

Azerbaijan: Manoeuvring the Geopolitics of Connectivity

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In this post-war period, and in the wake of its gains in the Second Karabakh War, Azerbaijan is in the process of pursuing ambitious infrastructure and connectivity projects spanning the transport, energy, and digital spheres. However, such projects face significant geopolitical complications, with a number of players, both in and beyond the South Caucasus region, acting to challenge Baku's plans. The purpose of this paper is to examine the opportunities and constraints that Azerbaijan faces in pursuing its regional connectivity ambitions. The paper concludes that, for Azerbaijan to advance its goals, careful geopolitical manoeuvring is required that focuses on the functional and mutually beneficial gains of building regional connectivity and mitigating the propensity towards division and zero-sum conflict in the Caucasus.

Keywords: Azerbaijan, Armenia, Caucasus, Connectivity, Georgia, Karabakh



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Introduction

Azerbaijan gained a significant victory in the Second Karabakh War, a.k.a. the 44-Day War, towards the end of 2020. Following years of deadlock in negotiations that were overseen by the OSCE Minsk Group, Azerbaijan took matters into its own hands to reclaim substantial territory in and around the Karabakh region. Certainly, external actors played a significant role in shaping the new reality: Turkey was instrumental in providing diplomatic and security assistance to Azerbaijan, while Russia played the chief mediating role to terminate the war, including the deployment of 1,960 peacekeepers to oversee the security situation in this region.

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Now, after the gains that Azerbaijan made last year, Baku faces perhaps an even more daunting challenge for 2021 and beyond: deciding what to do with its newfound territorial and geopolitical position. Azerbaijan's President, Ilham Aliyev has made no secret of Baku's plans and ambitions in the post-conflict environment, which include rebuilding infrastructure in and around the Karabakh region while connecting that infrastructure to broader regional connectivity projects to support Azerbaijan's role as a trade and transit hub between Europe and Asia. Such projects span the transport, energy, and communications sectors, including plans for the development of roads, railways, airports, energy grids, and fibre-optic cables to connect the Caucasus region and far beyond.

However, as with all things in the Caucasus, such plans face significant political and security challenges and obstacles from the region's numerous players. Whether among Azerbaijan's immediate neighbours, the large regional powers bordering the Caucasus, or the global players with interests in the region, Baku finds itself in a complicated position if it is to turn its post-conflict connectivity dreams into reality. All of these players overlap and interact with one another in some way, so, in order to understand what could come of Azerbaijan's plans for the future, it is useful to examine how each of those countries' interests and constraints relate to Baku's strategy for building regional connectivity. The aim of this paper is to analyse Azerbaijan's relations with its immediate

neighbours, regional players, and global powers; the paper concludes by identifying an optimal strategy for Baku to manoeuvre around several geopolitical constraints in order to advance its connectivity goals.

The immediate neighbours: Armenia and Georgia

Unsurprisingly, the country that acts as the largest and most direct impediment to Azerbaijan's connectivity plans is Armenia. After decades of conflict and animosity, there were initially signs of hope and optimism that the trilateral statement signed on 10 November 2020 by Azerbaijan, Armenia, and Russia to end military hostilities could pave the way for some type of political and economic reconciliation between the two countries in the post-war environment. This was especially the case when Aliyev met with Russian President Vladimir Putin and Armenian Prime Minister Nikol Pashinyan in Moscow on 11 January, when the three leaders discussed the post-conflict environment and agreed to form a commission on joint transport projects in the region.

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However, such optimism soon gave way to scepticism. One particular sticking point has come in the form of the so-called "Zangezur corridor" through the Syunik region of southern Armenia that would be crucial for Azerbaijan to build road and rail connections through Armenian territories along the southern border with Iran to the Nakhchivan exclave (of Azerbaijan) and onward to Turkey. Such a route would not only open a new gateway for westward trade for Azerbaijan but could also give Armenia rail access to its Russian ally from Yerevan through Nakhchivan to Baku and northward to Moscow. Nevertheless, this project has been subject to political infighting and disputes. Armenia's concerns with the project largely relate to the question of sovereignty, with Yerevan opposing relinquishing control of its territory to Russia for the purposes of securing such a route.

The issue of sovereignty is nothing new when it comes to international infrastructure projects. This is something that both Russia and China are familiar with, whether in the form of Russia's control of energy infrastructure in Europe being challenged by the EU's Third Energy Package or disputes over China's control of infrastructure as part of its

Belt and Road Initiative (BRI). In the case of Armenia, relinquishing sovereignty over its territory to Russia is particularly sensitive given Russia's selective neutrality during the recent war.

In the meantime, there has been a continuation of tensions between Armenia and Azerbaijan's armed forces, even after the trilateral statement. Indeed, an increase in ceasefire violations in various locations along their interstate border in the months following the 10 November statement eventually led to the suspension of the work of the commission on joint transport projects. Such violations have taken place not only in and around Karabakh region but also across the Nakhchivan section

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of the Armenia–Azerbaijan border, thereby posing a challenge to future infrastructure development.

The main issue between Armenia and Azerbaijan now relates to the implementation of the political, economic and security components of the 10 November and 11 January trilateral statements. In the meantime, from Azerbaijan's perspective, the conflict is over following the war; nevertheless, Armenia resists this idea by trying to invoke the issue

of the 'status of ethnic Armenians' that remains from the negotiations of the pre-war period. Furthermore, any moves in terms of building connectivity in the economic sphere and seen by the Armenian public as granting concessions to Azerbaijan could endanger the Armenian government. Thus, Pashinyan can be expected to move cautiously, and any engagement on this issue will be performed carefully.

Compared with the situation regarding Armenia, Azerbaijan's relations with Georgia are far more constructive when it comes to the political and economic spheres. There are already numerous infrastructure and connectivity projects that link the two countries, including the Baku–Tbilisi–Ceyhan (BTC) oil pipeline, the Baku–Tbilisi–Erzurum (BTE) natural gas pipeline (which has recently expanded to Europe via the TANAP and TAP projects), and the Baku–Tbilisi–Kars (BTK) railway. Georgia thus serves as a key component of the Southern Gas Corridor route, which Azerbaijan has used to connect to Turkey and further on to Europe.

Moreover, Azerbaijan has pursued the Digital Silk Way project in the

sphere of digital connectivity. This project includes plans to modernize and install new fibre-optic cables across the Black Sea to connect to Europe, and has involved the acquisition of Georgia's Caucasus Online provider by Azerbaijan's NEQSOL holding company. However, Georgia has been seeking to become a digital hub in its own right and has sought EU assistance for such plans.¹ These issues go hand in hand, as Azerbaijan's plans to build digital connectivity are closely related to the expansion of its energy and transport connections.

There is also the question of Georgia's own cooperative relationship with Armenia. Tbilisi is careful not to completely isolate Yerevan and Armenia, and thus potentially serves as a stumbling block to Azerbaijan's plans with Georgia. Indeed, Georgia has offered its own initiatives on regional cooperation. Thus, Baku will have to approach Armenia and Georgia on these issues carefully and collectively and prove that these approaches do not have to be mutually exclusive if Baku wants to advance its connectivity ambitions.

Three regional players – Turkey, Russia, and Iran – combined with the three Caucasus countries have been the subject of cooperation platforms such as the 3+3 initiative. However, because of the delays in reconciliation between Armenia and Azerbaijan, as well as continued tensions between Russia and Georgia over the latter's separatist territories of Abkhazia and South Ossetia, such all-encompassing initiatives are unlikely to make significant progress in the near term. Instead, it could be more useful for Baku to focus on building functional ties on a bilateral, step-by-step basis, and then leverage those ties into broader integration platforms in the future.

The regional players: Turkey, Russia, and Iran

Beyond the immediate players within the Caucasus, Azerbaijan also has to achieve balance with the region's large and influential neighbours. Of all the regional players, Turkey is the most supportive of Azerbaijan's connectivity plans as well as its broader

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¹ Capacity Media, *Georgia's post-Covid connectivity plan targets investments of €3.9 billion*, July 21, 2021, available at: <https://www.capacitymedia.com/articles/3829163/georgias-post-covid-connectivity-plan-targets-investments-of-39-billion> [accessed July 30, 2021]

foreign policy goals. Ankara gains directly from being a destination and transit state within Azerbaijan's connectivity projects, as Turkey's involvement in the Southern Gas Corridor projects has shown. Ankara can also give Baku added leverage in negotiations with Yerevan, including the potential for opening its borders with Armenia or rehabilitating the railway between Kars (Turkey) and Gyumri (Armenia). Indeed, whereas Armenia has bristled at opening economic relations with Azerbaijan for the time being, Yerevan has indicated greater willingness to consider opening up to Turkey, which could end up serving as a building block for Armenia's participation in other projects with Azerbaijan down the line.

Another key regional player for Azerbaijan to consider, and arguably the most influential in the Caucasus, is Russia. Moscow supports the development of regional connectivity projects, but Russia has its own vision for such projects that is intended to advance its own interests. This includes a preference for north-south routes that include Russia, while harbouring scepticism over east-west routes that exclude Moscow's participation. Russia also has to take the interests of Armenia into account, given that Yerevan is a member of the Collective Security Treaty Organization (CSTO) and Eurasian Union, and that Russia has 5,000 troops stationed on its territory (not including the recent deployment of 1,960 peacekeepers in the mountainous part of the Karabakh region). However, Moscow has proven in the past that it is not completely beholden to the most favourable outcome for Yerevan, thus giving Baku some room for manoeuvre when it comes to unlocking Russian opposition to Azerbaijan's connectivity plans.

Finally, Iran also plays an important role when it comes to Caucasus connectivity issues. Iran has served as a stumbling block for some of Azerbaijan's regional infrastructure initiatives, including the construction of a Trans-Caspian natural gas pipeline. Despite a landmark agreement on delimiting the Caspian's seabed by all the littoral states in 2018, Iran's parliament has yet to ratify this agreement. Iran's outlet to Armenia and its own plans to develop the North-South Transport Corridor could be perceived by Tehran as being undermined by the Zangezur route; thus, Azerbaijan will have to engage with Iran and emphasize its constructive involvement in order to convince Tehran of the inclusive and mutually beneficial nature of such projects.

The global powers: USA, EU, and China

Just as Azerbaijan must manoeuvre between its Caucasus neighbours and the larger powers surrounding them, it must also place its connectivity plans within a broader context involving key global players. One such player is the United States, whose view of the Caucasus has changed as Russia and Turkey have become more directly involved in the Karabakh theatre. Previous efforts at mediation of the Armenia–Azerbaijan conflict by the US under the auspices of the OSCE Minsk Group proved ineffective in ending the conflict diplomatically. Moreover, as the USA is drawing down its troops from the Middle East and shifting its focus towards Asia and containing China, it is highly unlikely that Washington will want to get directly involved in the Caucasus from a military perspective.

In this case, the USA has a strategic interest in supporting Azerbaijan’s vision of regional connectivity projects, particularly via the Southern Corridor route. This route serves to connect the region’s energy resources to Europe and bypass Russia, which is in the US interest, and could also enable the USA to temper gains from China’s BRI initiative. Thus, the USA can bring its diplomatic and economic leverage to bear in supporting the development of infrastructure, whether it be in the form of energy projects such as the Trans-Caspian Pipeline or building road and rail connections between Azerbaijan, Armenia, and Turkey to expand the Southern Corridor. However, the influential Armenian-American lobby could serve to limit the extent of US support, thus making Azerbaijan’s careful engagement with Armenia all the more necessary.

The EU has a more complicated role to play in terms of Caucasus connectivity projects owing to the fact that it comprises 27 member states (some of which, such as France, also have influential Armenian minorities). Nevertheless, Azerbaijan’s role in helping the EU diversify its energy supplies from Russia presents a strong foundation on which to build support for further connectivity projects. Baku can also leverage its trans-continental position to attract more attention and investment from

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China, but it must do so in way that does not antagonize the West as it seeks to contain China's rise.

Given these various positions and obstacles, how is it best for Azerbaijan to manoeuvre moving forward in pursuit of its regional connectivity ambitions? The key for Azerbaijan is to work systematically with all of the key players to build leverage for negotiating from a position of strength. To do that, Baku needs a sound strategy, one that consists of creating and balancing several viable options and alternatives in order to advance its desired connectivity projects. To do so, Azerbaijan needs to apply its strategy on three levels – local, regional, and global.

Of course, there are many challenges that still lie ahead. There are tactical issues such as de-mining throughout the Karabakh region and nearby districts that must be completed before resettlement takes place, not to mention the broader geopolitical complexities, including rivalries among some of the larger powers that Azerbaijan is trying to cultivate. It is possible that the political constraints are too great for many of these economic connectivity projects to materialize.

Nevertheless, there are practical steps that can be taken to advance Baku's goals. If Azerbaijan can proceed cautiously and deliberately to address the needs and concerns of its neighbours, for example, balancing Armenia's issues regarding border demarcation with its need for investment, it can build such steps into greater cooperation and larger economic gains. In this way, Azerbaijan can help break the cycle of tension in the Caucasus and move the region towards connectivity.

Conclusion

This paper has placed Azerbaijan's connectivity goals within a geopolitical context and has explored the various challenges that Baku faces in realizing its ambitions. As discussed, Azerbaijan is at once trapped by its geography and also presented with opportunities by it. It is trapped because it is landlocked. Yet, if it can break through this trap via connectivity projects that span the transportation, energy, and communications spheres, it can simultaneously serve as a major supplier of energy resources to large markets such as the EU while also serving as a key transit hub throughout the Eurasian landmass.

This is precisely the thinking that has driven Azerbaijan's foreign policy in the post-Soviet era, which is distinct from those of its neighbours in the Caucasus. Azerbaijan has avoided integration with exclusive alliances such as those that Georgia has with the EU and NATO, and Armenia has with Russia's Eurasian Union and CSTO, and this has worked to Baku's benefit. As Azerbaijan pursues greater connectivity in the region, it must be mindful of the progress and success it has already made while avoiding the pitfalls of over reliance and over extension experienced by others.

The reality is that connectivity projects do not have to be mutually exclusive; rather, they must carefully balance the various countries and geopolitical forces in play. By engaging with Armenia and Georgia, exploring ties with Turkey, Russia, and Iran, and looping in the West and China, the potential benefits for Azerbaijan can be enormous. The key for Baku is to maximize engagement and avoid alienation in order to reap these benefits, not only for itself but for the region at large.