectively, on a case-by-case basis.

Moreover, the EU's dual standard approaches are also visible from the application and promotion of human rights including minority rights (Griera, 2023). The position of the EU in relation to the Armenia-Azerbaijan conflict, particularly throughout and following 2020 war, puts doubt on sustainability of its role as enforcer or promoter of international law towards ensuring a reign environment. The actions and statements of the EU have been viewed as less strong against Armenia for its military presence in Azerbaijani territory, despite calls to Azerbaijan to measure up with international human rights law standards especially related to human rights protection for minorities. Furthermore, attention has been drawn to the EU being less than willing to state openly that Armenian military forces should have left Azerbaijani territory and reproach provoking actions or statements (Tuminez, 2003). This, however stands against the EU'S resolution on territorial integrity in Ukraine's case with Russia thus showing a differential approach to similar issues of territory and self-determination.

Another important thing to consider about the circumstance is that of a diplomatic and humanitarian responsibility of the EU in relation with Karabakh region. As a result of the wars fought in 2020, European Union has tried to emerge as an important player to mediate negotiations between Armenia and Azerbaijan. The fact that the role of the EU increases can also be noticed in light of the loss of the power by OSCE Minsk Group, traditionally chaired by Russia, France and United States on one hand and changing geopolitical dynamics due to war in Ukraine.

The involvement of the EU is perceived to balance Russian influence within the region, and provides a platform for Azerbaijan and Armenia to engage in dialogue.

However, the allocation of financial aids and resources has been a cause for concern because it is regarded as unequal by many in EU. For instance, the EU provides much more aid to Armenia than Azerbaijan. This then questioned the discrepancy, especially with regard to destruction meted on Azerbaijani's territories from the conflict and humanitarian needs. These actions help to create and maintain the EU's perception of bias regarding their approach toward this particular conflict.

In addition, it was seen that the EU engaged representatives of previously called "Nagorno-Karabakh" primarily ethnic Armenians but made no parallel attempt to engage Azerbaijanis displaced from territories historically called Western Zangezur and now is under control of Armenia. This, this can be considered as double standard. This is very much relevant to the historical context of fighting, where ethnic Azerbaijanis were forced to flee from their lands in what is now Armenia, becoming refugees.

European Parliament and its controversial approaches

The Parliament's attitude towards Azerbaijan in especially the Karabakh conflict has shown a layered and complex perspective that is sometimes seen as biased or inconsistent by different actors. While intended to safeguard international law and human rights, the Parliament's resolutions and activities have also found themselves under severe criticism for double standards, especially when they are compared with Ukraine.

The European Parliament has also strongly spoken against Azerbaijan's local military activities in Karabakh region which were hypothetically considered as violations of international law and human rights. The condemnation has also gone as far as demanding targeted sanctions on Azerbaijani officials and the rethink of EU-Azerbaijan relations. The resolutions revolving around protecting the ethnic Armenians

in the said area and denunciation of what they call ethnic cleansing that has been taking place according to their Parliament (European Parliament, 2023). Although this position is a great dedication to the safeguard of human rights and the protection of minority groups, it is not applicable to the situation in internationally recognized territories of Azerbaijan. It is due to the fact that Azerbaijani side has explicitly stated that it is local anti-terror actions targeting the remnants of the military groups aspiring to revive the secession activities.

On the contrary, this method differs significantly from how the Parliament has dealt with similar conflicts, like Ukraine crisis. Regarding Ukraine, the European Parliament has closely supported its territorial integrity and sovereignty amid Ukrainians' vigorous opposition of Russia as an aggressor. This unequivocal stand has been also defined by strong economic and political backing of Ukraine which complies with overall goals in the domain of the EU foreign policy as well as principles adopted under international law.

The difference of approach towards conflict over Karabakh and the Ukrainian crisis by European Parliament regarding to consistency concerns the foreign policy application. Critiques, including Azerbaijan's Milli Majlis have claimed that the Parliaments have been demonstrating the double standards (News.az, 2023). The very strong stance of the Parliament against Azerbaijan's actions in Karabakh and simultaneous support for Ukraine's integrity these complex issues on self-determination as well as territorial sovereignty, simply show that there are perceived inconsistencies.

In addition, the European Parliament's policy is shaped by a wide range of geopolitical and strategic interests. As for Karabakh, the Parliament resolutions and activities seem likely to be informed by broader EU concerns over stability in South Caucasus region relations with key regional powers such as Russia or Türkiye. Energy interests are also connected but it is not directly linked here. This dimension affords multiplicity to the Parliamentary method and can sometimes seem awkward or unbalanced when observed from various points.

Finally, it is important to take a look at what legislative data tells about the perception of the Members of the European Parliament to Azerbaijan. Using a novel dataset of plenary speeches in the EP in

the current 2019-2024 EP term, we quantified the number of speeches including relevant expressions to Azerbaijan. We also applied text emotion detection techniques to identify the attitudes of the speeches in a three-category scale: negative, neutral and positive. So far, there were 740 EP plenary speeches dealing with Azerbaijan. The results of the analyses were as follows.

As for the EP Group categorization we can see that the most negative group to Azerbaijan was the left-wing GUE/NGL and the Greens/EFA Group, 75% and 73,2% respectively. The most positive ones were the ID and non-instruct MEPs, with 24.7% and 24.2% respectively.

EP Group	negative	neutral	positive	total	negative	neutral	positive
ECR	40	39	13	92	43.5%	42.4%	14.1%
EPP	109	54	22	185	58.9%	29.2%	11.9%
GUE/NGL	39	11	2	52	75.0%	21.2%	3.8%
Greens/EFA	52	7	12	71	73.2%	9.9%	16.9%
ID	57	7	21	85	67.1%	8.2%	24.7%
NI	22	8	3	33	66.7%	24.2%	9.1%
RE	49	13	12	74	66.2%	17.6%	16.2%
S&D	101	32	15	148	68.2%	21.6%	10.1%

Source: European Parliament, Eulytix collection¹

¹ www.eulytix.eu

As for the Member States breakdown, the results are as follows:

Member State	negative	neutral	positive	total	negative	neutral	positive
Austria	8	5	0	13	61.5%	38.5%	0.0%
Belgium	9	1	0	10	90.0%	10.0%	0.0%
Bulgaria	23	23	4	50	46.0%	46.0%	8.0%
Croatia	9	11	11	31	29.0%	35.5%	35.5%
Cyprus	23	9	2	34	67.6%	26.5%	5.9%
Czechia	19	12	4	35	54.3%	34.3%	11.4%
Denmark	3	1	0	4	75.0%	25.0%	0.0%
Estonia	32	10	7	49	65.3%	20.4%	14.3%
Finland	1	1	0	2	50.0%	50.0%	0.0%
France	76	4	20	100	76.0%	4.0%	20.0%
Germany	43	18	8	69	62.3%	26.1%	11.6%
Greece	9	11	1	21	42.9%	52.4%	4.8%
Hungary	2	2	0	4	50.0%	50.0%	0.0%
Ireland	5	1	1	7	71.4%	14.3%	14.3%
Italy	31	5	11	47	66.0%	10.6%	23.4%
Latvia	0	2	0	2	0.0%	100.0%	0.0%
Lithuania	11	3	3	17	64.7%	17.6%	17.6%
Netherlands	30	11	5	46	65.2%	23.9%	10.9%
Poland	10	21	7	38	26.3%	55.3%	18.4%
Portugal	11	0	2	13	84.6%	0.0%	15.4%
Romania	8	0	0	8	100.0%	0.0%	0.0%
Slovakia	22	6	3	31	71.0%	19.4%	9.7%
Slovenia	7	2	0	9	77.8%	22.2%	0.0%
Spain	46	7	5	58	79.3%	12.1%	8.6%
Sweden	31	5	6	42	73.8%	11.9%	14.3%

Source: European Parliament, Eulytix collection²

Data show that relatively MEPs from Portugal, Belgium and Romania were the most negative to Azerbaijan, while on the positive side, there are Croatia and Italy.

Conclusion

To conclude, though the fact that the European Union is actively engaged in these regions there is a clear indication of the EU's dedication to peacebuilding and stability maintenance. However, at the same time it creates prepositions on double standards approach which poses as a challenge for consistent foreign policy. Based on a wide range of factors and reasons behind the EU actions, as well the consequences from certain diplomatic engagements, they are designed to highlight all hurdles and complexities which persist in international relations. Meanwhile, the promotion of international law and human rights have yet to be fully developed, but rather they continue with evolution in the manner typical of any project undertaken by pragmatist approaches with dual standards.

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Azerbaijan's demining process

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<https://doi.org/10.47706/KKIFPR.2023.2.176-187>

Abstract: Azerbaijan's victory in the Second Karabakh War of 2020 has marked a significant turning point in the conflict. This triumph has set the stage for Azerbaijan to embark on the path of rebuilding and repopulating the Karabakh region and its surrounding districts. However, amidst the myriad of challenges, one formidable obstacle remains the threat of landmines and explosive remnants of war (ERW). This paper delves into the complexity of Azerbaijan's demining challenge, contextualizing it within the historical framework of the Karabakh conflict. It examines the scale of contamination and the multifaceted issues hindering progress, emphasizing the critical role of demining not only for the safe return of displaced populations but also for revitalizing the local economy and ensuring long-term stability in the region. As Azerbaijan confronts this formidable task, it grapples with the complexities of international relations, logistical hurdles, and the imperative to garner both national and international support. Ultimately, the paper raises the overarching question: can a successful demining process contribute to lasting peace and stability in the aftermath of the Karabakh conflict? It argues that the success of demining efforts is not only crucial for mitigating immediate threats but also for fostering confidence-building measures and facilitating broader reconciliation efforts between Azerbaijan and Armenia. Thus, the paper advocates for sustained international support and cooperation to address this critical challenge and pave the way for a more secure and prosperous future in the region.

Keywords: Azerbaijan, Karabakh, demining, security, Caucasus

Introduction

The Karabakh conflict, a protracted and complex struggle in the post-Soviet era, witnessed a historic turning point when Azerbaijan regained control over its internationally recognized territories in the Second Karabakh War during the autumn of 2020. The cessation of hostilities paved the way for Azerbaijan to embark on the challenging journey of rebuilding and repopulating the Karabakh region and its seven surrounding districts. However, amidst the myriad of obstacles, such as financial constraints, infrastructural deficits, and social and security concerns, one formidable challenge stands out – the pervasive threat of landmines and explosive remnants of war (ERW) that have rendered vast expanses of the region inhospitable.

The First Karabakh War, spanning from 1988 to 1994, witnessed the expulsion of Azeri government forces and civilians from both Karabakh and the seven neighbouring Azeri districts. Subsequently, the widespread deployment of mines and unexploded ordnance left a significant portion of the region uninhabitable for decades. The Second Karabakh War in 2020 marked a decisive shift, as Azerbaijan liberated territories totalling over 7,600 km², which had been virtually depopulated since 1994. In a later move in 2023, Azerbaijan initiated a comprehensive counter-terrorist measures that led to the prompt surrender of the Armenian armed forces in Karabakh within a single day. As a result, Baku successfully regained complete control over its territorial integrity dating back to 1994, and by 1 January, 2024, the quasi-governmental institutions of Karabakh had been disbanded entirely. This victory, however, comes with the daunting task of demining the heavily polluted areas – a prerequisite for any meaningful reconstruction and repopulation efforts.

This paper delves into the intricacies of Azerbaijan's demining challenge, examining the historical context, the scale of contamination, and the multifaceted issues hindering progress. The demining process is not only crucial for the safe return of the displaced populations, it is also imperative for revitalizing the local economy and ensuring long-term stability in the region. As Azerbaijan confronts this formidable task, it grapples with the complexities of international relations, logistical hurdles, and the imperative to garner both national and international support.

In the following sections, we explore the evolving landscape of Azerbaijan's demining initiatives, the financial and infrastructural considerations, the humanitarian toll inflicted by landmines, and the potential avenues for international collaboration. As the country endeavours to clear the remnants of decades-long conflict, the overarching question remains: can a successful demining process contribute to lasting peace and stability in the aftermath of the Karabakh conflict?

The Karabakh conflict

The Karabakh conflict is unique among the conflicts in the post-Soviet region not only in its complexity but also because its crucial issues have been de facto resolved. Among the so-called frozen conflicts, it has only happened in the case of Karabakh that the de facto separate regime of a seceded territory has ended. Azerbaijan has regained control of its internationally recognized territories, and although a peace treaty has not yet been signed between Baku and Yerevan, Azerbaijan is now able to begin to rebuild and repopulate Karabakh and the seven surrounding regions. However, this process is hindered by a number of factors, with financial, infrastructural, social, security-related issues the most obvious ones. An additional challenge is that of the minefields and explosive remnants of war, resolving which should be the first step before any reconstruction and repopulation programs can begin. This task is extremely difficult mainly because this is a heavily polluted area of an immense size, which is the result of the more than three decades of warfare.

In the First Karabakh War, which took place between 1988 and 1994, the Armenian and the Karabakh forces eventually expelled the Azeri government forces and the civilian population not only from the Karabakh Autonomous Region but also from seven neighbouring districts. The main reasons for this move were that it was the most advantageous way to secure land connection with Armenia, and the special geographical factors ensured better defence for the region. About 750,000 Azerbaijanis left their place of residence as a result of severe ethnic cleansing and the expulsion of the local population,¹

1 https://kki.hu/assets/upload/5_KKI-tanulmany_AZE-ARM_Wagner_20160713.pdf

although Azerbaijani official sources cite over 1 million refugees.² Due to the relatively small number of refugees arriving from Armenia, Baku officially had to deal with about 650,000 internally displaced people. Furthermore, the unexploded cluster ammunition used during the fights, and the widespread deployment of mines, mainly to protect the Armenian positions, made a significant part of the region uninhabitable and unusable for a long time.

There were minor border clashes between the two sides until 2016, when the so-called Four-Day War took place between 1 and 5 April. Both sides declared victory: according to the Armenians, they were able to stop the Azerbaijani attack, while Baku successfully liberated territories that also included two strategically important heights. The Four-Day War marked a new era in the history of the Karabakh conflict, as such intense and serious clashes had not taken place since the ceasefire was signed in 1994. Although Azerbaijan suffered significant losses and was only able to capture a modest part of its territory, both the Armenian and the Azerbaijani reactions indicated that the war had ended with a victory for Baku. These short clashes made it feasible for Baku to restore its territorial integrity and even resettle its displaced population.

In retrospect, it was the Second Karabakh War that has settled the outcome of the frozen conflict. In autumn 2020, Azerbaijan liberated several territories inhabited by ethnical Armenians, as well as the seven regions surrounding the territory, more than 7,600 km² in total, which had been almost completely depopulated since 1994.³ As part of the trilateral agreement, Russian peacekeepers arrived in Azerbaijan to check the only remaining land connection, the Lachin corridor.

On 19 September, 2023, Azerbaijan launched a counter-terrorist operation, which resulted in the Armenian armed forces in Karabakh surrendering in one day. Baku thus managed to fully restore its territorial integrity since 1994, and on 1 January, 2024, the quasi-governmental Karabakh institutions were completely dissolved.

2 <https://apa.az/en/official-news/president-of-azerbaijan-addressed-participants-of-international-conference-on-mine-action-404217>

3 <https://jam-news.net/armenia-azerbaijan-the-main-obstacles-on-the-way-to-a-peace-treaty/>

Baku's demining challenge

Azerbaijan first announced the “great return” of its population that had fled during the first war at the beginning of 2017, shortly after the first settlements had been liberated in 2016.⁴ This program became public when a Jojug Marjanli settlement was liberated. A total of 283 households and 1,075 people were registered around Jojug Marjanli village before 1994, and according to reports, it took about 30 people to demine the settlement. Three decades later, the main analyses still count on 650,000 potential returners⁵. A survey of Azerbaijani women in early 2022 showed that for 87.55% of the respondents the main hindering factor of resettlement was the lack of security, mainly due to the proximity of positions of Armenian militants, but also due to the mines and ERWs.⁶ Although the first factor is not an issue anymore, the second one is still present in 2024.

However, large-scale demining programmes could not start until the end of 2020. Regarding mines and explosives, it is important to highlight that the parties during the Second Karabakh war used cluster munitions, but the extent of contamination caused by cluster munition remnants (CMR) in the territories under the control of Azerbaijan is unknown at the moment.⁷ This has made the situation even more difficult and complicated. According to the estimations of the Mine Action Review (MAR), Baku was only able to clear 3 km² from CMR in 2021 and 5 km² in 2022.⁸ Using different calculation methodologies, Azerbaijan's National Agency for Mine Action (ANAMA), established in 1998 with the help of the UN, reported a clearing of a total of 44 km² in 2022. As far as anti-personnel mines are concerned, 18.38 km² was cleared in 2021 and only 3.52 km² in the following year, according

4 https://www.azernews.az/news.php?news_id=108566&cat=karabakh

5 <https://www.crisisgroup.org/europe-central-asia/caucasus/azerbaijan/defusing-azerbajians-landmine-challenge>

6 <https://www.commonspace.eu/analysis/fear-and-lack-trust-are-obstacle-peace-ful-co-existence-between-armenians-and-azerbajanis>

7 https://www.mineactionreview.org/assets/downloads/AZERBAIJAN_CLEARING_CMV_2023.pdf

8 https://www.mineactionreview.org/assets/downloads/AZERBAIJAN_CLEARING_CMV_2023.pdf

to the estimations of the latest MAR report.⁹ The main actors in the demining process are ANAMA, the Ministry of Defence, the Ministry of Emergency Situations, the State Border Service, Alpha Demining, Qaya Safety Solutions, Safe Point, and the Azerbaijan Demining Company. Their personnel comprises 1,672 persons, 59 mine detection dogs, and 55 machines.¹⁰ The Turkish Armed Forces have also been present in Azerbaijan since 2020. APOPO, an international organisation, is also present in Azerbaijan with specially trained animals, but not only with dogs but also rats.¹¹

In 2022, one year before fully restoring its territorial integrity, Azerbaijan published a much more deeply elaborated “return” plan, the “State Program on the Great Return to the Liberated Territories of Azerbaijan”.¹² Within this framework, 147.13 km² is planned to be cleared by 2024, preparing the resettlement and rebuilding of the civilian infrastructure and also making it possible to start agricultural work in the cleared areas. It is urgent for Baku to start the demining process not only because of the resettlement of the population but also in order to restart the local economy. This was also acknowledged in the Great Return project in 2022. The area has always been important because of the agricultural sector, so the creation of new jobs in this field and the various aspects of food security are all in favour of cleaning the area as soon as possible.

According to a report by ANAMA, 9.06 percent of the regained area was cleared between November 2020 and March 2023.¹³ At this rate, the entire process could take another three decades to be finished. 1,479.8 km² was still highly polluted, and 6,755.70 km² was considered to be in a medium and low danger zone in March 2023. This was acknowledged by Azerbaijani President Ilham Aliyev in

9 https://www.mineactionreview.org/assets/downloads/Azerbaijan_Clearing_the_Mines_2023.pdf

10 https://www.mineactionreview.org/assets/downloads/Azerbaijan_Clearing_the_Mines_2023.pdf

11 <https://apopo.org/latest/apopo-assists-azerbaijan/>

12 <https://ereforms.gov.az/en/media/xeberler/boyuk-qayidis-dovlet-programi-499#>
The full text In Azerbaijani language: <https://e-qanun.az/framework/52757>

13 <https://aoav.org.uk/2023/landmines-in-azerbaijan-continue-to-pose-a-lethal-threat-to-peace-and-development/>

2022, who stated that the total cost would exceed USD 25 billion¹⁴, excluding relocation and reconstruction costs. In 2022, the nominal GDP of the country was around USD 78 billion.¹⁵ According to some estimates, the number of mines alone may exceed 1 million pieces¹⁶, while President Aliyev mentioned a number over 1.5 million.¹⁷ These numbers significantly exceed the earlier estimated number of 50-100,000 mines.¹⁸

The demining process is made especially difficult by the fact that in many cases there is no map of the installed minefields by Armenia, nor are there any visual indications of the mines on the spot. The danger this poses has not only affected the Azerbaijani population. According to the 2019 report of the International Red Cross mission in Karabakh, these explosives have claimed 747 lives since 1990, with 59 percent of the victims being civilians.¹⁹ Considering that the population of the area was about 140,000 people, this is quite a significant number. Even more shocking is that in the nearly 2.5 years following the Second Karabakh War, unexploded mines and explosive devices claimed 342 lives in the territories liberated by Azerbaijan.²⁰ According to President Aliyev, between 1988 and May 2023 nearly 3,400 Azerbaijanis suffered serious injuries or lost their lives due to mine explosions. We can assume that many tried to return to their former homes against official instructions, which for many ended in tragedy.

It is not clear whether Azerbaijan will have the necessary financial or infrastructural background for the complete demining of the liberated areas at the pace needed to achieve the national goals. The above-

14 <https://en.trend.az/azerbaijan/politics/3656378.html>

15 <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=AZ>

16 <https://www.crisisgroup.org/europe-central-asia/caucasus/azerbaijan/defusing-azerbajians-landmine-challenge>

17 <https://apa.az/en/official-news/president-of-azerbaijan-addressed-participants-of-international-conference-on-mine-action-404217>

18 ANAMA, "Azerbaijan National Agency for Mine Action 2018", p. 5.

19 <https://www.icrc.org/en/document/nagorno-karabakh-conflict-landmines-disturbing-reminder-war>

20 <https://aoav.org.uk/2023/landmines-in-azerbaijan-continue-to-pose-a-lethal-threat-to-peace-and-development/>

mentioned case of the Jojug Merjanli village gives rise to pessimism, as it took five months to clear a 3 km² area.²¹ This has dampened the initial enthusiasm for resettlement.

It is also uncertain if there will be enough experienced professionals available. ANAMA does not have enough human resources, and the involvement of foreign actors is minimal. The demining process has been further complicated by bad relations with Armenia. Even before the full territorial reintegration in 2023, on some occasions Yerevan denied that any map of the mined areas was available, although the Armenian side was willing to exchange such documents for Armenian detainees in other cases. According to Baku, these maps only showed a very small area and were extremely inaccurate. According to experts²², Baku may have other means at its disposal if it cannot acquire more maps. Various statistical data on the location of explosions, satellite images, and new technologies can also help overcome the shortcomings of maps and could even reduce costs by 40 per cent. International donors can support Azerbaijan by sending special vehicles, equipment, technology, or even mine detection dogs, so the number of experts is not the only decisive factor.

It is also worth bearing in mind that mine action is accompanied by a number of supplementary tasks: education and prevention, assistance to victims and their families, etc. Therefore, different organisations with different profiles can find their place in Azerbaijan's demining process. Furthermore, Baku should not only find new players but also look for new international partners and deepen existing relationships. In terms of the financing of demining, according to President Aliyev, 90 percent of the total cost of the activities is funded from national resources.²³ He also stated that there is also international cooperation, although he is not satisfied with its extent. In 2016, the President approved the 17 points of "The Sustainable Development Goals in Azerbaijan"²⁴, with

21 <https://www.crisisgroup.org/europe-central-asia/caucasus/azerbaijan/defusing-azerbajians-landmine-challenge>

22 <https://www.crisisgroup.org/europe-central-asia/caucasus/azerbaijan/defusing-azerbajians-landmine-challenge>

23 <https://apa.az/en/official-news/president-of-azerbaijan-addressed-participants-of-international-conference-on-mine-action-404217>

24 <https://azerbaijan.un.org/en/sdgs>

an 18th goal, the humanitarian demining goal, added in May 2023.²⁵ According to President Aliyev's words, Baku will contribute to the global humanitarian demining process within the Non-Aligned Movement, and there is a will to raise this to the global level.²⁶

It is also difficult to predict the future of international support due to the ongoing Russian-Ukrainian war. The intensity of the fight and the extent to which landmines are used will absorb much greater resources, and it is likely to receive even greater attention globally following a possible ceasefire agreement. It is an additional interesting development that Azerbaijan has already delivered specialized equipment and machines to Ukraine.²⁷ This is a useful way of international trust-building, which could also be supplemented by a mission of a small group of ANAMA experts.

As Western leaders have repeatedly emphasized, for example in British Prime Minister Boris Johnson's letter to Azerbaijani President Ilham Aliyev at the start of the IX Global Forum in Baku in 2022, Azerbaijan should join the Ottawa Treaty.²⁸ "The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction" or shortly "The Mine Ban Treaty" could easily raise the country's international profile, thus strengthening both its confidence-building process and international cooperation. Accession to the treaty is not expected, however, as long as Armenia is not among the signatories. Baku has consistently emphasized for some time that it stopped using anti-personnel mines after 1994.

At the same time, Baku has another tool in its hands. Since a large number of foreign companies, including Western ones with huge capital potential, are interested in exploiting Azerbaijan's oil and gas deposits, they can also be involved in the de-mining process. In exchange for certain benefits or extraction rights, these companies could support the

25 <https://apa.az/en/official-news/president-of-azerbaijan-addressed-participants-of-international-conference-on-mine-action-404217>

26 <https://www.aljazeera.com/opinions/2022/10/2/the-world-needs-a-new-solution-to-its-landmine-problem>

27 <https://www.ukrainianworldcongress.org/azerbaijan-to-provide-specialized-mine-clearance-assistance-to-ukraine/>

28 <https://www.azernews.az/nation/195490.html>

cleaning of areas, becoming involved in prevention, or even supporting the victims directly. This would result in a win-win situation for both the state and the investors.

Conclusion

In conclusion, the Karabakh conflict, marked by complexity, has gained a unique status among the post-Soviet conflicts, with crucial issues having been de facto resolved. Although a formal peace treaty between Baku and Yerevan is yet to be signed, Azerbaijan has regained control over internationally recognized territories, allowing for the prospect of rebuilding and repopulating Karabakh and its surrounding regions. However, this rehabilitation process is impeded by various challenges, including financial, infrastructural, social, and security-related issues. A significant obstacle is the extensive presence of minefields and explosive remnants of war, demanding immediate attention before reconstruction and repopulation initiatives can commence.

The historical context, particularly the First Karabakh War from 1988 to 1994, witnessed the forced expulsion of Azeri populations from the Karabakh Autonomous Region and seven neighbouring districts. Ethnic cleansing and the deployment of cluster ammunition and mines by Armenia left large portions of the region uninhabitable. The subsequent Four-Day War in 2016 hinted at Baku's ability to restore territorial integrity, but it was the Second Karabakh War in autumn 2020 that has conclusively settled the frozen conflict. Azerbaijan's recapture of territories in 2023 marked a pivotal moment, leading to the dissolution of separatist quasi-governmental institutions on 1 January, 2024.

Transitioning to Baku's demining challenge, the Great Return program initiated in 2016 faces hindrances, with security concerns such as the prevalence of mines and ERWs. Large-scale demining programs only commenced in late 2020, revealing challenges in clearing cluster munition remnants and anti-personnel mines. The demining process, led by entities such as ANAMA and international organizations like APOPO, faces resource limitations, especially regarding personnel and expertise. The lack of accurate maps due to Armenia's denial and visual indicators in minefields poses dangers to both the civilian returnees.

As Azerbaijan strives to address these challenges, financial and infrastructural constraints, coupled with administrative hurdles, may hinder the pace of the demining efforts. The extensive polluted areas, as highlighted by President Aliyev, necessitate significant investments exceeding USD 25 billion, posing economic challenges. The duration of the demining process, at the current rate, could extend for decades, emphasizing the urgency of international support.

The uncertain geopolitical landscape, including the strained relations with Armenia and the ongoing conflicts, adds complexity to international assistance. Azerbaijan's potential to attract foreign entities and expand international partnerships remains pivotal, as does the need to increase the involvement of experienced professionals. The role of foreign companies in demining, potentially tied to oil and gas exploration benefits, presents a mutually beneficial opportunity.

The ultimate success of the demining process may hinge on the timely signing of a peace deal between Baku and Yerevan, ensuring the international community's confidence in the resolution of the conflict. Joining international treaties like the Ottawa Treaty could enhance Azerbaijan's global standing, fostering confidence-building and cooperation. While the involvement of foreign companies holds promise, the trajectory of the demining process remains intertwined with the broader regional geopolitical dynamics. The prospect of a comprehensive and enduring peace agreement between Azerbaijan and Armenia is crucial for preventing a resurgence of the conflict.

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