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Peace Building through Economic and Infrastructure Integration in the South Caucasus

Frederic Labarre and George Niculescu (Eds.)

Study Group Information

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"Regional Stability in the South Caucasus"

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Abstract

This Study Group Information booklet gathered the papers and the policy recommendations from the 23rd workshop of the Partnership for Peace Consortium Study Group on "Regional Stability in South Caucasus" (RSSC SG), held in Naples (Italy), on 24-27 March 2022. This workshop addressed "Peace Building through Economic and Infrastructure Integration in the South Caucasus". It came in response to proposals from the participants of previous RSSC SG workshops to help setting up a distinct regional sub-platform to discuss economic and infrastructure issues and their potential use in peace building. The aim was to revisit the prospects of regional economic and infrastructure integration and their potential to being leveraged as peace building tools across the South Caucasus within the new geopolitical and strategic contexts created by the outcomes of the 44 days war and the renewed West-Russia standoff over Ukraine. The co-chairs wanted thereby to support efforts to create new momentum for regional stability in the South Caucasus by having the Study Group deliver concrete recommendations on regional economic and infrastructure integration.

During the workshop many participants urged to agree on a common project that should tentatively focus on building resilience across a broad range of human security threats. A common vision over the future should be translated into a comprehensive list of common regional goals and objectives to be pursued over the next five to ten years. This, in turn, should lead to a deeper common security threats assessment. This project could also look at the competitive advantages of each country, and could help in adjusting joint human security efforts to individual political and security agendas.

Introduction

Frederic Labarre and George Niculescu

After a gruelling 2021, marked by uncertainty and an increased schedule of work and production (thanks to the miracle of technology, the Regional Stability in the South Caucasus Study Group (RSSC SG) hosted three online workshops in addition to two face-to-face workshops as the pandemic receded and appetite for real meetings returned), 2022 seemed to open more optimistically.

The first workshop of the year, our annual Spring workshop, was held 24-27 March 2022, in Naples, Italy, and formally resumed the program agreed for early 2020, which was interrupted by the pandemic. Eventually, the tectonic changes brought to regional security in the wake of the 44-day war between Armenia and Azerbaijan have enabled the co-chairs to re-adjust the content of the workshop along the lines of economic and infrastructural integration, now that one of the major hurdles to regional cooperation disappeared with bringing the Armenia-Azerbaijan borders closer to their internationally recognized pattern. One of the tasks discussed in the November 2021 workshop was the creation of a regional sub-platform to discuss economic and infrastructure issues. That it was Armenian participants who came up with that proposal can properly be considered another breakthrough for the RSSC SG.

The Naples RSSC SG workshop was therefore seen as an opportunity to test the waters and move this initiative forward. The co-chairs aimed at linking the discussions with the conclusions of the 10th RSSC SG workshop, which had been held in Reichenau way back in November 2014. Of course, the geopolitical and strategic situations in the South Caucasus were very much different then, but the overall question remains pertinent; what are the prospects for moving towards regional economic integration, and infrastructure connectivity across the region? More to the point, in view of the changed strategic context, what other new opportunities and constraints have emerged?

As we presented the topic outline to our prospective participants, we were reminded of existing multilateral initiatives as well as historical success stories. All inspired the participants in their respective presentations and papers, and, as you will see, in the collection of policy recommendations which the discussions in Naples produced.

Whether it be the individual choice (or ambition) of joining the European Union, the Eurasian Economic Union (EAEU), or remain economically neutral, or seeking closer association with multilateral trade institutions under existing cooperation models like the "Berlin Process" instituted by Germany to bring that other troubled region closer to European values – the Balkans – the sources of inspiration to articulate a model of reconstruction, reconciliation and cooperation at regional level abound. The reader will see that detailed references about the Marshall Plan are also proposed.

The aims of this workshop consisted of assessing the prospective impact and constraints of regional economic integration and connectivity across the South Caucasus, developing an outline for an inclusive, multilateral and comprehensive regional platform focused on economic and infrastructural integration (some may remember a host of similar workshops dedicated to an energy security management system, which the RSSC considered some years ago), and starting expert discussions on a sub-workshop to consider regional economic projects.

The most important variable which has indeed changed over the last several years has been the situation between Armenia and Azerbaijan and their conflict over Nagorno Karabakh. Because this conflict acted as a break to regional integration, we must view the radical change in that theatre as a positive step forward, regardless of the regrettable outcome for Armenians. The co-chairs have firmly concluded that while a "precarious peace" was put in place by the Trilateral Statements signed by the leaders of Armenia, Azerbaijan and the Russian Federation numerous challenges still remain for regional stabilisation and security.

Nevertheless, the success of any form of integration – economic, security, or cultural – in this case depends heavily on the observance by all sides of the cease-fire, the compliance with the provisions of the Trilateral Statements agreed so far, and finding mutually agreed solutions for the issues left open

by the same Trilateral Statements, including: the (interim and final) status of the Armenian-inhabited part of Karabakh; what happened to that status if the initial five-years mandate of the peacekeepers was not prolonged; the future role of other international organizations and actors (other than Russia and the UNHCR) in the ongoing peace process; the conditions for the return of the displaced persons to Karabakh; how existing mistrust and animosities between the Armenian and Azerbaijani communities would be overcome; the delimitation and demarcation of the international borders between Armenia and Azerbaijan; demining the fields along and across the former Line of Contact and the exchange of prisoners of war.. Now, since the peacekeeping mission is mainly a Russian affair, there are grounds to explore the risks associated with that mission, not only for local inhabitants, but for the stability of relations between Armenia and Azerbaijan. Therefore, our workshop dedicated particular attention to that challenge in a sub-group. Related recommendations can be found at the very end of this document, as well as the accompanying papers, which give context and propose solutions to mitigate such risks.

Lastly, we cannot ignore the impact of the Russian aggression against Ukraine in our equation. The pathetic performance of the Russian Armed Forces, the irrational, illegitimate, and ultimately criminal decision to invade, the loss of reputation of Russia – and of President Vladimir Putin and his government – as honest brokers of the international community cannot be discounted. It cannot be discounted because the first reaction from the Western world was to impose sanctions on Russia and whomever dealt with Russia on a number of prohibited financial, commercial and trade transactions. This meant that South Caucasus countries dealing with Russia – mainly Armenia, but Georgia and Azerbaijan also – were impacted by those decisions.

For example, the positive trends over the last months moving Armenia and Azerbaijan towards the peaceful resolution of their conflict could be spoiled by the geopolitical fallout from the current Russia-West conflict over Ukraine. A number of suspicions and speculations feeding this increasing risk have become apparent: Armenian experts assumed that the withdrawal of Russian peacekeepers from Nagorno-Karabakh would be the primary motive for the West's efforts to facilitate the signing of a peace treaty between Armenia and Azerbaijan, as this policy would align with the containment and deterrence of Russia. Furthermore, Moscow believed that the West was

pushing Azerbaijan to escalate the conflict against Armenia, hoping to trigger a military clash between Russia and Azerbaijan. Or, if Russia was too distracted with the war in Ukraine to effectively respond Azerbaijani incursions in the area of responsibility of its peace keeping forces in Karabakh, it might be portrayed by the West as being weak. And the West wanted to see the signature of the Armenia-Azerbaijan peace treaty as soon as possible, whereas Moscow believed that the complicated conflict with a history of more than 100 years cannot be finally settled during several months of negotiations.

Within the current geopolitical and strategic context, the biggest risk for the South Caucasus region and states, ensuing from the possible outcome of the war in Ukraine, is related to the possibility of being split by an "Iron Curtain" of the new Cold/Hybrid War. The success of the current negotiations on restoring Armenia-Azerbaijan relations while it would not guarantee immunity, it would surely mitigate that risk. Therefore, as Armenia and Azerbaijan move towards stable peace and normalization of their bilateral relations they should not rush the negotiations, ignore the inherent political, socio-economic, administrative, security, and other obstacles ahead, and should strive to keep a prudent geopolitical balance in their deals with both Russian and EU mediators, while playing down ill-conceived suspicions about their aims and intentions.

On the other hand, Russia, as an important factor in the South Caucasus, risks being turned into an eleven-time-zone Cuba; isolated, abandoned, and scorned. Therefore, the impetus for regional integration is there; even multilateral initiatives many thought dead years ago – like GUAM – are being revived. Our discussions could not elude Russia, but sadly Russian participation – *sanctions obligent* – had to be cancelled. The Russian attack on Ukraine is reverberating even with the RSSC SG.

The co-chairs and participants had to deal with the tensions that this latest shudder in regional politics have created the best they could and we are all very proud of the comprehensive recommendations that the RSSC SG has produced on this occasion as well as with the quality of the presentations. We hope that this latest offering will stimulate thinking in the respective capitals, as well as inspire the next generation of peacemakers and nation-builders in the South Caucasus.

PART I: The European versus the Eurasian Integration Dilemma in 2022

Exploring the Role of Economic Incentives as Peace Building Tools in the Nagorno-Karabakh Context: A Research Project Run from 2012 to 2015

George Vlad Niculescu

Introduction

Ten years past the publication of the European Geopolitical Forum's (EGF's) Research Paper on "A Pragmatic Review of the Nagorno-Karabakh Conflict Resolution: Could Economic Incentives Help Break the Current Stalemate?" it appeared that the thinking on the peaceful settlement of the conflict between Armenia and Azerbaijan over Nagorno-Karabakh (NK) was inspired by it, given the prominence of Clause 9 in the Trilateral Statement on Nagorno-Karabakh signed on November 09, 2020:

> All economic and transport links in the region shall be unblocked. The Republic of Armenia guarantees the safety of transport links between the western regions of the Republic of Azerbaijan and the Nakhichevan Autonomous Republic with a view to organizing the unimpeded movement of citizens, vehicles and goods in both directions. […] The Parties agree that the construction of new transport communications linking the Nakhichevan Autonomous Republic with the western regions of Azerbaijan shall be provided[1]

as well as in the "Statement of the President of the Republic of Azerbaijan, Prime Minister of the Republic of Armenia and President of the Russian Federation" of January 11, 2021, which offered a political framework for its implementation.

Further to that, an EGF Seminar Series[2] produced an original page of Track 2 diplomacy devoted to NK conflict resolution. They resulted in:

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1 "Statement by the Prime Minister of the Republic of Armenia, the President of the Republic of Azerbaijan and the President of the Russian Federation", https://www.primeminister.am/en/press-release/item/2020/11/10/Announcement/ accessed on 27 June 2022.

2 Held at the European Parliament in Brussels (Belgium) on 27 March 2014, in Berlin (Germany) on 7-8 July 2014, and in Tbilisi (Georgia) on 22 July 2015.

1. Three highly interactive dialogue sessions, establishing the foundations of a most promising platform for economic dialogue between Armenian and Azerbaijani experts.

2. Two post-conflict scenario-building workshops, in which participants simulated the negotiation of a roadmap for the implementation of the economic components of a future peace agreement.

This series of events, held in a constructive atmosphere of exchange, was a remarkable achievement, given the state of severe lack of mutual trust among conflicting parties, at the time they had been run.

In January 2014, the EGF started a new in-depth investigation on whether "economic incentives" can provide a fresh approach towards conflict resolution in the NK peace process. It placed transforming the Armenian-Azerbaijani economic dialogue from an instrument of information war into an incentive for future peace at the core of this research. The research assumed that by highlighting the commercial and economic value of peace it could offer the flexibility needed by decision makers on both sides to agree on a compromise solution to the NK conflict.

This research was built upon three pillars:

1. A broadly shared theme regarding the role of economic incentives in conflict resolution;

2. A vision for a peaceful and economically integrated South Caucasus;

3. A set of very broad and uncontroversial principles, known as the Brussels consensus on post-conflict regional integration scenarios in the South Caucasus.

Throughout this EGF Seminar Series, participants were asked a number of questions aimed at assessing the prospects, and the limits of using the economic incentives in NK conflict resolution. In order to structure the ensuing responses in a meaningful way researchers have identified three inter-connected threads of research that will be briefly described further. They have

eventually led towards concrete contributions to shaping a viable solution to the NK conflict.

A Fresh Approach to the Economic Incentives in NK Conflict Resolution

In December 2011, when the EGF hosted the roundtable on "The Unresolved Conflicts in the South Caucasus: Implications for European and Eurasian Integration" it had high expectations regarding the potential outcomes. However, it appeared very quickly that such meetings, even if they took place under the auspices of neutral arbiters, might often result in little more than reciprocal accusation rounds.

In an attempt to break-out from this pattern, the EGF research paper, referred in the Introduction, attempted to take a pragmatic approach towards Nagorno-Karabakh conflict resolution. More specifically, it asked whether economic incentives could help break the current deadlock. In order to do this, a series of questions were posed to a notable range of local and international experts familiar with the conflict, asking as to whether an approach towards conflict resolution where Armenia would return some land to Azerbaijan in return for the latter providing access to regional energy and infrastructure projects could contribute towards breaking the stalemate. The overall finding of that paper has become a broadly shared theme of the EGF research on NK conflict resolution: **economic incentives cannot, on their own, substitute a political settlement to the conflict, including its territorial dimensions. However, they could play a key role in confidence building.**

However, the perception that the economic incentives could become

> … a key element of a new vision for peace in the South Caucasus reinforced by comprehensive, integrated and sustainable cooperation, which would ultimately enable free movement of people, goods, services and capital at the regional level, lead to economic integration and the opening of all closed borders[3]

[3] As one distinguished contributor to the 2012 EGF research paper has put it.

has been instrumental in opening a new page in this research. Subsequent exchanges of views with stakeholders of the NK conflict led to the assumption that the economic incentives may work by combining the vision of an economically integrated South Caucasus with a number of very broad and uncontroversial principles. Those principles, called the Brussels Consensus on post-conflict regional integration scenarios in the South Caucasus, provide for:

1. the right of all people to live in peace and security;

2. a shift from preparing for war to building enduring peace;

3. good-neighbourly relations as a basis for peace building;

4. the right of all people to strive for economic prosperity;

5. the right of all IDPs and refugees to return to their homes and/or lands, and live there in peace and security.

This is how the second phase of this research on economic incentives was born. It aimed at developing an alternative narrative on Nagorno-Karabakh (NK) conflict resolution through Track 2 diplomacy. The outcome of this research was meant to offer the flexibility needed by decision makers on both sides to agree on a political compromise solution by highlighting the commercial and economic value of peace. To that end, this new approach to economic incentives in NK conflict resolution aimed at:

1. Enabling an exchange of views and information among experts on joint economic projects.

2. Facilitating discussion, at expert level, on how regional economic projects may help the process of resettlement of IDPs and refugee communities.

3. Building confidence among experts with a view to enabling joint consideration of post-conflict scenarios and ensuing economic projects development.

4. Identifying the conditions that would allow the economic incentives to start offsetting security concerns.

It was widely discussed with regional and international experts over a series of EGF seminars held between March 2014 and July 2015. It is in this context where the idea to create a platform for exchange of information between Armenian and Azerbaijani experts on energy, transport, trade issues, the rehabilitation of the territories affected by the conflict, and the return of IDPs to their homeland came up. It was deemed that such an economic dialogue could lead to the development of post-conflict scenarios for the whole Karabakh based on a roadmap leading towards an economically integrated South Caucasus. Consequently, the EGF focus moved to developing economic incentives in the framework of post-conflict scenarios, while establishing links between the economic dialogue, on the one hand, and the political and security negotiations subsequent to the signing of a Peace Agreement, on the other.

One essential requirement for the economic incentives to work in conflict resolution is a political compromise that would underpin the conclusion of a peace agreement. It is well known that the inability to solve the NK conflict for more than two decades and a half was, to a large extent, linked to the dilemma regarding the prevailing legal principle that would be applicable: preserving the territorial integrity of Azerbaijan, or the right to self-determination of the Armenian population in NK. In this context, the Madrid Principles (including their subsequent updates) proposed by the co-Chairs of the OSCE Minsk Group, would enable the application of both the principles of self-determination for Nagorno-Karabakh itself, and of preservation of the territorial integrity of Azerbaijan with regard to the seven districts around Nagorno-Karabakh. However, neither party manifested enthusiasm for the revival of this "missed golden opportunity".

However, in order to move political negotiations forward from the current stalemate each party to the NK conflict should have demonstrated its political will to take risks, while accepting a compromise solution. That would have involved ceasing to demonize and threaten the other party, and adopting a changed narrative on conflict resolution reflecting a constructive, dialogue-oriented approach. As long as one side demonized the other, there

would be no way for the Armenian and Azerbaijani leaders to achieve a political breakthrough, nor would they be able to demonstrate to the other president that they were able to persuade their people to accept a compromise solution. A dialogue on economic issues would have had an important role to play in preparing the political and psychological conditions for readying wider circles of the Armenian and Azerbaijani societies to accept a negotiated compromise solution.

Pending the work method, EGF research on economic incentives as conflict resolution tools in NK evolved into three main threads: the pilot projects, the blueprint for regional cooperation, and the post-conflict scenario building workshops. Each of those methods will be briefly assessed farther.

The Pilot Projects

In the wake of the publication of the EGF 2012 research paper, Armenian, Azerbaijani and international NK conflict stakeholders asked to identify specific 'projects of common economic interest' in which all South Caucasus stakeholders could possibly participate in future post-conflict scenarios. They asked to demonstrate more clearly what exactly the parties would gain from considering future economic cooperation. To that end, the EGF research started by identifying possible pilot projects in the spheres of energy, transport and telecommunications infrastructure, trade, agriculture, tourism or other areas, enabling potential economic cooperation between Armenia and Azerbaijan.

During the Brussels roundtable[4] several ideas for "projects of common economic interest" have been explored. Considering an initial list of possible pilot projects (see the table below), participants to the roundtable were asked two basic questions:

1. Which economic initiatives in the sphere of, for example, energy, transport and telecommunications infrastructure, trade, agriculture, tourism or other areas could work, could attract investment, and be justified in commercial terms?

[4] See details in the "Report on the Seminar Series: What the South Caucasus Region Could Be?", http://gpf-europe.com/upload/egf_nk_summary_conclusions.pdf.

2. Could such projects provide incentive sufficient for Armenia and Azerbaijan to alter their respective positions towards the Nagorno-Karabakh peace process?

The ensuing roundtable discussion revealed that, over the past years, there was relatively little research on economic infrastructure projects in the South Caucasus. Several speakers noted that, on the one hand, economic projects cannot be included in the category of "traditional" confidence building measures (CBMs), and, on the other hand, there were major practical obstacles to implementing them in the context of a missing political solution to the conflict.

No.	Title of the Project	Existing Feasibility Study	Data for Feasibility Study Available	Links with the situation of IDP	Potential International Stakeholders
1.	Baku-Fizuli- Megri- Nakhitchevan-(Yerevan)-Gyumry-Kars railway	Partial Mirimanova	Partial Mirimanova	Yes	Turkey, EU, Russia
2.	Baku-Ijevan-Diljan-Yerevan-Nakhichevan railway	N/A	N/A	No	EU, Russia, Turkey
3.	Baku- Bharda- Aghdam- Stepanakert/Khankendi-Sisian (Armenia)-Nakhichevan highway	N/A	N/A	Yes	EU, Russia, Turkey
4.	Establishing a regional electricity grid covering Georgia-Armenia-NK-Azerbaijan	N/A	Partial Various sources	Yes	EU, Turkey, Russia, Iran
5.	Baku- Aghdam - Khankendi/Stepanakert - Shusha - Lachin - Goris - Sisian - Nakhichevan - Turkey gas pipeline	N/A	N/A	Yes	EU, Turkey, Russia, stakeholders of Shah Deniz II
6.	Restoration of transport infrastructure in the territories surrounding NK	Partial Muzafarli, Ismailov	Partial Muzafarli, Ismailov	Yes	EU, Russia, Turkey, Iran
7.	Restoration of telecommunications network in the territories surrounding NK	Partial Muzafarli, Ismailov	Partial Muzafarli, Ismailov	Yes	EU, Russia, Turkey, Iran
8.	Restoration of social facilities in the territories surrounding NK	Partial Muzafarli, Ismailov	Partial Muzafarli, Ismailov	Yes	EU
9.	Legalization and modernization of the Sadakhlo market in Georgia	N/A	N/A	No	EU, Georgia, Turkey

Table 1: Potential regional economic, energy and infrastructure projects of common interest to both Armenia and Azerbaijan

Creating a platform for exchange of information on economic issues might be considered as a soft form of confidence building cooperation, which would be closer to the purposes of Track 2 diplomacy. For example, Arme-

nian-Azerbaijani dialogue could address energy, transport, trade issues, including their possible social implications, or the rehabilitation of the territories affected by the conflict and the return of IDPs to their homeland. Economic projects which might be discussed in this framework should be feasible, not politically sensitive, and important enough, in terms of their potential social implications, to contribute to changing people's mindsets. In addition, while the ability to use energy projects as tools for conflict resolution was questioned by several experts, there was a broad consensus that a dialogue on energy cooperation opportunities might be useful. This is since it may alleviate the misunderstandings on both sides regarding the realities, policies, and future challenges in the other country.

On the other hand, trade cooperation was deemed to be a more appropriate starting point for bilateral economic cooperation between Armenia and Azerbaijan, possibly in combination with green energy cooperation. In that context, the critical role of the private sector was highlighted as the driving force in energizing a regional network and in making economic cooperation possible. It was argued that promoting small scale enterprises would increase constituencies' support for peace in both countries.

In conclusion, following up on this thread of research proved to be problematic due to an inherent lack of information, and the geopolitical and practical constraints in developing regional infrastructure projects. However, the discussion on pilot projects highlighted a point of convergence between Armenian and Azerbaijani experts: a blueprint for regional economic development and cooperation in the South Caucasus is needed. This has led us to opening up another thread of research.

The Blueprint for Regional Economic Development and Cooperation

This thread of research was underpinned by a quite similar overall perspective of both Armenians and Azerbaijanis on the feasibility of post-conflict regionalism building in the South Caucasus. While both parties agreed that the historical background and the lack of common socio-political values were a heavy burden to region building, they also recognized that forging a common future in the aftermath of the NK conflict would be a worthwhile

effort. The geopolitical context at that time was not conducive to either regional cooperation nor to integration. However, in a post-conflict context, the mutual need to pursue economic development and social welfare in a globalized world might be a powerful driver towards regional cooperation and better policy coordination between the two countries.

As stated before, the aim of the EGF research on economic incentives was to develop an alternative narrative on Nagorno-Karabakh through Track 2 diplomacy. This new narrative should highlight the advantages of choosing peace and regional economic development over the current state of hostility, hence it might ease some of the existing tensions. This view appeared to be widely supported within the international peace building circles relevant to NK. Starting a public debate amongst NK stakeholders on post-conflict scenarios was needed to offer the flexibility by the political leaders to make the tough decisions, and lead the parties towards a political compromise solution to the NK conflict. Could a "blueprint for regional economic development" work to trigger such a public debate? This topic was widely discussed at the Berlin roundtable.[5]

The short answer emerging from that discussion was "Yes, but …" while Armenians favoured an immediate resumption of regional economic cooperation, Azerbaijanis only saw it as conditional to achieving some progress in NK conflict resolution. Armenians seemed more concerned with improving regional and national economic governance, and with countering the threat of economic insignificance (in the international context). On the other hand, Azerbaijanis would be willing to invest in post-conflict reconstruction and regional cooperation, but felt themselves deprived by the status of NK, and of the seven surrounding districts (prior to the 44-day war).

At the end of the Berlin discussion, the EGF presented initial thoughts on a "blueprint for regional development" (see opposite page). At the same time, we reviewed a number of related questions which still needed to be addressed by the Azerbaijani-Armenian economic dialogue.

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5 See details in the "Report on the Seminar Series: What the South Caucasus Region Could Be?" (op.cit.).

As a corollary of this thread of research, the role of business and investment actors in reintegrating post-conflict Karabakh within the regional South Caucasus economic framework was also discussed. EGF's research trips to Armenia and Azerbaijan, in early 2014, highlighted that business people did not consider cooperation with one another as a viable option, at that time. However, the need to involve the business community in the discussion on post-conflict regional economic scenarios was a recurring message throughout this series of events.

INITIAL THOUGHTS ON A STRATEGIC PLAN FOR REGIONAL DEVELOPMENT

- A scenario building exercise rather than a political/legal document;
- Build upon previous attempts (i.e. Stability Pact for the Caucasus, Caucasus Stability and Cooperation Platform, etc.) without duplicating them;
- Underpinned by the principles of the Brussels Consensus on Post-Conflict Regional Integration Scenarios for the South Caucasus;
- Keep eyes open at the dynamics of the regional context, but focus on Armenia and Azerbaijan; inclusive approach against other regional actors;
- Address the dichotomy of European and Eurasian integration processes;
- Consistency with the political and security aspects of conflict resolution scenarios is vital;
- Involve to the largest extent possible interested business circles;
- Enshrine relevant political and diplomatic feedback.

There were many business-related steps that needed to be taken. For example, regional business communities and international organizations active in the region could set up an international dialogue on the security of investments in Armenia and Azerbaijan in several post-conflict scenarios. Ideally, a "Marshall Plan" for the South Caucasus would supply the needed investment for making economic incentives work in a post-conflict scenario. However, what if there will be no "Marshall Plan" available? What conditions

should be met by the two countries in order to mutually ensure the security of investments of economic actors from the other country?

In essence, jointly drafting a "blueprint for regional economic development and cooperation in the South Caucasus" would require a fundamental transformation of the Armenian-Azerbaijani economic dialogue from an instrument of information war into an incentive for future peace. This could be feasible if an appropriate mechanism to enable constructive dialogue and effective cooperation among the parties was established. In this regard, the third thread of research, i.e. the post-conflict scenario building workshops, might be a useful tool having already yielded some concrete results. It would just need to be geared to generating a "blueprint for regional economic development and cooperation in the South Caucasus".

The Post-Conflict Scenario Building Workshops

This third thread of research was developed as a highly interactive negotiation simulation exercise built-in the stakeholders' consultations rounds held in Berlin and in Tbilisi.

The given post-conflict scenarios were set in the years 2019 and 2020, respectively. It was assumed that a Peace Agreement (PA) based on the Madrid Principles was reached in 2019 between the imaginary Republics of Salandia and Oronia, which were engaged in years of fighting over the political status of the "break-away territory" of Mordovia.[6] During the post-conflict scenario building workshops, Armenian and Azerbaijani participants simulated the work of a bi-national Task Force assigned to negotiate a roadmap for the implementation of the economic components of the PA. The main target of the simulation consisted of identifying joint economic measures in areas such as energy, transport, trade, rehabilitation of the territories affected by the conflict, and the return of IDPs to their homeland.

[6] The country profiles of Salandia and Oronia in 2019 were identical to those of Azerbaijan and Armenia of today, respectively, while the status of Mordovia was mirroring that of Nagorno-Karabakh. The choice of Mordovia to name this fictitious breakaway territory is accidental, and does not intend to reflect the status of the actual Republic of Mordovia, which is a subject of the Russian Federation, located south of Nizhniy Novgorod, Russia.

The Berlin workshop highlighted the inherent, and mutually acknowledged interdependence of the political, economic and security agendas of Armenia and Azerbaijan. Moreover, it demonstrated that both countries were prepared to invest jointly considerable resources in rebuilding a peaceful future for NK, provided a reasonable compromise on the status was reached. In practical terms, the workshop eventually resulted in drafting a realistic, mostly agreed action plan. This action plan was set into a timetable outlining a possible post-conflict roadmap for peace building in Karabakh.[7] Seen from the perspective of EGF's research on NK, the items included in this timetable constituted genuine economic incentives that could be used as conflict resolution tools in Karabakh. Based on the outcome of the negotiations, three main categories were drawn up:

1. Mutually Agreeable Economic Incentives;

2. Economic Incentives Conditional to agreement on status;

3. Economic Incentives to Be Further Developed.

Like in Berlin, the workshop in Tbilisi resulted in a highly constructive and productive discussion on economic incentives. In spite of the apparent deadlock in implementing the security and governance aspects of the peace agreement injected into the Tbilisi scenario[8] participants eventually succeeded to upgrade the road map document developed in Berlin. However, not all of the disagreements could be overcome, while the issue of the unsettled status of Mordovia/NK continued to be the main obstacle in advancing the negotiations. Although a large majority of the players were new to this exercise, the simulation in Tbilisi helped EGF researchers to consolidate the economic incentives outlined during the Berlin simulation. This consolidation included both reshaping the language used to describe some incentives from categories 1 or 2, and upgrading several incentives to the "mutually agreeable" category.

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7 See the table on page 21.

8 Oronian delay in returning to Salandia the "occupied" territories surrounding Mordovia, while Salandia maintained higher military build-up, and warned of the risk to return to military hostilities.

An important finding of these workshops indicated that the dialogue on economic cooperation was only slightly affected by difficulties in the implementation of the peace process. At least, this seemed to be the case as long as top level political will to sustain the peace process was there on both sides. On the other hand, the lack of clarity on the final status of NK would likely hamper the agreement on, and the implementation of, a number of economic incentives.

Overall, the post-conflict scenario building workshops proved a reliable mechanism to assess the effectiveness of economic incentives as conflict resolution tools. They enabled testing the limits of the economic incentives approach by simulating post-conflict scenarios requiring trade-off solutions. They could be further adapted in the future to either develop a 'blueprint for regional economic development' or to further test the resilience of economic incentives against political and security challenges that may occur in the South Caucasus region.

Conclusions and Recommendations

After all, the following conclusions and recommendations were drawn from the research on the role of economic incentives as peace building tools in the Nagorno-Karabakh Context:

1. Economic incentives, cannot, on their own, substitute a political settlement to the conflict, including its territorial dimensions. However, they could play a key role in confidence building. The main argument for the role of economic incentives in confidence building might be built around the need of both Armenia and Azerbaijan to pursue economic development, and social welfare in a changing regional and global system. From this perspective, by engaging in regional cooperation, and better policy coordination both countries would significantly increase their prospects for receiving foreign investments, would support their economic development and regional integration, and would ultimately grow the prosperity of their people.

2. Both parties understood that a political compromise was needed to resolve their conflict over Karabakh. That would require adopting a

changed narrative reflecting a constructive, dialogue-oriented approach. A dialogue on economic issues would have an important role to play in preparing the political and psychological conditions for readying wider circles of Armenian and Azerbaijani societies to accept a negotiated compromise solution. This is where a platform for economic dialogue should help. It may be used as a key element of a public debate on the advantages of choosing peace and regional economic integration over the current state of "precarious peace". Alternatively, it may be used to further develop economic incentives in the framework of post-conflict scenarios, while investigating the links among the economic, political and security agendas of both countries.

3. The post-conflict scenario building workshops outlined a number of agreed economic measures which might be included into a peace-building roadmap for Karabakh. They are genuine **economic incentives** which should be leveraged into the ongoing peace process.

4. The next steps of this research could aim at further assessing the effectiveness of economic initiatives as tools for conflict resolution. This would entail, on the one hand, expanding the scope and the range of potential stakeholders involved in the existing platform for economic dialogue. The bilateral dialogue should further advance at the Armenia-Azerbaijan national level, but also at inter-community level within the Karabakh region, as appropriate, on elaborating the details of implementation of selected economic incentives, and on assessing their potential links to the political and security agenda. In addition, a public debate on a 'blueprint for regional development', and/or on the pros and cons of choosing peace and regional economic development over the current state of precarious peace should be launched when political conditions were ripe. Relevant business people and public opinion-shapers should be attracted to participate into the platform. On the other hand, this would require testing the limits of the economic incentives approach by further simulating post-conflict scenarios requiring trade-off solutions.

To date the constituency of peace is limited, but it is growing. This is good news which proved that if there was political will on both sides to expand

the constituency of peace, restore international legality, ensure freedom for all people, and nurture prosperity through regional cooperation there would be a way to a peaceful, mutually agreed solution. The economic incentives are indispensable tools to make this happen.

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A final question about the outcome of this research: are the above-mentioned conclusions and recommendations still valid today, seven years after they had been formulated?

The short answer is: in principle, the findings of this research remained technically valid, although they might need some updates, in particular concerning the pilot projects and the roadmap for post-conflict peace building. However, the local, regional and global political, socio-economic, and security contexts have dramatically changed. The Great Power Competition has encouraged the 44-days Karabakh war and the subsequent "precarious peace" enshrined in the Trilateral Statements by the leaders of Armenia, Azerbaijan and Russia. They introduced a ceasefire agreement; changed territorial control by the conflicting parties; established a Russian peacekeeping operation; launched efforts to unblock economic, transport links; operationalized the Lachin corridor. However, the lack of a Peace Agreement so far has fed inherent disputes over the new Armenia-Azerbaijan borders; the Zangezur/Syunik transport corridor; recognition and return of all prisoners of war. At the geopolitical level, the OSCE Minsk Group was de facto sidelined on behalf of the Russian-Turkish strategic partnership over the South Caucasus, while the EU seemed to have been allowed to support demining, reconstruction and rehabilitation, as well as related peace building efforts. A Peace Agreement (including status, return of IDP's, borders demarcation and delimitation, good neighborly relations, sound state-sponsored confidence building) has still not been agreed, while the normalization of Armenia-Turkey relations while delayed, it has recently re-started.

On the other hand, also largely stemming from the emerging Great Power Competition, the invasion of Ukraine by Russia and the ensuing Russia-West hybrid and economic wars threatened the current geopolitical structure and arrangements in the South Caucasus, and might force unwanted geopolitical

choices on regional states; dimmed the prospects for cohabitation of the European and the Eurasian integration processes; and might create geopolitical roadblocks to regional cooperation and infrastructure connectivity, and end up into a new "Iron Curtain" cutting off the South Caucasus.

This is why a thorough insight into the implications of the changing political, economic and security regional and local environments for the findings of this research might be useful in spite of its largely continued technical relevance and validity.

Trade and Cooperation: Avoiding Fragmentation in the Caucasus

Kakha Gogolashvili

Regional Centres of Gravity

European Union and Eastern Partnership

Armenia, Azerbaijan and Georgia are known as countries of South Caucasus. But one can rarely hear saying the "South Caucasus Region". Despite a geography that puts three countries together in between of two mountain ranges and two important seas, cultural and linguistic differences, political preferences and foreign policy orientations split them and tend to isolate one from the other. All three states have been sharing quite similar historical challenges suffering pressure from the big regional powers. For last two hundred years Georgia, Azerbaijan and Armenia have been part of the Russian empire and later forced into the Soviet Union. Dissolution of the Union caused the emergence of ethno-political conflicts, different in nature but similar in terms of negative impact on social-economic and political development of countries. All three countries initially attempted to integrate in the international community and establish close links with the European Union. In the 1990s all have negotiated and signed partnership and cooperation agreements with the EU and have benefited from EU humanitarian, technical and financial assistance. The EU has always been trying to support transformative efforts of partner countries, their democratic transition and developing functional market economy. Doing so, the EU in the same time has become a joining factor in South Caucasus. The EU's contribution to this end was its regional and multistate cooperation projects like TRACECA,[1] INNOGATE,[2] CBC[3] and many others. The projects

1 Traceca-org.org. 2022. Home. TRACECA ORG.
Available at: http://www.traceca-org.org/ge/home/ [Accessed 10 April 2022].

2 Inogate.org. 2022. INOGATE.
Available at: http://www.inogate.org/ [Accessed 10 April 2022].

3 Euneighbours.eu. 2022. Cross-Border Cooperation (CBC) | EU Neighbours.

contributed to the widening of the transit function of the South Caucasus, linking with the better infrastructure and simplification of border crossing procedures for goods and services in the wider region of the Black and Caspian Sea. They also helped the countries to increase cooperative interaction, reduce legal and administrative barriers for goods transit between the countries of the region and beyond. EU Initiatives like the TRACECA agreement, the European Energy Charter Treaty[4] and others have directly contributed to the creation of a World Trade Organisation (WTO)-compatible trade and transit rules of goods, including energy and hydrocarbon products. The EU has made big efforts supporting peacebuilding projects and initiatives to reduce and transform interstate (Armenia-Azerbaijan) and intrastate (Azerbaijan, Georgia) conflicts in the South Caucasus. The EU's stability instrument, later called as Instrument contributing to Stability and Peace (IcSP), as well as multimillion program on Rehabilitation of Territories Affected by Conflicts. In the 1990s and early 2000s EU institutions were considering South Caucasus as a region somehow distanced from the other East European realm including Belarus, Moldova and Ukraine then called Western Newly Independent States (NIS). After the reform of the European Neighbourhood Policy (ENP) and establishing Eastern Partnership Initiative the all six countries have become involved in wider (than South Caucasus), Eastern European format of regional cooperation with the EU leading role. All other initiatives of the EU have not been focused on encouraging cooperation and integration among all six countries of the Eastern Partnership. More emphasis in this regard was made on trade dynamics between "DCFTA countries",[5] which means that EU does not divide more EaP countries by geographic criteria, or sub-regional basis, but according to their ambition and progress towards the Europeanisation.

The cooperation agenda with **Azerbaijan** has been reduced due to the lack of respect for human rights and basic freedoms. Bilateral economic rapprochement of Azerbaijan with the EU is also problematic due to the country's reluctance to join the World Trade Organization (WTO), which precludes the possibility of the country to sign an

Available at: https://www.euneighbours.eu/en/east/stay-informed/projects/cross-border-cooperation-cbc [Accessed 10 April 2022].

4 Energycharter.org. 2022. Home – Energy Charter. Available at: https://www.energycharter.org/ [Accessed 10 April 2022].

5 Deep and Comprehensive Free Trade Areas (DCFTA); Ukraine, Moldova and Georgia signed associations agreements with EU in 2014.

Association Agreement and create a deep and comprehensive free trade area. Still in February 2017, the EU and Azerbaijan began negotiations on a new framework agreement expected to give new impetus to political dialogue and cooperation. Azerbaijan is an important energy partner for the EU and plays a pivotal role in bringing Caspian energy resources to the EU market. Indeed, there are no expectations Azerbaijan to be ready in the coming years to upgrade (up to the association level) its institutional relations with the EU.

In 2014, **Armenia** denied to sign AA with the EU despite having concluded two years of negotiations almost simultaneously with Georgia. Armenia's decision to join the Eurasian Economic Union instead completely excluded the possibility of creating a free trade area with the EU and, therefore, that of signing an AA centered upon trade and other related issues. Armenia later in 2015 entered into negotiations with the EU on a new agreement and signed the Cooperation and Enhanced Partnership Agreement (CEPA) with the EU (2017). The agreement, in force since March 2021, contains many provisions similar to those in the EU-Georgia AA but it does not establish a free trade area or commitments for regulatory and legal approximation in trade related areas (as this is impossible due to Armenia being part of another customs union). Still, the country's "geopolitical choice" in favor of Russia leaved enough space for political maneuvers. The Revolution of Dignity of 2018, however, with the overture of prospects for important democratic changes improved the possibilities for the country to continue its rapprochement with the EU in areas of political and sectoral cooperation.

Georgia obtained short-term visa-free travel to the EU for its citizens from March 2017, which was an important opening in terms of freedom of movement and with the AA (in force since 2016) and other flanking and sectoral agreements like –Open Air, Protection of Geographical Indications, memorandums in the area of CSDP (on exchange of classified information and Georgia's participation in EU peacekeeping operations) provides for a solid institutional/political framework for deep cooperation. A variety of formats supports cooperation between Georgia, including those bilateral formats known as *the association institutions, the human rights dialogue, the visa liberalization dialogue.* In 2017, the EU and Georgia established *a high-level cooperation dialogue on strategic security issues* which will be held annually at the level of the Foreign Minister/Deputy Minister (Georgian side) and the leadership of the External Action Service (EU side). At the same time, Georgian high-ranking officials regularly hold meetings with the working groups of the Council of the European Union. In 2018, the Sectoral Dialogue on the Highest Level was initiated.

Box 1: What is the state of engagement of SC countries with the EU?

EaP multilateral platforms and panels, flagship initiatives have been designed to deepen regional cooperation and encouraged joined projects among all six EaP partner states without their attribution to any narrower regional context like South Caucasus or Western NIS.

EU designed policy recommendation "20 Deliverables for 2020"[6] was exemplary in this regard, demanding the deepening of trade between all EaP partner states.

Russia and the CIS

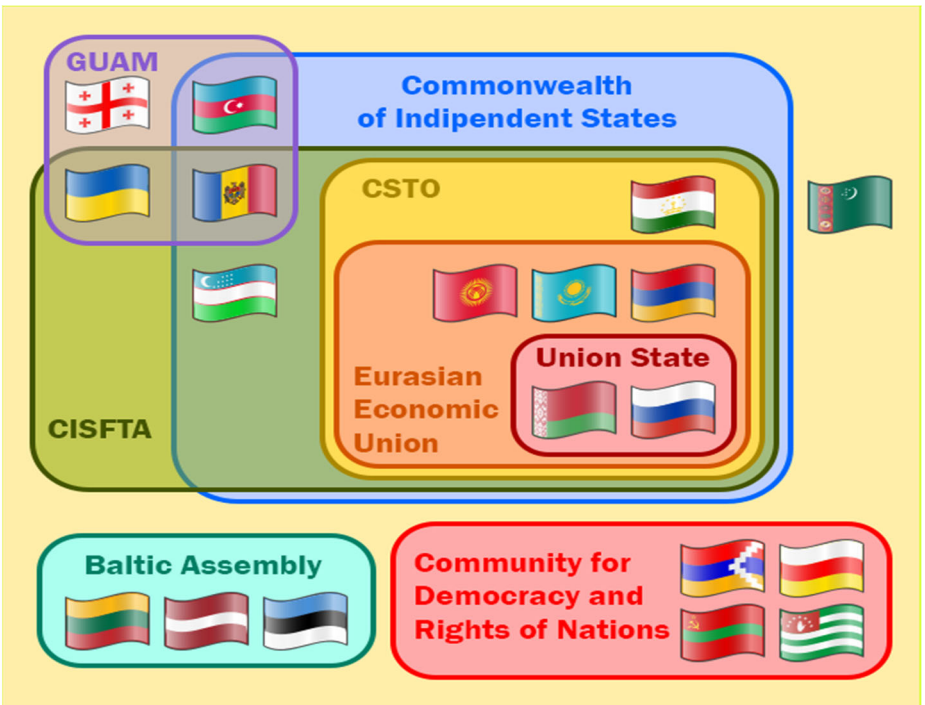
Russia started the realisation of its integrational project immediately after the dissolution of the Soviet Union in December 1991. The Belovezh Accords between then leaders of Russia, Ukraine and Belarus marked the dissolution of USSR and in the same time established the Community of Independent States (CIS). According to some experts the Belovezh Accords was "not the worst option for the Soviet Union's dissolution. At the very least, they did not provoke direct military face-offs between former Union republics."[7] The community soon was joined by majority of former soviet republics with the exception of Baltic States and Georgia. Indeed, Georgia joined the organisation in 1993. Ukraine and Turkmenistan have never ratified and approved the Charter of the CIS (1993) and have participated in the work of organisation without being full-fledged members. In 2008, Georgia withdrew from the organisation and Ukraine ceased participation in 2018.

The CIS, comprised of many fields of cooperation – political, cultural, economic, security-military have led to the creation of diverse structures responding to mentioned aims. Gradually Collective Security Treaty Organisation (CSTO), CIS Free Trade Area (CISFTA), Eurasian Economic Union (EaEU), Union State (Russia-Belarus Union), have been established. While the CIS as a format addresses more political coordination and general issues of cooperation while the CSTO with its six members represents a defensive block, the EAEU created in 2015 (initially with five members) is a customs union and an attempt to become a common market. CISTA (1994) is an operational free trade area, which includes nine CIS states. Ukraine and

6 Consilium.europa.eu. 2022. 20 Deliverables for 2020. Available at: https://www.consilium.europa.eu/en/policies/eastern-partnership/20-deliverables-for-2020/ [Accessed 10 April 2022].

7 Barabanov, O., 2022. Analytics. Valdai Club. Available at: https://valdaiclub.com/a/highlights/belovezha-accords-25-years-ago/ [Accessed 10 April 2022].

Georgia still maintain free trade regimes with all CIS countries, including Russia. Their FTAs are based on bilateral arrangements, which took place in 1995.



Box 2: The picture shows different regional cooperation formats emerged in the former soviet realm after dissolution of the USSR[8]

Comparing the EAEU and EU Integrational Projects

It is important to note that the EU's instruments of bilateral and regional cooperation (PCA, AA, CEPA, ENP, EaP) lead towards closer cooperation and integration of the part of a certain group of East European states. This attempt impedes Russian plans and the ambition to re-establish its dominance and bring the very same countries into the closed regional integration

[8] Organizaciones supranacionales postsoviéticas. 2015. es.Wikipedia /Referat III Medien, Austrian National Defence Academy. Available at: https://es.wikipedia.org/wiki/Archivo:Organizaciones_supranacionales_postsovi%C3%A9ticas.svg [Accessed 27 July 2022].

club. While EU extends its integrational action through offering the EaP states deep and comprehensive free trade arrangements – the form of the cooperation, which leaves the partner countries open to other similar arrangements with third countries. The union offered by Russia supposes the establishment of a customs union, which forbids free trade with those countries out the mentioned format. The members of the customs union have no freedom to make free trade arrangements with third countries, unless they create an FTA with the whole customs union. This implies the risk that if one day Russia decides to stop free trade relations with Georgia, it may request from Armenia and other EAEU partners to do the same.

The EU pursues less exclusive integrational policy with South Caucasian states than Russia, which tried to involve all SC countries in the customs union. On the other hand, the EU demands from its DCFTA partners to bring her legal and regulatory basis into conformity with the EU *Acquis Communautaire*. This regulatory approximation may cause a substantial increase in non-trade, especially technical barriers with third countries so that Armenia and Azerbaijan, even having bilateral (CIS driven) FTAs with Georgia, may face difficulties in overcoming the non-trade barriers while importing into the Georgian market.

Eventually this geopolitical and geoeconomic competition between two powers makes the named countries to confront a difficult choice. Obviously, the two gravitational polls pushing the regional countries into both directions results in neighbouring countries (South Caucasian) to choose one of them and continue deepening integration with it. Such a decision not always bases on the economic rationale, but is taken by consideration of security. This happens with Armenia, which rejected in 2014 the signing of the Association agreement (including DCFTA) with EU and instead joined EAEU early 2015. Georgia signed the AA with EU in 2014 and firmly continues the European path. Azerbaijan has never joined any of the mentioned trading systems, it did not even join the WTO and stay a sole rider, trying to base its own trade relations on bilateral basis with its neighbours. Still Azerbaijan has joined another regional cooperation format emerged from the post-Soviet space in early 2000s – GUAM.[9] This organisation also established a regional FTAs, yet just a simple one, without technical conditionality.

[9] GUAM is an international regional organization for cooperation. Founding members:

Even non-recognised entities like the so-called Abkhazian Republic, South Ossetia, Transnistria and Artsakh (Nagorno Karabakh) tried to establish a separate format of regional cooperation, which obviously cannot be recognised by the international community.

Analysing Trade Data

Below we analyse trade data with the view to see what is the geographical distribution of exports and imports in the South Caucasus countries and which integrational blocks they relate more.

Country Export	USD		Country Import	USD
Italy	5,638.6		Russia	2,287.7
Turkey	2,862.7		Turkey	1,646.6
Israel	1,331.6		China	1,432.0
India	955.9		Switzerland	1,206.8
Germany	931.8		United States	768.9
China	752.2		Germany	708.7
Russia	724.3		Ukraine	467.0
Spain	704.5		Iran	452.6
Czech	647.5		Canada	398.2
Georgia	586.9		Italy	363.5

Table 2: Azerbaijan's 10 trade partners, in million US dollars (2019)

For Azerbaijan, the first three trade partners are Italy, Turkey and Russia. Italy is almost a net importer and Turkey imports more than it exports to Azerbaijan. Both countries import Azeri oil and gas, but Russia exports substantially more than it imports from Azerbaijan.

As seen in the table below, Russia is the largest export destination and importing country for Armenia. Imports from China were also growing for last few years.

Azerbaijan, Georgia, Moldova, Ukraine. Uzbekistan was a member for a time before it withdrew.

Country Export	USD		Country Import	USD
Russia	719.7		Russia	1,489.3
Switzerland	457.8		China	748.0
Bulgaria	207.4		Iran	324.7
China	193.6		Turkey	265.4
Iraq	177.2		Germany	253.9
Netherlands	153.8		Italy	203.7
Iran	83.8		Ukraine	146.1
Germany	69.5		United States	129.7
Georgia	65.5		India	128.2
Canada	61.2		Japan	95.3

Table 3: Armenia's 10 trade partners in million US dollars (2019)

Country Export	USD		Country Import	USD
Azerbaijan	508.6		Turkey	1,616.9
Russia	497.0		Russia	977.0
Armenia	432.6		China	858.5
Bulgaria	284.1		US	678.7
Ukraine	250.9		Azerbaijan	558.7
China	223.1		Germany	501.7
Turkey	202.3		Ukraine	415.6
Romania	178.2		Armenia	267.7
US	132.3		Japan	257.38
Uzbekistan	89.2		Italy	228.3

Table 4: Georgia 10 trade partners in million US dollars (2019)

The biggest trade partners (states) for Georgia for last three years have been Turkey, Russia and China. Georgia's trade with the latter has increased greatly since 2014.

Country	Year	Export	Import	Turnover	%
Azerbaijan	2019	10,598.0	1,838.0	12,436.0	40 %
Armenia	2019	400.0	800.0	1,200.0	16 %
Georgia	2019	656.0	2,008.0	2,664.0	24 %

Table 5: Trade with the EU of the South Caucasus countries, in million US dollars (2019

Georgia's trade with the EU-27 is definitely higher than with any other trade actors. The EU being a single market can be defined as a separate trade partner and, if we do so, it is the biggest partner for Georgia. The EU is for Azerbaijan the most important trade destination; indeed, this includes 95 % of oil and related products. Excluding the oil Azerbaijan and taking into consideration the double comparing Georgia's size of Azerbaijan's economy, its trade with the EU would have stayed considerably lower than the one of Georgia. For Armenia the EU is the third import and second export destination, which indicated that the country has the real potential for European integration.

Character of Economic Relations

What Is Traded?

Georgian exports to Azerbaijan consist of motor cars, pharmaceuticals, live bovine animals, rail locomotives, mineral waters, etc., while imports from Azerbaijan consists mainly of petroleum gases and other gaseous, petroleum oils, gypsum, anhydrite, plasters, boards, panels and other bases for electrical apparatus, electrical energy, and other such commodities. It is noticeable that both countries' exports are dominated by a single group of products – in the Georgian case this is the motor cars (mainly used vehicles re-exported from Europe, US and Japan) and in the case of Azerbaijan, it is hydrocarbon fuels. Both countries need to diversify their export capacity, otherwise there is a high risk they face big losses if trade with the dominant product is impeded.

A rough analysis suggests very logical conclusions that Georgia being in association-driven relations with the EU, has more intensive trade relations with it than Armenia and Azerbaijan. Georgia's exports to Armenia and Azerbaijan sown statistics provided by those countries. The reason is differences in statistical methodology as Georgia shows re-exported vehicles as exports and the neighbours count the mentioned products as if imported from the country of their origin. Actually, Georgia counts its vehicles re-exports imported from third countries and exported to the SC neighbouring countries, other countries unite high in Georgia's table is not mirroring the trade with Armenia as member of EAEU reasonably has a large part of its trade directed towards Russia, both export and imports. Azerbaijan, being a

predominantly single-product oil-based country not having ambition to integrate with any block or system, has a wide clientele balanced between the EU, Turkey and Russia. All three have substantial levels of trade with China, which shows increasing trends. The data shows that the trade turnover (not including Azerbaijani gas supplies to Georgia) are quite low at present and despite the geographical proximity and logistical ease, the neighbouring countries do not tend to cooperate more intensively.

Georgia has already suffered such losses, after Azerbaijan, by introducing a new "Euro-4" regulation limiting access of used cars to the country market.[10] According to Euro-4 regulations, cars imported from the EU manufactured prior to 2005, 2004 in the U.S., 2011 in China and Japan, 2006 in Korea, and 2009 in Turkey are forbidden. It resulted in dropping total Georgian exports to Azerbaijan almost by 50 % in 2015.[11] The sudden introduction of a new regulation in Azerbaijan affected Georgian exports to that country and produced important negative social impact, harming huge number of small car traders and dealers in Georgia. It is not excluded that lower than in previous years level of relations between Georgian and Azerbaijani governments allowed such a harmful for Georgia decision to be passed with a very short notice mode.

Box 3: Georgian exports affected by Azerbaijan's car import laws

Georgia's exports to Armenia in 2019 was consisted of motor vehicles, fertilizers, trucks, corn, wood (tablets), wine and spirits, other. Again, re-exported motor vehicles have amounted to more than 50 % of total exports. Armenia exports copper ore and concentrates, bottles and other small glass containers, cement, acid, hydrocarbon and other gases, plastic containers and packaging for cargo transportation, agricultural products, etc. Armenia is practically the only country among the biggest trade partners of Georgia, with whom it has a positive trade balance. Indeed, this advantage is very volatile. A drop in exports can happen on re-exported from Georgia cars, because of the uncertainty related to Armenia's membership in the EAEU[12] and the probability that Russia may demand from Armenia to impose duties

[10] See: Azerbaijan's tougher car import laws affect Georgian exports. Agenda.ge. 1 Jul. 2014. Available at: http://agenda.ge/news/17102/eng.

[11] See: External Merchandise Trade of Georgia in January-November 2015; Geostat, page 11. Available at: http://geostat.ge/index.php?action=news&lang=eng&npid=956.

[12] See Vakhtang Charaia. Armenia and Georgia: Trade and Investments. 2015, page 37. Available at: http://c-i.am/wp-content/uploads/Arm-Ge-economyENG.pdf.

on imported from Georgia cars. Anyway, Armenian exports to Georgia are more varied than Georgian exports to Armenia and in the near future Armenia's external competitiveness will probably prevail over Georgia's.

Who Gains from Trade More?

Obviously, at this moment **Azerbaijan** gains more from the trade than other countries of the region. It exports to Georgia twice more than Georgia to Azerbaijan. It is practically the exclusive supplier of gas and oil to Georgia. The recent rise in oil prices will increase Azerbaijani revenues from its exports to Georgia, but the 2021-2022 devaluation of the Georgian GEL may positively affect Georgia's exports.

Armenia, a landlocked country, flanked by two big neighbours (Turkey and Azerbaijan) benefits from her good partner relations with Georgia, including from the trade with Georgia proper. The transit opportunities through Georgian territory towards Russia and Europe, via Georgian ports is extremely useful for the country. **Georgia**, from her side is also benefiting from providing her goods and services in relatively high quantities thanks the supply gap created by the blockade situation in the Armenian market. The outcome of the 2020 Karabakh war resulted in agreements between Azerbaijan and Armenia which promise the opening of locked transport routes connecting the two countries and connecting Armenia with Turkey. This, if implemented, may change Armenia's dependence on Georgian transit capacities and result in faster development of the country's trade with other neighbours in the wider region.

What are the Major Obstacles for Trade (Embargoes, Blockades …)?

There are very few regime-borne obstacles to trade between Georgia and its South Caucasian neighbours, unlike the situation between Armenia and Azerbaijan. Indeed, obstacles obviously exist and they mainly could be attributed to the informal barriers created by the lack of transparency at customs, monopolies acting on markets, lack of logistical means and lack of marketing means used by companies themselves.

It is important to know how the regulatory framework, which Armenia and Georgia have adopted so far in order to implement their commitments with the EAEU and the EU (AA) accordingly, affect regional economic cooperation. Georgia, Armenia and Azerbaijan – three states of a one small region – participate in distinct regional arrangements. Georgia signed an AA with the EU and established the DCFTA, Armenia acceded the EAEU and Azerbaijan deciding to remain non-aligned, even not intending to join the WTO. The Georgian DCFTA commitments do not affect her external tariff policy in general and existing FTAs with Armenia. The agreement on Armenia's accession to the EAEU explicitly states that the country can continue granting tariff preferences according to the agreements signed by Armenia prior January 1st 2015, which is the date of entry into force of Armenia's membership in EAEU.[13] This concerns the FTA signed between the Republic of Armenia and Georgia in 1994 under the auspices of the CIS agreements. It remains in force and similar agreements of Georgia are functional with all EAEU member states. Indeed, these advantages (FTA tariff concessions) are allowed until the "transitional term" is over, which situation, according to the Accession Agreement, was valid until 2017 and extended until 2022. In fact, at present, if other members of the EAEU will not decide to stop their own FTA agreements with Georgia, Armenia will not be requested to using conventional EAEU customs import tariffs duties with Georgia.

Another important topic is the application of strict and distinct sanitary-phytosanitary (SPS) measures and technical regulations by Georgia (approximated with EU *Acquis*) and Armenia (application of the Customs Union's common regulatory system). Georgia is gradually applying conditionality rules largely approximated to that of the EU. The process is scheduled up to 2030 and most probably, goods originated in Armenia, or any other EAEU country would not be allowed access to the Georgian market unless they are certified in Georgia. An option like signing of the Mutual Recognition

[13] See the Agreement on accession of Armenia the EAEU of 29 May 2014. Annex 2, Protocol on changes in accords in the framework of Eurasian Customs Union and the Common Economic Space (in Russian). Art. 42, page 22-23. Available at: https://docs.eaeunion.org/sites/storage0/Lists/Documents/3192b5cd-9395-4f2d-9aef-fc624d3db445/5481e66f-3428-4d99-b033-6efc4039cdaf_635486381049072687.pdf.

Agreements (MRA) is practically excluded, as Russian standard based regulatory system in the EAEU would not become compatible with EU rules at the level of technical regulations and SPS norms, nor in terms of equivalence of the conformity assessment practices for a long time. Up to now, Armenian goods are just accepted in Georgia without any complications, and Armenia returns the favour. The access of Georgian goods to Armenia's market will (after the expiration of the transitional period) be limited, restricted and subjected to common EAEU rules. Then obviously Georgian certification bodies, most probably, will not be recognized in a neighbouring country either. Despite possible complications, the parties, with good will, can work out different technical solutions on the bilateral level.

Trade with **Azerbaijan** will be not be substantially affected, as Georgia imports mainly gas. Oils and construction materials from this country, which are not as sensitive towards the regulatory environment changes. In the same time, Georgian exports to Azerbaijan may remain same or even grow due to the raising competitiveness and credibility of Georgian goods that will result from introduction of strong product safety rules and regulations in Georgia.

The future of Armenia-Azerbaijan trade relations, which at this moment theoretically does not exist, is not clear. Still the staring process of normalisation, which started with the signing of the ceasefire agreement and principles, also recent talks mediated by Brussels inspire for the better outcome.

Impacts of Attachment to Different Trade Systems

Trade Creation or Diversion? DCFTA

The impact of DCFTA on Georgian economy cannot be felt in the short or even medium term. For the EU goods, the Georgian market has become fully opened immediately after the provisional application of trade related provisions of AA in 2014. European goods, being highly competitive, obtained additional advantage because of elimination of customs duties. For Georgian goods, the tariff elimination brought less sensitive results – first of all because the majority of imported goods in the EU, Georgian goods have already been subjected to the tariff elimination. Second, Georgian goods are not competitive at any price because of the low technological level in the

country. The non-trade barriers will affect Georgian exports relative to the EU still many years in the future, when the country will satisfy the conditions set in the agreement and obtain the EU's recognition of equivalence of conformity assessment measures in all sectors of economy. Despite the mentioned difficulties, DCFTA will certainly cause a massive diversion of Georgian businesses towards the EU markets in the long term.

Georgia's trade with **Turkey** will certainly acquire additional stimulus as Turkey is a member of the Customs Union with the EU and Georgia, as an EU membership candidate country, has transposed the majority of EU *Acquis* into the national legislation. Another important issue is the recognition by the EU of the Cumulation of the Rules of Origin between Turkey and Georgia. This means that products produced by components originated in both countries in any proportion will enter the EU market free of customs duties. The recent figures on Georgia-Turkey trade shows positive trends in that regard.

The DCFTA will affect trade with **Iran** as well. First of all, unsafe Iranian domestic appliances are no longer allowed to Georgian markets. Most probably some agricultural products, cultivated in violation of product safety norms will also be stopped on the border. Indeed, the Iranian economy is able to produce quality goods as well and will adjust its production to EU-compatible Georgian regulations, if there is such an interest. Armenia's membership in the EAEU somehow affects its trade with Iran. Iran is, after Georgia, another transit country for Armenia, with prospects of becoming its most important trade partner too. Recently Iran declared (informally) about its intentions to join the EAEU. If this happens, then Armenia and Iran may enjoy full mutual freedoms in trade in goods and services. Cooperation on the field of quality infrastructure, including testing, inspecting and certification of products may also be helpful for both states and facilitate the overcoming of technical barriers while trading with the EU (for Armenia) and EAEU (for Georgia).

Business Actors in Armenia and Georgia: Adapting to Different Trade Regimes?

Up to now, there were no important business to business activities between Armenia and Georgia, save several conferences. For the moment, business

ties and trade were not seriously affected by the geo-economic divide. Businesses do not try to spend much time on long-term project and ideas to advocate and lobby with their governments. In general, it could be noticed that despite the FTAs between states, neither businesses nor politicians think about Georgia and Armenia in terms of prospective merging of markets. The political differences create low motivation for considering long-term plans of extensive cooperation in the region. In reality, businesses of all three countries could benefit from the preferential regimes with the EU from one side and the EAEU from the other. It is possible through creation of well-designed production networks fitted to the requirements of the Rules of Origin established by the DCFTA for Georgia and the EAEU for Armenia.

Trade and the Breakaway Regions in the South Caucasus

The AA/DCFTA legally covers the whole territory of Georgia. Indeed, article 429 (2) on Territorial Application of the EU-Georgia Association Agreement states:

> The application of this Agreement, or of Title IV (Trade and Trade-related Matters) thereof, in relation to Georgia's regions of Abkhazia and Tskhinvali region/South Ossetia over which the Government of Georgia does not exercise effective control, shall commence once Georgia ensures the full implementation and enforcement of this Agreement, or of Title IV (Trade and Trade-related Matters) thereof, respectively, on its entire territory.[14]

The association Council will make a decision regarding this issue, when Georgia proves that the countries' authorities are able to implement necessary measures in the breakaway territories. At this moment, Georgia proper has no official trade and economic relations with its own separated regions. Those regions are fully open to Russia, which, in violation of WTO rules maintains illegal trade with these territories. The Georgian government attempts to convince the authorities in South Ossetia/Tskhinvali Region, and Abkhazia, to work out joint measures that would allow the mentioned regions to use benefits of the DCFTA and become eligible to export produced goods to EU markets. In particular, the Georgian government brought the issue for discussions in Geneva talks, held in September 2015, later again in

[14] EU-Georgia Association Agreement 2014. Available at: https://www.eeas.europa.eu/sites/default/files/association_agreement.pdf [Accessed 27 July 2022].

2018. The meetings were dedicated to inform the Abkhazian and South Ossetian representatives about the DCFTA and its benefits, as well as to initiate discussions on the Title IV issue. The result was not quite satisfactory and the breakaway regional de-facto authorities remained sceptical and reluctant to talk with Georgian government about it. The problem is deepened with the promises of Russia to include Abkhazia and South Ossetia in the Customs Union (CU) of the EAEU. These promises are obviously political bluff, as other members of the CU would not accept such a hostile measure to Georgia. Indeed, this kind of promise reduces motivation of the Abkhazian and South Ossetia leaders to talk to Georgia about the DCFTA.

The uncontrollable trade between Armenia and breakaway region of Nagorno-Karabakh also creates additional violation of legal rules that are incontrollable for Azerbaijan. Indeed, this case falls under only Azerbaijan legal system and does not constitute case of violation of international trade rules, as Azerbaijan is not a member of international trading system. The best way the conflict should be resolved by including in the negotiation package of the overall settlement of the Armenia-Azerbaijan conflict.

War in Ukraine, Challenges and Opportunities

The Russian aggression in Ukraine is dangerously threatening the security and stability not just of belligerent states, but wider Eastern European region, including the South Caucasus. Georgia, Armenia and Azerbaijan, being attached to different integrational systems may, in the case of deeper escalation between the collective West and Russia be involved in the strong geopolitical split and confrontation. It is noteworthy that Georgia is committed to partnering with the Euro-Atlantic and European institutions, while Armenia is part of the Russian led military-security alliance – CSTO. Azerbaijan and Turkey are military allies too. And, the decision of Turkey to side one of the confronting group of states will imply Azerbaijan also to take the same part. Geopolitical and geostrategic split in the South Caucasus may create faultiness in the region and affect trade, economic relations, cultural and people-to-people ties, hinder large geopolitical projects or Europe-Asia transport corridors, including gas and oil pipelines, many other business opportunities.

As a follow-up to the Nagorno-Karabakh ceasefire agreement Russia and Turkey proposed creation of 3+3 format with participation of three South

Caucasian states and the three important regional actors – Russia, Turkey and Iran. Georgia alone refused to take part in the format aimed to discuss security and economic challenges and opportunities in the South Caucasus.

Recommendations

1. Georgia and Azerbaijan need to diversify their own export capacity, otherwise there is a high risk they face big losses if the trade of the "dominant product" (oil and gas from one side, and used cars from the other), is destroyed because of any reason.

2. All three countries can create a special program/fund to promote cooperation between South Caucasian enterprises.

3. Armenian and Azeri enterprises can cooperate with Georgian enterprises for the production of Georgian goods which include (in accordance with the EU-Georgia DCFTA Rules of Origin) Armenia/Azerbaijan produced components and benefit from zero tariff duties while exporting to EU markets. In the future, the same approach could be used for South Caucasus products selling to EAEU markets and Armenia can serve in the same manner as Georgia with the EU.

4. When the war in Ukraine is over and the settlement in place and the sanctions lifted, EU and Russia should discuss further the approximation of their regulatory systems, otherwise the raising of non-tariff barriers can badly affect trade between Georgia and Armenia.

5. Azerbaijan, by joining the WTO and continuing regulatory approximation with the EU may better use the GUAM, as all other GUAM countries are WTO members. In the future Armenia, when settlement is achieved, could also join GUAM and join efforts for advancing Caspian-Black-Baltic Sea cooperation.

6. Benefits from the DCFTA or any other framework (EAEU) may not be realistic without modernization of the economies of the South Caucasus and increasing investments having a multiplier effect on

the manufacturing sector. To encourage trilateral industrial and enterprise-creating projects, increase industrial cooperation and cross-border trade.

7. Georgia in the near future will develop the infrastructure of laboratories and certification bodies, which would be recognized by the EU, it will make it easier for Armenian and Azeri producers to certify their export products in Georgia, before selling them to the EU. The certification will be much cheaper done in the South Caucasus. The authorities of the mentioned countries should carry out consultations on this. Another option for avoiding the impact of differences in standardization and certification of goods is developing a unified approach towards the certification in Georgia and Armenia (first of all as they are members of distinct regional arrangements). This would allow functioning of accredited branches of laboratories of the mentioned states (or their sections) in both countries. Georgian goods destined to EAEU markets could be certified by a Georgian branch of the Armenian Certification body and vice-versa. Azerbaijan could cooperate with both countries.

8. Azerbaijan may use Georgian laboratories or their branches for certification of their goods directed to EU markets as well. Indeed, all these accomplishments should be discussed with the European Commission.

9. Armenia and Georgia and Georgia-Azerbaijan still have possibilities to develop closer trade industrial cooperation and use the opportunity of preferential trade that Georgia enjoys with the European Union. Joint ventures and mixed production schemes that can fit the EU's preferential system of the Rules of Origin may be well exploited by businesses in both countries and find mutual benefit.

   It is of high importance that a Georgia-Armenia Joint Economic Cooperation Commission and a respective Georgia-Azerbaijan cooperation body strongly engage in discussing how to draw new ways of cooperation and use opportunities brought by the opening of the EU market to Georgia. Promote creation of joint ventures and cooperative networking between enterprises around the South Caucasus.

South Caucasus in the Era of Great Power Competition and Geopolitical Divisions: View from Armenia

Benyamin Poghosyan

South Caucasus and the Possible Emergence of the New Geopolitical Fault Lines

In recent years, Russia-West relations were steadily moving towards the complete rupture. The Ukraine crisis of 2014, Russian military involvement in Syria, the alleged Russian interference in the 2016 US presidential elections, the assassination attempt on Sergei Skripal; this is not the complete list of the West's grievances towards Russia. The Kremlin has its own list – NATO enlargement, military actions against the former Yugoslavia, incursion to Iraq and Libya without UN Security Council resolutions, support to the alleged coup in Ukraine in 2014, interference into Russian internal affairs to execute regime change and bring a puppet government into power. It seemed that relations could not deteriorate further. However, since December 2021, Russia-US and Russia-NATO tensions have increased significantly. Russia prepared and published two agreements with the US and NATO, demanding to revise the post-Cold War European security architecture.[1] Russia demanded to stop NATO enlargement, scale back NATO military infrastructure in the territories of the new NATO members, and significantly restrain NATO engagement with former Soviet Republics.

Russia's demands triggered a set of high-level negotiations: direct phone conversations between President Putin and Biden,[2] discussions at Russia-NATO council and OSCE, talks between US Secretary of State Antony Blinken and Russian Foreign Minister Sergey Lavrov, visits by President Macron and Chancellor Scholz to Moscow.

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1 Press release on Russian draft documents on legal security guarantees from the United States and NATO, https://www.mid.ru/en/foreign_policy/news/1790809/.

2 Statement by Press Secretary Jen Psaki on President Biden's Phone Call with President Vladimir Putin of Russia, https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/30/statement-by-press-secretary-jen-psaki-on-president-bidens-phone-call-with-president-vladimir-putin-of-russia/.

The US and NATO rejected the primary demands of Russia, calling them non-starters, simultaneously expressing their willingness to continue negotiations. In parallel to these negotiations, a real drama started to evolve in and around Ukraine. The US claimed that Russia is preparing for a large-scale invasion of Ukraine, and the US, UK and some European countries started to supply Ukraine with lethal weapons, while Russia claimed Ukraine is preparing a military provocation along the contact line in Donbas. The Kremlin instead hinted at some unspecified military-technical response if Russia's concerns are not met.

The X hour arrived on February 21, 2022. Russian President Vladimir Putin signed decrees recognizing the independence of Donetsk and Lugansk People's Republics and established agreements with these two entities on friendship, cooperation, and mutual assistance.[3] On February 22, President Putin stated that Russia recognized these states within territories envisaged by their constitutions, which cover entire territories of former Donetsk and Lugansk oblasts of Ukraine, while as of February 21, 2022 the *de facto* Republics controlled only 30 percent of the oblasts' territories. On early morning February 24, President Putin declared the launch of special military operation in Ukraine. He stated that Russian goal is the demilitarization of Ukraine and added that Russia has no intention to occupy Ukrainian territories.

Russia's decision opened a new chapter in the history of the post-Soviet space and, at least in the medium run, ruined Russia-US and Russia-EU relations. The Western reaction was anticipated, new tough sanctions, including Germany's decision to halt the Nord Stream 2 gas pipeline certification, freeze on Russian Central Bank assets, and cutting part of the Russian financial system from the SWIFT.[4] In a broader sense, these developments are part of the shifts in global security architecture amidst the transformation of the world order from a unipolar moment to a multipolar system. It is not only about Ukraine, in the same way that the cold war was not about the fate of West Berlin.

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3 Russia recognizes independence of Ukraine separatist regions, https://www.dw.com/en/russia-recognizes-independence-of-ukraine-separatist-regions/a-60861963.

4 West to cut some Russian banks off from Swift, https://www.bbc.com/news/world-60542433.

The war in Ukraine unfolds within the tectonic transformations in the world order. The post-Cold War order was based on absolute US hegemony, dubbed by Charles Krauthammer as the "Unipolar Moment" in his famous *Foreign Affairs* article.[5] This era was marked by US efforts to extend the area of liberal democracies to cover former members of the Socialist camp in Europe. The enlargement of NATO and EU were the primary tools of this strategy. The 9/11 attacks shifted the US focus to the war on terror in the Greater Middle East, but democracy promotion and the NATO and EU enlargement remained a priority for the Bush and Obama administrations. However, the world financial crisis of 2008 marked the beginning of the end of the "Unipolar Moment." It showed the limits of US geostrategic might, while other players, most notably China, Russia, and India, started their rise. The US sought to answer to the rise of China by launching the strategy of "Pivot to Asia" in 2011,[6] while the Trump administration acknowledged the transformation of the world order towards multipolarity by embracing the notion of "great power competition" in its strategic documents.[7] The term is also crucial for the Biden administration, which overtly designated Russia and China as the main rivals of the US in its "Interim National Security Strategic Guidance," published in March 2021.[8]

Meanwhile, under the leadership of President Vladimir Putin, Russia firmly believes that Russia should be one of the main pillars of the emerging multipolar world with the US and China. From the Russian perspective, the West used the moment of Russian weakness in the 1990s to shape the European security architecture in such a way to violate vital Russian interests. Since President Putin's famous Munich Security Conference speech in 2007,[9]

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5 Charles Krauthammer, The Unipolar Moment, https://www.foreignaffairs.com/articles/1990-01-01/unipolar-moment.

6 Hillary Clinton, America's Pacific Century, https://foreignpolicy.com/2011/10/11/americas-pacific-century/.

7 National Security Strategy of the United States of America, December 2017, https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf.

8 "Interim National Security Strategic Guidance", https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf.

9 Speech and the Following Discussion at the Munich Conference on Security Policy, http://en.kremlin.ru/events/president/transcripts/24034.

Russia launched consistent efforts to upend the post-Cold War security architecture of Europe, demanding the recognition of its legitimate special interests in its neighbourhood. The Russia-Georgia war in 2008 and Ukraine crisis in 2014 were the manifestations of Russian growing assertiveness and resentment over the post-Cold War European security architecture.

The Russian leadership probably believes that without control over Ukraine, or at least without pro-Russian Ukraine, Russia has no chances to become an equal pole with the US and China in the coming multipolar world. Late Zbigniew Brzezinski captured this moment in his seminal work "The Grand chessboard: American Primacy and Its Geostrategic Imperatives", arguing that

> Ukraine, a new and important space on the Eurasian chessboard, is a geopolitical pivot because its very existence as an independent country helps to transform Russia. Without Ukraine, Russia ceases to be a Eurasian empire.

Meanwhile, with much less world attention, Russia made another move to solidify its post-Soviet space position, particularly in the South Caucasus. Since the collapse of the Soviet Union, Russia has had a solid foothold in Armenia, but the Kremlin always sought influence across the entire region. The 2008 Russia-Georgia war made any Russia-Georgia rapprochement unlikely, but opened the way for unfettered Russian presence in Abkhazia and South Ossetia, while Azerbaijan appeared to be the only country outside the Russian sphere. Given the Armenia-Azerbaijan conflict, the Russian task: pulling Azerbaijan closer into its orbit without alienating Armenia seemed almost impossible. The growing Azerbaijan-Turkey cooperation made this equilibrium even more complicated, as Russia also had to counter Ankara in Azerbaijan.

The transformation of Russia-Turkey relations since 2016, and the 2020 Karabakh war changed the regional *status quo*. Russia deployed its troops in Nagorno Karabakh, which gave it substantial leverage in its relations with Baku. However, the Turkish military involvement in the recent Karabakh war significantly increased Turkey's influence over Azerbaijan, especially over the Azerbaijani armed forces. Meanwhile, as Russian troops are the sole guarantors of the security of Armenians living in Karabakh, and Russian troops now control parts of the Armenia-Azerbaijan border, the Armenian

defeat in the 2020 Karabakh war did not result in a decrease of Russian influence in Armenia, on the contrary, Russia now enjoys more influence in Armenia than at any time since 1991.

The presence of Russian troops in Karabakh is not sufficient to secure long-term Russian influence in Azerbaijan and counterweigh the Turkish position especially after the signature of the June 2021 Azerbaijan-Turkey declaration on an alliance. The position of Azerbaijan's leadership in this situation is not straightforward. President Aliyev took steps to deepen his country's relations with Turkey. However, he understands that despite expressions of brotherly solidarity Ankara is wary of Aliyev's Russian connection. Thus, Baku is interested in keeping a balance between Russia and Turkey, while Russia is interested to counter Turkey and increasing its role in Azerbaijan. On February 22, 2022, after more than 4 hours of negotiations in Moscow, President Putin and Aliyev signed a declaration on allied interaction.[10] It will elevate bilateral relations to higher level and satisfies Azerbaijan and Russia. Azerbaijan gets leverage to prevent its overdependence on Turkey, simultaneously diluting Russian support for Armenia, while Russia makes another move to solidify its positions in the South Caucasus.

While great powers flex their muscles for the upcoming battles over the future of the world order, the medium and small powers seek to assess the implications of Russia-West decoupling. In this context, the South Caucasus is an interesting case. Being part of the Soviet Union and after 1991 perceived by Russia as a legitimate zone of its special interests, the region has become a flashpoint for regional rivalries. In the first two decades after the collapse of the Soviet Union, the regional security architecture was relatively straightforward. The US supported the Turkey-Georgia-Azerbaijan partnership versus the Russia-Armenia alliance, while Iran was de jure neutral but *de facto* was supporting Russia and Armenia. Despite being fully anchored in the Russian sphere of influence, Armenia developed modest cooperation with the West, signed IPAPs with NATO, joined the European Union (EU) Eastern Partnership initiative and signed the Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in 2017, which entered into force

[10] Talks with President of Azerbaijan Ilham Aliyev, http://en.kremlin.ru/events/president/news/67830.

in March 2021.[11] Azerbaijan pursued a balanced foreign policy, developing partnerships with Turkey and Russia and launching energy cooperation with the West.

Regional security architecture started to change in 2016. The key driver was Turkey's strategy to transform itself into the independent regional player and bid farewell to its position as the sole provider of US interests in the Middle East, South Caucasus, Black Sea region and Western Balkans. Russia sought to use this momentum and pull Turkey away from the US and NATO as much as possible, having a clear understanding that Turkey will not leave NATO.

As a result of that understanding between Russia and Turkey and the strategic blunders made by the Armenian governments of former President Serzh Sargsyan and incumbent PM Nikol Pashinyan, Russia allowed Azerbaijan and Turkey to start a joint war against the unrecognized Nagorno Karabakh Republic and change the regional *status quo*. After the signing of the November 10, 2020 trilateral statement, Russia and Turkey continue to steer the developments in the region, pushing for restoration of communications, the start of Armenia-Azerbaijan border delimitation and demarcation, and normalization between Armenia and Turkey. All external players in the region – Russia, Turkey, Iran, the US, and the EU – are interested in a stable South Caucasus.

The current Russia-West crisis will shake the post-2020 Karabakh *status quo*. Azerbaijan will be forced to make a final decision. Is it part of the emerging Russian pole or not? Simultaneously, Turkey will not be able to continue its current "cooperative competition" with Russia forever balancing between the US and Russia. It is challenging to assess Turkey trajectory, as the country faces unpredictable 2023 Presidential and Parliamentary elections. It is obvious that Turkey's geopolitical choices will have significant impact on Azerbaijan's decision making, albeit we cannot exclude that at the end of the day Turkey and Azerbaijan will find themselves in different camps – Turkey with the US and Azerbaijan with Russia.

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11 The EU and Armenia Comprehensive and Enhanced Partnership Agreement enters into force, https://ec.europa.eu/commission/presscorner/detail/es/ip_21_782.

The situation is relatively clear with Armenia. Yerevan was, is and will be a part of the Russian pole for at least another decade or so. Suppose Azerbaijan becomes part of the Russian pole too. It could be in the form of Azerbaijan's membership into a more integrated Eurasian Economic Union or its inclusion into the hypothetic Union state sovereign republics, as was recently suggested by Belarus President Lukashenko.

In that case, Armenia-Azerbaijan relations and the Karabakh conflict will become Russian domestic problem. The situation will resemble the events of July 1921, when the Caucasian bureau of the Bolshevik party decided to give Nagorno Karabakh to Azerbaijan as an Autonomous Oblast. In this scenario, Armenians and Azerbaijanis will frequently visit Kremlin seeking to influence decision making there and get a favourable solution.

Georgia, most probably, will not join the "Russian pole" as a majority of Georgian society views Russia as an enemy, which occupies Georgian lands. Despite recent tensions between Georgia and the US concerning the recent actions of the Georgian government on judicial reforms, the trial of former President Saakashvili, and theories about the existence of a hidden agenda of Mr. Bidzina Ivanishvili to make Georgia again part of the Russian zone of influence and other democracy related issues, Georgia in the foreseeable future will continue to be a part of the "American pole".

In this scenario, Armenia-Turkey, Armenia-Georgia and Azerbaijan-Georgia borders may be transformed into the new dividing line between "Russian and Western poles," while Iran will support Russia. That means the continuation of the Armenia-Azerbaijan normalization process under the full control of Russia, but Armenia-Turkey normalization process may be slowed. If Azerbaijan seeks to anchor itself in the American pole, the Armenia-Azerbaijan border and the current line of contact in Nagorno Karabakh may become the new dividing line between Russian and American poles. In this scenario, both Armenia-Azerbaijan and Armenia-Turkey normalization processes may be stalled, while Russia may use Armenia and Nagorno Karabakh as tools to pressure or punish Azerbaijan for its "disobedience". Russia may even create conditions for the new war in Nagorno Karabakh, seeking to bring back some territories around Karabakh under its control.

Where does Armenia stand in all this turmoil? Armenia suffered a severe geopolitical setback in 2020 due to a humiliating defeat in the 2020 Karabakh war. The loss of the Nagorno Karabakh Republic-Iran border and the approximately 75 percent of the Nagorno Karabakh Republic's territory significantly reduced the geopolitical potential of Armenia. The war resulted in a significant increase in Russian influence over Armenia. Currently, Russia is not only the sole guarantor of security of Armenians living in Nagorno Karabakh, but also it protects parts of the Armenia-Azerbaijan borders through the deployment of small military units in Ararat and Syunik provinces alongside the Armenia-Nakhichevan and Armenia-Azerbaijan borders. Armenia faces multiple security challenges. It should prevent the exodus of Armenians from Nagorno Karabakh and manage the complex process of Armenia-Azerbaijan border delimitation/demarcation and Armenia-Turkey normalization process.

Despite being firmly anchored in the Russian sphere of influence, Armenia developed modest cooperation with the Euro-Atlantic community – the US, NATO, and EU. Armenia has always enjoyed partner relations with the US and launched a strategic dialogue with the US in May 2019.[12] Armenian national interests require cooperation with the Euro-Atlantic community to receive assistance in modernizing state institutions and access Western funds.

The Perspective of Regional Economic Cooperation

The 2020 Karabakh war has significantly shifted the geopolitics of the South Caucasus: experts and pundits alike argue about the primary beneficiary of the war. Was it Russia, which put its boots on the ground, Turkey, which was the first country, which directly intervened militarily in the post-soviet space after the collapse of the Soviet Union, or was it Azerbaijan, which achieved significant territorial gains? While debates are underway about the war, the post-war dynamics in Armenia-Azerbaijan relations and in Nagorno Karabakh put forward more questions than answers. What will be the mid and especially the long-term future of Nagorno Karabakh? Will we face the gradual normalization of relations between Armenia and Azerbaijan and Armenia and Turkey with the restoration of communications, and at the end

12 U.S.-Armenia Strategic Dialogue Joint Statement, https://am.usembassy.gov/strategic-dialogue/.

of the day, which power will play a dominant role in the South Caucasus as a result of all these transformations. The complex nature of the South Caucasus geopolitics and the overlapping and contradicting interests of the leading external players make elaborating predictions quite challenging. However, it is necessary to develop at least short-term preliminary assessments on what lays ahead in Nagorno Karabakh and Armenia-Azerbaijan relations.

Nagorno Karabakh

More than 16 months after the end of the 2020 Karabakh war, the keyword in describing the future of Nagorno Karabakh is ambiguity. Russian troops provide a minimum level of security for Armenians living there; however, the recent escalation along the line of contact have sent a clear signal that Russians cannot prevent these incidents.[13] Azerbaijan has a clear-cut strategy regarding the Nagorno Karabakh-War as conflict solved; there can be no return to the discussions about any status for Nagorno Karabakh. Azerbaijan rejects the mere existence of Nagorno Karabakh. Instead, it uses the term Karabakh economic region. Azerbaijan's perspective is apparent – to start to settle Azerbaijani population in the territories of the former Nagorno Karabakh Autonomous oblast currently controlled by Azerbaijan, to keep tensions along the new line of contacts to force/convince at least some Armenians to leave, and wait for the withdrawal of Russian peacekeepers to establish control over the remaining territories of Nagorno Karabakh. The time frame for the Russian troops' withdrawal from Karabakh is unknown; however, according to Azerbaijani logic, it will happen sooner or later.

The strategy of Armenia is less clear. Yerevan argues that the war has not solved the conflict and that the OSCE Minsk Group should resume the negotiation process. However, Armenia has not provided an answer to a straightforward question – what Yerevan is going to do if Azerbaijan continues to reject the existence of Nagorno Karabakh and refutes any negotiations on Karabakh status.

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[13] The new escalation in Nagorno-Karabakh is part of Azerbaijan's long-term strategy, https://www.civilnet.am/en/news/653296/the-new-escalation-in-nagorno-karabakh-is-part-of-azerbaijans-long-term-strategy/.

If the history of the past fifteen months tells anything, the Armenian government will probably do nothing except making standard and boring statements, which will change nothing. Suppose everything remains the same as it was after November 2020. In that case, we will see a gradual decline of the Armenian population in Karabakh with the simultaneous rise of the number of Azerbaijanis, which within a decade may make the Nagorno Karabakh within 1988 Autonomous oblast borders a territory with an Azerbaijani majority. Armenia will continue to transfer zero-interest loans to Nagorno Karabakh to pay salaries, pensions, cover the cost of utilities, and fund some construction work while having no involvement in the security-related issues. Azerbaijan, in mid-2022, will start the process of relocation of Azerbaijanis into the territories of former Nagorno Karabakh Autonomous Oblast, while Russian peacekeepers will continue to foment their presence there.

Armenia-Azerbaijan-Turkey

2021 has witnessed ups and downs in this triangle. The year started on January 11, 2021, with a trilateral statement to start the restoration of communications. Since May 2021, Azerbaijan has launched its military blackmail strategy invading up to 50 square km of Armenian territories, which are still under Azerbaijani control. On November 26, 2021, Russian, Armenian and Azerbaijani leaders adopted another trilateral statement confirming their readiness to restore the communications and start the delimitation and demarcation process, albeit without providing any timeframe.[14] Prime Minister Pashinyan and President Aliyev had two meetings in Brussels mediated by the President of the European Council, Charles Michel, and President Macron. The leaders once more confirmed their readiness to restore rail links between Armenia and Azerbaijan, presumably connecting Azerbaijan with the Nakhichevan Autonomous Republic via Armenia and Armenia with Iran and Russia via Nakhichevan and Azerbaijan proper.[15] The EU does not want to see new clashes between Armenia and Azerbaijan and is ready to provide

[14] Statements by leaders of Russia, Azerbaijan and Armenia following trilateral talks, http://en.kremlin.ru/events/president/news/67203.

[15] Statement of President Charles Michel following the trilateral meeting with President Ilham Aliyev and Prime Minister Nikol Pashinyan, https://www.consilium.europa.eu/en/press/press-releases/2021/12/14/statement-of-president-charles-michel-following-the-trilateral-meeting-with-president-ilham-aliyev-and-prime-minister-nikol-pashinyan/.

financial and other assistance to launch Armenia-Azerbaijan economic relations, hoping that economic benefits will decrease tensions and make any new war less likely.

In this context, EU and Russia interests overlap as the Kremlin is also interested in restoring the region's stability. Not surprisingly, before Brussels meetings, Charles Michel and Macron discussed this issue with President Putin seeking to synchronize watches. A breakthrough happened in Armenia-Turkey relations at the end of December as sides agreed to appoint special representatives to push forward the normalization process. Process moved further as Armenian foreign minister participated in the Antalya diplomatic forum and met with his Turkish counterpart.[16] EU, Russia, and the US welcomed these developments, and Turkey assured Azerbaijan that Baku would be fully informed about any details.

However, Armenia and Azerbaijan continue to interpret their joint statements differently. Azerbaijan argues that the November 10, 2020 statement requires Armenia to allow Azerbaijani access to Nakhichevan via the Syunik province without border and customs control or to agree to the establishment of Azerbaijani checkpoints along the Lachin corridor, which connect Armenia with Nagorno Karabakh.[17] Armenia rejects these claims and argues that the restoration of communications between Armenia and Azerbaijan has nothing to do with the Lachin corridor. This debate will continue in 2022 in parallel with construction works to restore the railway. Azerbaijan will continue to put military pressure on Armenia to accept its interpretation of the statements through escalations along different sections of Armenia-Azerbaijan border, but large-scale hostilities are unlikely. Armenia and Turkey may decide to establish diplomatic relations and open embassies in 2022, while the opening of the Armenia-Turkey border will depend on the developments in Armenia-Azerbaijan debate over the legal status of the Azerbaijan-Syunik-Nakhichevan, and Armenia-Nakhichevan-Iran railways. 2022 will

16 Ararat Mirzoyan meets with the Turkish Foreign Minister in Antalya, https://armenpress.am/eng/news/1077714.html.

17 Joint press conference with NATO Secretary General Jens Stoltenberg and the President of Azerbaijan, Ilham Aliyev, https://www.nato.int/cps/fr/natohq/opinions_190225.htm?selectedLocale=fr.

not have brought the breakthrough in the *status quo* formed after the 2020 Karabakh War.

Turkey, Azerbaijan, Russia, the US, and the EU will benefit from normalization relations between Armenia and Turkey. Turkey will increase its influence in the South Caucasus, which is one of the strategic goals of Ankara, and will penetrate economically into Armenia, getting tools of influence there. As an ally of Turkey, Azerbaijan is interested in seeing the growth of Turkish influence in the region. Azerbaijan is happy to see the establishment of Turkish influence in Armenia itself, as it will make it easier for Azerbaijan to get more concessions from Yerevan. Russia wants to stabilize the situation in the region and is not interested in another Armenia-Azerbaijan war. Russia understands that normalization of Armenia-Turkey relations will contribute to the region's stability. Kremlin is also aware that normalization will increase Turkish influence in the South Caucasus, which is against Russian interests. Russia decided to take complete control over the negotiation process to balance these contradicting attitudes to prevent any surprises.

The US always supported Armenia-Turkey normalization process, viewing it as a viable tool to decrease Russian influence in the South Caucasus, entirely in line with its Russia containment strategy. The EU wants to see a more stable neighbourhood, including the South Caucasus, and is happy to see the launch of the Armenia-Turkey normalization process. Iran has concerns over the continuing growth of Turkey's influence in the South Caucasus and understands that Armenia-Turkey normalization will strengthen Ankara's position. Meanwhile, Iran has no resources and capabilities to derail the process. Thus, Iran will spend its efforts to adapt to the new situation, seeking to minimize risks and explore ways to gain some benefits.

In the Aftermath of 2020, Azerbaijan between Russia and the West: A Choice of Politics, Economy, Culture or Security?

Ahmad Alili

Speaking Notes

The 2020 Armenian-Azerbaijani war over Karabakh has changed the geopolitical structure of the South Caucasus. A new tandem emerged in the region: Russia and Turkey, which shaped the consequences of the 2020 Karabakh war. It is a qualitatively new situation for Azerbaijan also.

The Russian actions during the war and in the following months, its manoeuvres between the former war parties, providing Yerevan with the military support to rebuild its armed forces, pushed Baku into closer military cooperation with Turkey and Israel. Its security concerns push Baku also toward solid cooperation with the European Union and the United States of America. It also aims to rebuild the Karabakh region from scratches. Hence, Baku is seeking a stronger economic partnership with the interested stakeholders, mainly the Europeans and Americans.

The cultural bonds between Russia and Azerbaijan also are a decisive factor in the game. Baku and Moscow being closer to each other in education also play a role in the case.

Hence, in the aftermath of the 2020 Karabakh War, Baku faces political, economic, cultural and security challenges in its choice between Eurasia and the European Union. All these fields will shape Azerbaijan's choice between Eurasian and European integration. Understanding the specificity of the Russian-Azerbaijani relations can also shed light on the existing trend in Azerbaijan's foreign policy.

Azerbaijan's choice between Eurasian Union and European Union can be divided into the before and after the 2020 Karabakh war and its military victory over Armenia.

Pre-2020 Karabakh War

The factors shaping Azerbaijan's foreign policy toward Russia before the war were the following:

- Diaspora
- Cultural ties
- Russia's role as a co-chair of the OSCE Minsk Group

Diaspora

Azerbaijan and Russia's ties are based on multi-vector engagement, with the two countries cooperating in politics, business, culture, education, hospitality, and other areas. Azerbaijan did not attend any Russian-led military, political, or cultural organisations during its independence. Nonetheless, Baku withdrew from European economic and political initiatives, seeking a bilateral pact with Brussels, which has yet to sign a strategic agreement. This distancing from Brussels was a positive element for the Kremlin. Since the 44-day conflict altered regional realities in the region, it has also shifted the dynamics of Baku-Moscow relations.

Azerbaijani diaspora in Russia is among the largest. This shaped the Russian influence within Azerbaijan also. The Azerbaijanis living in Russia, influenced by the Russian media narratives, were the carriers of the non-European path of development.

The Azerbaijani diaspora in Russia is also the leading agent of the Russian economic influence in Azerbaijan: their total return to Azerbaijan was used as a means of political and economic pressure to Azerbaijan.

Cultural Ties

The Azerbaijani government's policy to limit the influence of international donor agencies and non-governmental organisations created a favourable environment for Russia, Turkey, and Iran in increasing their cultural and informational presence in Azerbaijan. Moscow stepped in to fill the void created by the withdrawal of numerous European and international organisations.

Russian media and information organisations utilising the Russian language in Azerbaijan the Russian curriculum in Azerbaijani secondary schools and universities also created a favourable environment for the Russian soft power presence in the country.

Azerbaijan does have its Russian-language news agencies that transmit Azerbaijani vision on the ongoing developments to Russian-speaking audiences in the former CIS countries. The Azerbaijani news sources utilising the Russian language usually aims to counteract the Armenian narrative in this section.

Russia's Role as a Co-chair of the OSCE MG

Russian political influence in the region is also shaped by its position in the OSCE Minsk Group. Even though USA and France also carry the same status, the Russian activity in the trio outweighs the activities of all other co-chairs, making Russia "the first among equals". This allowed Moscow to pressure regional developments, especially in Azerbaijan and Armenia.

The Aftermath of the 2020 Karabakh War

Russian influence in the South Caucasus is affected by the following factors in the aftermath of the 2020 Karabakh war:

- Increased Turkish presence in the South Caucasus
- Public sympathy toward Turkey
- Search of investments for the reconstruction of Karabakh
- Russian aggression against Ukraine
- Russian-Azerbaijani alliance

Ankara's emergence as a vital international relations player in the Caucasus Region due to the 44-day war is a substantial change. Hence, Baku's foreign policy interests are shaped by the competition between Russia and Turkey.

Turkey's growing influence in Azerbaijan and the region poses a threat to the Kremlin's ambitions on the broader region. For nearly three decades, it

had unrivalled dominance in the region. Changes in the region's power structure also impact regional actors' vision.

The recent war in Karabakh also forced Russia and Turkey to develop their unique common strategy. It was partially copied from the previous experience of Russian-Turkish love-hate relations in the Middle East. Still, also Azerbaijan's presence in this triangle added new elements to the concerns, making this connection highly specific. In Karabakh, Turkey has no army boots on the ground. The Kremlin secured this advantage over Turkey primarily because of Russian President Putin's diplomatic efforts. He persuaded his Turkish leader to consider local Armenians' position on the issue and not create additional tension due to the collective memory of Armenians related to the 1915 events.

Instead, following the 2020 Karabakh war, Ankara has gained even greater clout in Azerbaijan's public opinion. Due to various causes, Turkey has long been regarded as Azerbaijan's "brother" in popular belief. The red flag of Turkey constantly accompanied the Azerbaijani tricolour on the streets of Azerbaijani cities during the war. The burial ceremonies of the Azerbaijani soldiers, who died during the war, were carried out under Turkish and Azerbaijani flags. Azerbaijanis also took part in the post-war mass festivities, waving the flags of both countries. Russian peacebuilding operations in the past have created a highly negative image for the Russian peacebuilders. Russian peacebuilding forces in Georgia and Ukraine in 2008 and 2014 have transformed into details for the occupation of the same region they were tasked to establish peace.

Another sign of the Azerbaijani public outrage with Russia and changing attitude against Russia during the January 2022 Karabakh events. The widespread impression on the Russian troops' control of the Armenian populated parts of Karabakh could be seen in this case. The social media reaction to events in Kazakhstan and the engagement of CSTO forces in the case caused large scale outrage. The CSTO's deployment in Kazakhstan generated a link with Russian troops in Karabakh for many ordinary people. Furthermore, the Russian troops in Armenian populated parts of Karabakh are frequently utilised to exert pressure on the Azerbaijani leadership.

Moscow appears to set a new plan for itself, whereby the main component is to maintain its hegemony over the Armenian-Azerbaijani peace process. Its goal as an international mediator is to contribute more to the peace process between the former warring parties and, as a result, to obtain a more significant positive reputational bonus in the region. As a result, it should help the Kremlin gain more regional foreign policy influence.

New Directions in Azerbaijan's Foreign Policy

The foreign policy decisions demonstrate a new approach in Azerbaijan's foreign policy:

- Azerbaijani-Turkmenistan relations
- Azerbaijani-Ukraine relations
- The rise of GUAM
- Shusha declaration

Russian forces in Karabakh were expected to hinder Azerbaijan's capacity to pursue a balanced foreign policy, as it had in previous decades. The main strategic events in the recent month, described below, can be viewed as counterarguments to this viewpoint.

Azerbaijan-Turkmenistan Dispute over the Gas Basin in the Caspian Sea

Azerbaijan and Turkmenistan signed a Memorandum of Understanding on joint exploration. This issue also resolved the long-standing Azerbaijani-Turkmenistan feud in the Caspian Sea and the borderline between Azerbaijan and Turkmenistan. This feud was the main obstacle for Turkmenistan's gas resources being transported to the European markets and creating severe competition for the Russian dominance in the European energy market.

Azerbaijani-Ukrainian Relations During the 2022 Ukrainian-Russian Tension

Azerbaijan was heavily criticised in August 2021, when its leader was not actively engaged in the Crimean Platform events, as did Turkey and many other countries supporting Ukraine's territory. President Aliyev's visit to

Ukraine in January of 2022 and demonstrating full support to the Ukrainian cause was in the centre of the regional and international media.

The Rise of GUAM

Presidents of Ukraine and Azerbaijan secured an agreement on implementing the Georgia-Ukraine-Azerbaijan-Moldova (GUAM) transit corridor during President Aliyev's visit to Ukraine in January 2022. GUAM was a pre-Eastern Partnership initiative to integrate area countries into Euro-Atlantic organisations. This initiative now sees another boost, which is against the Russian vision of the region also.

Shusha Declaration

President Aliyev and President Erdogan signed a joint statement on allied relations in June 2021 in Shusha. The document is considered a cornerstone document – a blueprint for Turkish-Azerbaijani bilateral relationships after the 44-day war. The parliaments of Azerbaijan and Turkey ratified the document in February 2022. The Shusha Declaration reemphasised existing bilateral agreements, formalising a degree of relations that went beyond prior declarations' diplomatic and military cooperation.

Azerbaijan becoming part of the CSTO is under question as to the result of the Shusha Declaration. Baku has created a reason to stay independent from all military alliances, including CSTO. This also was possible due to Azerbaijan being a member of the Non-Alignment Movement.

In sum, the domestic factors – culture and information components – have not changed in Azerbaijani-Russian relations; nevertheless, due to the increased Turkish influence in the South Caucasus, Azerbaijan is back to the balanced point in its foreign policy, with a slight bias toward the European Union.

Euro Region "Caucasus" as an Opportunity to Overcome Current Constraints and as a Possible Solution for Regional Integration

Andrzej Klimczyk

Introduction

Geographically, the South Caucasus is undoubtedly a region with well-defined natural borders, occupied by three independent states – Georgia, Armenia and Azerbaijan.

It should be emphasized that these three countries have different religions, alphabets and currencies. These countries also chose different paths of political development and the priorities of their countries' foreign policy. In the course of its more than 30 years of independence, the South Caucasus lost the chance, unlike the Baltic states, to establish a stable and secure space with broad prospects for economic cooperation. Just the opposite happened, with the emergence of divisive lines, separating nations and diminishing prospects of shared prosperity. Can this tendency be turned around? One should not underestimate reality. Nevertheless, there is still a chance to ensure a joint contribution to the region's prosperity and sustainable development.

Without taking conflicts into account, a simple glance at the map and assessment of the South Caucasus' potential is enough to make it clear that there are very few regions that possess such immense geopolitical and geo-economic opportunities. In addition, the region has inexhaustible transit and tourism potential, important natural resources of international significance, and an educated, almost 100 % literate, relatively cheap labour force. In other words, all the necessary factors are in place for the South Caucasus to succeed and to occupy, as a region, a worthy place in international relations networks and to respectively ensure average European living standards for a population with sustainable prospects of further improvement.

The South Caucasus is an arena where the interests of major regional and global players clash. In pursuing their goals, they are guided by their own

values and principles of cooperation. Naturally, they affect the development of the situation in a different manner, either motivating regional cooperation and opening up new prospects for the South Caucasus, or else pushing it deeper into the swamp of confrontation and inciting hatred. The South Caucasus is a champion of lost opportunities. Three countries – Armenia, Azerbaijan and Georgia – could have created unique conditions for common development, allowing them to capitalise on their:

a) lucrative geopolitical and geostrategic location;

b) rich natural resources;

c) well-educated and comparatively cheap labour force;

d) good understanding of mutual problems and existing personal channels of communication in practically all groups of society;

e) foreign investor interest.

Should the South Caucasus become stable, external interest will increase manifold and additional billions will flow into the region from powerful Armenian diasporas alone. Instead, countries of the region are dragged into confrontation. External force was skilfully manipulated, along with historic memories and emotional feelings, in order to utilise the classic imperial model of influence based on the "divide and rule" principle. Therefore, the peaceful resolution of the Nagorno Karabakh conflict is of key importance for regional consolidation.

Should the Nagorno Karabakh conflict reach a consensus-based resolution, the conflict resolution process regarding Abkhazia and Samachablo (Tskhinvali region of Georgia) should be positively impacted. Although this option should be considered only theoretically, all of this could be realised on the precondition of diminishing Russian capacity to influence regional affairs. Armenia and Azerbaijan, both of which are interested in regional stability due to their individual interests in achieving political success and economic development, will support Georgia, which will feel more confident and comfortable in seeking peaceful solutions to its own internal conflicts.

Conflicts in the Region Cause Missed Opportunities for Development and Cooperation

It should be unequivocally stated that the conflicts affecting the Caucasian countries are the reason why their economic and political development encounters large, specific difficulties.

What Have Caucasus Countries Lost as an Outcome of Regional Conflicts?

1. Stability and security in the region would contribute to the success of the three individual countries;

2. Integration and trust would trigger a cumulative effect;

3. The South Caucasus region could follow good examples of regional cooperation like the Benelux and Visegrád groups;

4. Eventually building up a European model of cooperation: a common space, the four freedoms, and symbolic borders;

5. Billions of dollars could be saved, military expenditure substantially downgraded, and living standards upgraded;

6. Geopolitical potential is unexploited and the region's common economic and transit potential is underdeveloped;

7. Lacking confidence in the future.

What Are Caucasus Countries Losing Individually?

Armenia:

- Investment;
- Trade;
- Transit role;
- Influence in Azerbaijan, the opportunity to participate in Azerbaijan's economic projects;

- The Armenian Diaspora would gladly invest in Armenia and the other two countries, thereby reinforcing Armenian influence;
- European prospects.

Azerbaijan:

- Investment;
- Trade;
- Territorial integrity.

Georgia:

- Investment;
- Trade;
- Stability.

Additionally, it should be stressed that Caucasus countries lost both authority and reputation in the world community, earned mistrust on the part of international investors, and first of all this applies to Armenia. As an outcome, the region's main investment projects (Baku-Supsa oil pipeline, Baku-Tbilisi-Jeyhan oil pipeline, Baku-Tbilisi-Erzurum gas pipeline, Baku-Tbilisi-Kars railway, Caspian Sea-Black Sea Highway) are implemented without Armenian participation.

It seems that first of all the European Union should assist Armenia and Azerbaijan in finding an acceptable resolution of the Nagorno-Karabakh conflict, and then Armenia and Azerbaijan could help Georgia to find a solution regarding the situation with Abkhazia and Samachablo. Meanwhile, all three Caucasian countries are suffering from instability, unpredictability and an undetermined future.

The European Union and Armenia, Azerbaijan, Georgia

Starting from late 1990s, the European Union gradually became aware of its own interests in the South Caucasus. The main one is to maintain stability, security and prosperity in the neighbouring region, as well as its development as an energy and transport corridor from the Caspian Sea and beyond. It took time to decide whether and how the European Union should take a

direct part in the affairs of the region. Many officials in Brussels feared the risk of entering a region hitherto unknown to the EU.

Lack of knowledge about the Caucasus and the communities inhabiting this region caused many misunderstandings. For example, the Caucasus was a domain or sphere of influence of three mayor players: Russia, Turkey and Iran. Many peaceful and matter-of-fact consultations were made before decision was taken. The pros and cons were carefully assessed; will new opportunities outweigh the risks?

What role will the increased political and economic involvement of the EU in the affairs of the region play? It was also necessary to answer the question of how the EU's relations with Russia in the Caucasus will turn out. Will they be allies or will it turn out that they will be competitors?

In 2003, Armenia, Azerbaijan and Georgia (with other 16 countries) were included into the European Neighbourhood Policy (ENP). In 2009, these three Caucasian countries became a part of a new EU initiative the Eastern Partnership Programme.

In 2015, the European Neighbourhood Policy was revised. Stabilisation of the region, in political, economic, and security related terms, is at the heart of the revised ENP policy. Moreover, the revised ENP puts a strong emphasis on two principles: a differentiated approach, to respect the different aspirations of our partners and to better answer EU interests and the interests of our partners; and an increased ownership by partner countries and Member States.[1]

The Joint Communication on the "Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all", adopted on 18 March 2020, outlines the long-term policy objectives for future cooperation with Eastern Neighbourhood partners. It underlines how to address common challenges and sets out how the EU will work together with the partner countries in different policy areas in the future, with the aim

1 https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy_en.

to strengthen resilience, foster sustainable development and concrete benefits to people.[2]

The ENP review established revised joint priorities for cooperation. They are better suited to the challenges of our time and adapted to the regions evolution.[3] In addition to good governance, democracy, rule of law and human rights, three other sets of joint priorities have been identified, each of them covering a wide number of cooperation sectors:

1. economic development for stabilization;

2. the security dimension;

3. migration and mobility.

According to Andrey Kovatchev,

> … more than 12 years after the launch of the Eastern Partnership (EaP), the European Union remains the main driver of transformative reforms in the South Caucasus. The EU's economical and reformist commitment has been clear: it has invested in modernizing economies, trade flows and strengthening civil societies.[4]

From the political point of view, all three countries have taken different priorities in their foreign policy.

Georgia has made a clear and decisive stand for a pro-European development model. On December 25, 2020, the Georgian Parliament approved a resolution on the priorities of the country's foreign policy. According to the resolution, the non-alternative priority of Georgia's foreign policy is the

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2 Joint Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee Of the Regions; https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-03/joint_communication_on_the_eap_policy_beyond_2020.pdf.

3 https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy_en.

4 https://www.theparliamentmagazine.eu/news/article/the-eastern-partnership-driving-change-in-the-south-caucasus.

membership of the European Union; the non-alternative priority of Georgia's foreign policy is the membership of the North Atlantic Treaty Organization.[5]

Armenia has signed several long-term agreements on friendship and cooperation with Russia, including cooperation in the military sphere. And was for many years under Moscow influence, both economic and political. Armenia is a member of The Collective Security Treaty Organization (CSTO), The Eurasian Economic Union (EAEU) and The Commonwealth of Independent States (CIS). All three organizations are under Russian control and other members of these organizations have limited impact on their activity. In 2018, the opposition headed by Nikol Pashynian forced President Serge Sargsyan to resign. There were a lot of expectations and hopes that the new authorities change current foreign policy from pro-Russian into pro-Western. At first, it seemed that these expectations are coming true. But after the 44-day war in 2020, the geopolitical situation in the South Caucasus has changed. As a result, Russia's influence in the region has increased significantly. This is especially noticeable in Armenia. As a result, Armenia has become increasingly dependent on Russia especially in security and economic spheres.

Azerbaijan tries to conduct a balanced foreign policy. It does not tighten cooperation with Russia or the European Union. It tries to "be good" to everyone. After the war in 2020 over Karabakh, Azerbaijan definitely came closer to Turkey. A number of joint agreements between Baku and Ankara were signed, including the so-called "Shusha Declaration".

The EU and Azerbaijan relations are based on the EU-Azerbaijan Partnership and Cooperation Agreement in force since 1999. Negotiations on a new and upgraded framework agreement designed to reflect the enhanced and mutually beneficial EU-Azerbaijan cooperation in various areas, strengthen policy dialogue in key sectors and boost trade are at an advanced stage.

From an energy supply diversification point of view, Azerbaijan is a very important partner for EU. The South Caucasus pipeline, the Trans-

[5] https://civil.ge/ru/archives/389547.

Anatolian and Trans-Adriatic pipelines are play crucial role in reducing Europe's dependency on Russian gas.

Speaking about 2020 war between Azerbaijan and Armenia, Stefan Meister stated:

> Neither the EU or the US were active during this war; EU Member States were unwilling to engage in stopping the conflict or negotiating a ceasefire agreement. This inaction has weakened the EU's image and its reform agenda in the region … The EU also lost credibility with those stakeholders in governments, parliaments and civil society who campaigned for a European and democratic transition, particularly in Armenia.[6]

While Azerbaijan won the 2020 war over Karabakh (taking back territories lost at the beginning of the 1990s) Russia has increased its leverage over Baku through its deployment of so-called "peacekeeping forces".

We are observing an increase of political activity of the Russian Federation in the Caucasus region recently. Taking account of the current crisis with the Western countries, Russia wants to limit the EU and the US influence in the region with the aim of keeping the South Caucasus countries under its control. This political and military advantage and pressure are also affecting the regional economy. It seems that the Kremlin's policy in the Caucasus region is mostly focused on "keeping a smouldering conflict" rather than resolving it. The conclusion is obvious; this strategy can only work as long as Russia has sufficient resources to back it with military force.

A conclusion can be drawn from this: lasting peace can only be achieved through trust building, compromise, and reconciliation, not through military activity. I am sure these are the areas where the EU has a lot to offer.

The meeting of Azerbaijani President Ilham Aliyev and Armenian Prime Minister Nikol Pashinyan during the Eastern Partnership summit in December 2021 was a positive indication of the EU's potential role. Yet without more serious security and peace building engagement in the region, the EU will lose further influence in the South Caucasus.

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6 https://www.theparliamentmagazine.eu/news/article/restoring-eu-influence-in-the-south-caucasus.

The European Union actively supports good governance, democratization and rule of law in Armenia, Azerbaijan and Georgia. Also, a very important issue are elections. Special attention should be cast on preparing and organization free, honest and transparent elections in Caucasian countries.

In principle each recent election, be it parliamentary or local, had many comments about shortages and using admin resources to support candidates representing ruling parties.

In his research paper "Changing Perceptions of the West in the South Caucasus Adoration No More" George Mchedlishvili stated that

> … for the small and economically weak South Caucasus states, efforts to reform their economies and foster good governance should have been areas of cooperation with the West. However, this was not consistently the case in practice. The prioritization of security imperatives continued to a large degree to determine foreign policy orientations – and, by extension, attitudes towards external actors. Thus while the three countries started in broadly the same position in 1990, today their foreign policy paths have diverged.[7]

Respectively, the region's economic space will be divided along the Georgia-Armenia and Azerbaijan-Armenia borders, and the NATO-CSTO border will again be the Georgia-Armenia border and the Azerbaijan-Armenia border, taking into account bilateral strategic military cooperation between Turkey and Azerbaijan, as well as the quickly developing trilateral military cooperation between Turkey, Georgia and Azerbaijan. Should Georgia ultimately join NATO, Azerbaijan's involvement in the NATO security network will inevitably and considerably be upgraded. We will see friendly neighbouring NATO member countries – Turkey, Georgia and Azerbaijan intensively and closely cooperate with particular interests in security, trade, infrastructure projects, etc. Under these circumstances, the region will be divided by new lines and Armenia will be marginalized.

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[7] George Mchedlishvili; Changing Perceptions of the West in the South Caucasus Adoration No More, p.6; Chatham House, the Royal Institute of International Affairs; Russia and Eurasia Programme; February 2016;
Available at: https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2016-02-12-west-south-caucasus-mchedlishvili-final.pdf.

The 2020 War over Nagorno-Karabakh

On September 27, 2020, the Azerbaijan army launched a large-scale military offensive to retake Nagorno Karabakh. The war lasted 44 days and was stopped with the signing by President of the Russian Federation Vladimir Putin, President of Azerbaijan Ilham Aliyev and Armenian Prime Minister Nikol Pashynian of a joint statement on November 9, 2020.

According to the nine-point agreement, the sides agreed to a cease-fire and exchange of prisoners and the dead. Also, the agreement foresees: return of territories surrounding Nagorno-Karabakh to Azerbaijan's control; deployment of almost 2000 Russian peacekeepers to the conflict zone, establishment of a peacekeeping centre to monitor the cease-fire, withdrawal of Armenian forces from the region, maintenance of a land corridor between Armenia and Nagorno Karabakh and return of IDPs and refugees.

The possible establishment of a land transport corridor across Armenia between the Azerbaijani mainland and the Azerbaijani exclave of Nakhichevan can open new perspectives for cooperation not only for Armenia and Azerbaijan but also for other countries of the Caucasian region. As Benyamin Poghosyan rightly noted, Russia pushes forward the restoration of communications between Armenia and Azerbaijan through a trilateral working group chaired by Vice Prime Ministers. Armenia stated that it was ready to start the delimitation and demarcation of its borders with Azerbaijan, while Baku and Ankara talked about opening the "Zangezur corridor" to connect Azerbaijan with Nakhichevan and Turkey via the Syunik province of Armenia. Russia and Armenia state that the trilateral commission does not discuss establishing the corridors but seeks opening up of communications. Russia made positive statements about the possible normalization of relations between Armenia and Turkey, saying that after the Karabakh war (which means after Armenia lost Karabakh), relevant conditions exist to start the process. Meanwhile, the US and France, as OSCE Minsk Group co-chairs, are making statements about the necessity to re-launch the negotiation process under the Minsk Group auspices and are emphasizing that the Karabakh conflict has not been resolved yet and the status of Karabakh should be fixed.[8]

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[8] Benyamin Poghosyan; "One year after 2020 Karabakh war. What next?"; https://www.newgeopolitics.org/2021/10/01/one-year-after-the-2020-karabakh-war-what-next/.

It should be noted that the peaceful coexistence of Azerbaijani and Armenian diasporas in Georgia and namely in Tbilisi demonstrates that ethnic hatred between the two is not inevitable. In the Georgian state, as well as in its capital, the two nationalities managed to live in peace through these turbulent years, when tensions accelerated between Armenia and Azerbaijan over the Nagorno Karabakh war. All this confirms that peaceful coexistence of all three nations is possible in the Caucasus region in the near future.

The Euro Region "Caucasus"

To overcome the current inertia and distrust between the three countries, it is necessary to take bold and decisive action. Following the positive example of the Baltic States, the three South Caucasian countries are moving towards the European Union. They are supporting each other, rather than competing. Eventually Georgia may become an EU and NATO member, while Azerbaijan, similarly to Norway, is a NATO member with a strong contractual relationship with the EU, including upholding the four freedoms (free movement of goods, services, capital and people), energy cooperation, etc. The future of Armenia is still hard to predict.

This is why the European Union should take under consideration to set up a new format of cooperation with Armenia, Azerbaijan and Georgia. Idea of a building a South Caucasian version of Benelux could be called: "Euro Region Caucasus".

Euro Region "Caucasus" would mean:

1. A common market;
2. A shared external security system;
3. Strong stability and security guarantees;
4. Much more resources with a multiplication effect;
5. Shared infrastructure projects;
6. Increased attractiveness of the region;

7. Dozens of billions in additional FDI;

8. Better living standards;

9. Better prospects for future generations.

These opportunities are well described by many experts, including former Heads of Diplomatic Missions to the region.

> It is time for the South Caucasians to make up their minds about their future. If they want closer cooperation with the West, they must pursue reforms for transparent governance and wider economic opportunity. As the countries grapple with their choices, the West must keep faith with those advocating reforms and freedom.[9]

We face two possible ways of development; further deviation/separation from each other, or a South Caucasus Union, like the Euro Region "Caucasus" mentioned previously.

An integral part of this process is strengthening the rule of law, the independence of the judiciary, pursuing public administration reform, establishing a compact, well-structured, concise and professional civil service, and the effective functioning of institutions in the areas of law enforcement and market economy.

External players play their games with conflicting interests and goals, some of whom exploit differences and contradictions. In addition, one of the main regional powers – Russia – is openly fuelling hostilities among the three countries. As the result, the South Caucasian states do not have a common agenda, a collective vision, or even shared goals and objectives. Georgia, Armenia and Azerbaijan are weaker separately than they would be united.

The EU has a long history of cooperation with all three South Caucasian countries. The EU, despite differences between countries, has always promoted regional projects, motivating Georgia, Armenia and Azerbaijan to

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[9] Denis Corboy, William Courtney, Richard Kauzlarich and Kenneth Yalowitz; Choices for the South Caucasus, August 28, 2013, The New York Times; http://www.nytimes.com/2013/08/29/opinion/global/choices-for-the-south-caucasus.html.

become closer to the EU, to implement the respective reform policy, and to improve understanding and trust amongst each other. This approach offers an excellent opportunity to demonstrate sustainable and predictable policy, based on European values and standards of cooperation.

Conclusions

1. The last events in the Caucasus region, mainly the results of the 44-days War in 2020, show that the European Union still has a lot to offer to Armenia, Azerbaijan and Georgia.

2. The European Union should focus primarily on helping the countries of the region in such areas as trust and peace building, reconciliation, opening new transport connections, communications and other infrastructure projects.

3. EU has to be more active in such areas as democratization, good governance and rule of law.

4. Seems that help in preparing and organization free, honest, fair, democratic and transparent elections in each of the region's country is very important and crucial issue.

5. During the more than thirty years that have passed since the collapse of the Soviet Union and achieving independence, the states of the South Caucasus have not taken advantage of the impressive potential entailed in regional cooperation, their attractive collective geopolitical and geo-economic position, and transit capacity.

6. The South Caucasus has gone through different periods of history, but this stage of development is particularly important, as its ability to build a strong, developing and successful region is decreasing. In theory, it is possible to build a successful state individually, outside the regional context, although the EU accession process demonstrates that a regional collective effort proves to be much more effective.

7. The establishment of a community of states in the South Caucasus like the Baltics, the Visegrad 4, or moreover, Benelux, is still a hard-to-imagine dream. The proposal is to establish a Euro region "Caucasus". Concept of the establishing the Euro region "Caucasus" seems to be, in a specific period of time, a concept not devoid of its raison d'être.

8. Armenia's accession to the Eurasian Union and the Customs Union has limited the possibilities for regional cooperation in the South Caucasus. In the long term, this may even lead to problems implementing the Bilateral Free Trade Agreement with Georgia.

9. Expanding European principles, standards and criteria for cooperation in the South Caucasus is the most realistic way for the three states to achieve shared success. Nothing better has been offered in practice with respect to international regional cooperation.

10. The states of the South Caucasus spend large amounts of state finances on military expenditures – this entails the risk of corruption, limits development opportunities, and ultimately weakens both collective and individual security.

11. Conflict and confrontation reduce the international community's belief in the states of the South Caucasus. Investors are scared to invest in the region. Armenia apparently suffers the most from this, but, given the appropriate conditions, Armenia could become the region's leader in terms of attracting foreign direct investments, particularly taking into account the opportunities of the Armenian Diaspora.

12. The future of the South Caucasus primarily depends on the three states themselves, their ability and vision, the capacity to observe the overall picture of regional developments and assist each other, and shared activity in order to help the population of the states perceive a new reality.

13. There is still an opportunity to give the South Caucasus a second wind, which can take it through the problems lying ahead. This

would be possible, provided that it is accompanied by patience and tolerance. A restructured political will and efforts to understand the opponent's view could become the heart of change.

14. The security and stability, economic development and integration of the South Caucasus largely depends on the degree of influence of Russia as the most powerful regional player. At present, Russia is the only external force, which links its own interests and influence strengthening capacity in the South Caucasus with destructive actions.

15. The European Union should play a stronger and more active role in all formats of the negotiation process in order to achieve the peaceful settlement of conflicts in the South Caucasus, as well as in the process of building a stimulating environment for the region's political stability and economic prosperity.

16. Time is running out to show radical improvements in cooperation and the quality of targets, ultimately building up a common vision to treat the region as a shared space for three nations and a means of embodying common interests. Otherwise, the South Caucasus will lose the chance to modernise the region and further integrate it into the wider dynamic tendencies entailed in trans-European cooperation processes.

17. A stable and integrated South Caucasus will make a serious contribution to the security system in a broader regional context and will bring greater stability in adjacent areas.

Post Scriptum

On March 3, Georgian Prime Minister Irakli Garibashvili signed an application for Georgia's accession to the EU. According to him, the Georgian people have always been oriented towards Europe, and the European future is

> an uncontested plan of action and a program determined by the Georgian people for any Georgian government. Democracy, the rule of law, the protection of human rights, and good governance are already part of our daily

> lives. We actively implement European norms and standards in all spheres of the political, economic or social life of the country.[10]

Earlier, on February 28, the President of Ukraine Volodymyr Zelensky signed an application for EU membership. On March 1, the European Parliament overwhelmingly approved a resolution in which it called for granting Ukraine the status of an EU candidate country. It states that the necessary procedures must be followed. As a rule, EU accession negotiations last for many years, sometimes more than 10 years. A number of countries have supported the accelerated accession of Ukraine to the EU, but European leaders are cautious in assessing the possible timing.

[10] https://www.ekhokavkaza.com/a/31734227.html.

PART II: Recent Developments in Regional Economic Integration and Infrastructure Building and Plans

Security and Economic "Cross-Pollination": The Case of Georgia

Kakhaber Kemoklidze

Source: South Caucasus Transport Routes / Carnegie Endowment for International Peace

Introduction

Georgia has historically always been a very pluralist society. Geographically located at the crossroads between the East and the West, it has been home to different cultures, languages and religions over the centuries. However, Georgia's strategic location also poses its challenges. After the 44-day war between Armenia and Azerbaijan in 2020 and because of the ongoing Russian invasion of Ukraine, the most probable outcome in the region seems to be positioning through the security lens rather than economic relations and trade cooperation.

If written a few weeks ago, before Russia started an unprovoked, full-scale war in Ukraine, this paper would have looked very different. From a political standpoint, Russia's war in Ukraine will be the key demarcating pillar for Georgia when it comes to its national security, strategic projects, regional partnerships and even geo-strategic ambitions in the near future. I guess this war more closely revived the late US Defence Secretary Rumsfeld's infamous concept of "Known Unknowns" and "Unknown Unknowns".[1] Referring to the already known facts and unknown "unknowns" around the war in Ukraine: the latter's almost unbelievable resistance against the aggressor, the West's largely unified stance against Russia and the devastating effects of Western sanctions to Russian economy and even geopolitical standing.

Despite the fact that the 2020 war in Nagorno Karabakh could be considered as a real "earthquake" in the regional geopolitics, it still was not the one making Tbilisi swiftly rethink its strategic goals and ambitions. I think the most interesting part on regional cooperation, possible strategic projects, identifying and establishing itself as the possible regional hub within the South Caucasus and maybe (ideally) within the Wider Black Sea Region for Georgia might be still to come. The severe sanctions put on Russia and Belarus after the recent invasion in Ukraine will most probably largely undermine Moscow's capacity and capability to act as an effective chain ring in the Northern transit corridor linking Kazakhstan, Russia and Belarus with Europe and China.[2] Hence, escalation of war in Ukraine might, in fact, open up some other regional opportunities for Georgia and showcase its capacity to position itself as a regional hub.

The aim of this paper is to examine some of these issues in a bit more detail. More specifically, how does Georgia envisage its role within the current fragile regional geopolitical environment; and how can the security challenges derail its normal economic development and possibilities to run stabile partnerships within the region and beyond.

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1 Dan Zak (2021), 'Nothing ever ends': Sorting through Rumsfeld's knowns and unknowns, The Washington Post. Available at: https://www.washingtonpost.com/lifestyle/style/rumsfeld-dead-words-known-unknowns/2021/07/01/831175c2-d9df-11eb-bb9e-70fda8c37057_story.html.

2 Soso Dzamukashvili (2022), A New Opening for Georgia: Closer to Becoming a Transit Hub Between Asia and Europe?, Forbes Georgia. Available at: https://forbes.ge/en/a-new-opening-for-georgia-closer-to-becoming-a-transit-hub-between-asia-and-europe/.

Georgia as the "Middle" Ring of the Region

Since Georgia gained independence in 1991 it has been trying to position itself as the middle part of the transit corridor between Europe and Asia, and also, to a certain extent, between the North and the East. It had particular natural and artificial advantages in this regard. Historically Georgia has always been engaged in largely efficient trade due to its geographic location and thanks to its access to the Black Sea. Since the collapse of the Soviet Union and first conflict in Nagorno Karabakh between neighbouring Armenia and Azerbaijan, Georgia's role as the key junction between Turkey and Azerbaijan, as well as between Armenia and Russia became more visible and pragmatically doable. At the time, this geopolitical reality made President Eduard Shevardnadze to use Georgia's natural advantage and move on to implement some of the transregional projects that fixed Georgia as the efficient corridor between the East and the West. So, in 1996 the first such big project – the **Baku-Tbilisi-Supsa** pipeline was signed by the then leaders of Azerbaijan and Georgia. In 2016, Prime Minister of Georgia Giorgi Kvirikashvili, on the 20th anniversary of the deal, labelled it as the "project of the century" establishing "stability", guarantying "peace" and overall cementing the country's image as a transit corridor for goods by land and oil by the pipeline.[3] In November 1999, the cooperation of two post-Soviet neighbours – Georgia and Azerbaijan was joined by a third partner and Georgia's neighbour Turkey and the **Baku-Tbilisi-Ceyhan (BTC)** pipeline route cooperation agreement was signed in Istanbul.[4] This project was also considered as another regional breakthrough for Georgia, which would establish it as the oil transportation corridor connecting South Caucasus with Europe.

The construction of the BTC pipeline project[5] was also geopolitically valuable due to the support and patronage by many of the Western countries (US,

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3 Agenda.ge (2016), "Project of the century" Georgia marks 20th anniversary of Baku-Tbilisi-Supsa project. Available at: https://agenda.ge/en/news/2016/1168.

4 Mustafa Balat and Gulyeter Ersoy (2005), Baku-Tbilisi Ceyhan Oil Pipeline (BTC) Project and Turkey: Investments, Future Developments and Environmental Impacts, *Energy Exploration & Exploitation*, Volume 23, Number 1, 2005, pp. 31-39. Available at: https://journals.sagepub.com/doi/pdf/10.1260/0144-5987.23.1.31.

5 "The pipeline construction costs totaled to about $4 bl." Georgian Oil and Gas Corporation (GoGC), Baku-Tbilisi-Ceyhan. Available at: https://www.gogc.ge/en/project/baku-tbilisi-ceyhan/28.

UK, Norway). It was considered as one of the biggest projects implemented in a cross regional cooperation, where the West has put solid investments emphasizing its own geopolitical interests within the South Caucasus region. Overall, the BTC project let Azerbaijan use its natural resources from the Caspian Sea independently from Russia and enhance the establishment of the regional trio in balancing Moscow's energy interests in the region. BTC also opened up a new chapter in the partnership of the transportation of gas through **Baku-Tbilisi-Erzurum** pipeline[6] bringing the gas from Azerbaijani Caspian field Shah Deniz to the European markets and strengthening the Turkey, Georgia, Azerbaijan axis within the region even further.

The continuation of this trend of regional partnership was **Baku-Tbilisi-Kars (BTK)** railway project completed in 2017 connecting Western Europe with the central Asia and China markets through Azerbaijanian-Georgian-Turkish corridor. The goal of this 826 km railway line was to carry from 3 to 6.5 million tons of cargo in the medium to long-term highlighting the economic efficiency, profitability and geopolitical sustainability of this route.[7]

In the list of grand projects, where Georgia was trying to cement itself as the regional hub within the South Caucasus and the wider Black Sea region, we cannot overlook the plan to construct the deep-sea port in Anaklya too. The idea dates back to Georgia's former President Mikheil Saakashvili who was keen to build a city/port of Lazika where the cargo would transit from China and Central Asia to Europe and other international markets. Despite the fact that the construction of the first phase of the project started in 2017, due to non-compliance with the financial obligations, the government of Georgia in 2020 cancelled the deal.[8] Since then this decision has become a topic of

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6 "Pipeline's capacity is 20 billion cubic meters per year", Socar Official Webpage, Baku-Tbilisi-Erzurum Gas Pipeline. Available at: https://socar.az/socar/en/activities/transportation/baku-tbilisi-erzurum-gas-pipeline.

7 Daily Sabah (2019), Two years on, Baku-Tbilisi-Kars railway line carries 275,000 tons of freight. Available at: https://www.dailysabah.com/business/2019/10/27/two-years-on-baku-tbilisi-kars-railway-line-carries-275000-tons-of-freight.

8 Soso Dzamukashvili (2022), A New Opening for Georgia: Closer to Becoming a Transit Hub Between Asia and Europe?, Forbes Georgia. Available at: https://forbes.ge/en/a-new-opening-for-georgia-closer-to-becoming-a-transit-hub-between-asia-and-europe/.

political speculation. Different political groups within Georgia largely considered this move as a favourable action towards Russia.[9] Based on the statements of the senior officials of the Georgian government at the time, the construction of Anaklia Deep Sea Port was a strategically important project seen through both the security and economic dimensions.[10] Despite the existing favourable vision of many of the political elites in the Georgian government at the time, the project remains in a limbo and the new tender has yet to be announced.

Currently, through its transit corridors, for every million tons of cargo Georgia generates nearly five million USD in tax revenue. It is estimated that Georgia receives nearly 10-11 tons of goods that transit through its railways and six to seven tons through its road corridors. Overall, transportation and storage amounts to nearly seven percent of Georgia's modest 17.5 billion (USD) economy.[11] However, in recent years Georgia's transit volumes have plateaued which of course poses a serious challenge to Georgia and its reputation as an effective transit hub within the region. Taking into consideration the recent peace deal between Armenia and Azerbaijan,[12] opening up the new possibilities to establish shorter transit corridor within the South Caucasus, puts even more pressure on Georgia on the one hand to enhance and to modify its strategic critical infrastructure and on the other hand to work more closely with Azerbaijan and Turkey in order to maintain its role

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9 Luka Pertaia (2020), How Russia wins with the cancelation of Anaklia port, NetGazeti. Available at: https://netgazeti.ge/news/424050/.

10 According to then Interior Minister Giorgi Gakharia (March 6, 2019): "As Vice Prime Minister and former Minister of Economy, I understand very well the importance of the deep sea port project for the Georgian economy. As Interior Minister, I am also well aware of its critical significance for Georgia's security architecture. The Anaklia project is the future of this country in the context of its security and economy; [but] no one will be able to avoid honoring their obligations by peddling conspiracy theories, scandals and gossip.", Civil.ge (2019), In Quotes: Georgian Leaders on Anaklia Deep Sea Port Project. Available at: https://civil.ge/archives/278621.

11 Giorgi Lomsadze (2021), Last year's war between Armenia and Azerbaijan could shake up trans-Caucasus trade, which has been dominated by Georgia for decades, Eurasianet. Available at: https://eurasianet.org/not-all-roads-lead-to-georgia.

12 Noah Ringler (2020), The Armenian-Azerbaijan ceasefire terms: A tenuous hope for peace, Just Security. Available at: https://www.justsecurity.org/73578/the-armenia-azerbaijan-ceasefire-terms-a-tenuous-hope-for-peace/.

as the key, reliable, and sustainable hubs within the region. The latter, in particular, is largely doable if Georgia invests more in its positioning in the connectivity with the European Union (EU) using the Black Sea as the natural sea border with the EU member states such as Rumania and Bulgaria.

In 2020, Georgia's then Prime Minister Giorgi Gakharia was largely vocal about the connectivity issue with the EU. Official Tbilisi's thinking was that Georgia had an excellent partnership with the EU but faced limitations in terms of physical connections and geographic "borders" with the European markets.[13] The EU was recognizing the Georgian government's concerns at the time and was supportive. In July 2021, the EU Commissioner for Neighbourhood and Enlargement Olivér Várhelyi also emphasized that the lack of connectivity was indeed one of the main reasons for Georgia's economic and social vulnerability and therefore, much more was needed to invest in the effective use of the potential of the Black Sea, especially in terms of the energy security and internet cable connectivity projects.[14] In this way, Georgia sees it as a great opportunity to cement itself within the Black Sea region through these connectivity projects with the EU rather than stall itself within the margins of the South Caucasus.

Security Dimension as the Main Driver

The itinerary of Georgia's economic development – partnership with its neighbours and long-term strategic projects – has always been linked to security (whether directly or indirectly). In fact, one could argue that sometimes it was even linked to the personal security of particular political leaders. President Eduard Shevardnadze, for instance, was the one who, allegedly directly suffered because of this when his car escort became victim of a terrorist attack in the centre of Tbilisi in February 1998. The attack was considered Moscow's revenge on "recalcitrant" Georgia, which launched the Baku-

[13] Giorgia Gakharia (2020), Giorgi Gakharia: Georgia needs EU support to strengthen connectivity in order to enable business to translate political achievements into concrete profits, Government of Georgia. Available at: https://www.gov.ge/print.php?gg=1&sec_id=547&info_id=75324&lang_id=ENG.

[14] PressCorner (2021), Q&A Eastern Partnership post 2020 priorities, European Commission. Available at: https://ec.europa.eu/commission/presscorner/detail/en/QANDA_21_3381.

Supsa pipeline project and started developing independent international projects that would establish it as the key corridor between the East and the West. As some officials from Shevardnadze's administration at the time recount, then Russian President Boris Yeltsin held a phone conversation with Shevadnadze immediately after the attack on the latter and stated the following; "so, Eduard Ambrosevich, you have such projects going on, that it should not be a surprise that such things happen and could be happening in the future."[15] Many understood this as a message from Moscow that Russia was not happy with Georgia's new grand projects and that Russia was not prepared to separate politics from economics in the South Caucasus.

Things became further complicated after the Russian invasion in Georgia and the occupation of its 20 % of internationally recognized territory in August 2008. Geographical proximity of the occupied Tskhinvali Region (South Ossetia) to the E60 Highway connecting Eastern and Western parts of Georgia has always been a matter of high concern for Tbilisi. It has obvious practical reasons as from the very edge of the last Russian occupied village Orchosani (Akhalgori district/Tskhinvali Region) to the E60 highway, it is only 450 meters. Besides, this is the same territorial segment where part (1.6 km length) of the Baku-Supsa pipeline is also located within the margins of the occupied territory.[16] We have the same picture in the Eastern side of occupied Tskhinvali Region, as the Georgian Military Highway to "Upper Lars" connecting capital Tbilisi to the Northern part of Georgia and the border with Russian Federation is only few kms away from the Russian occupied region. Similar can be said about Anaklia Deep Sea Port project's geographical proximity to the occupied Abkhazia, as it is only few kilometres away from the region, and consequently from the occupation line (the so-called Administrative Boundary Line (ABL)).[17]

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15 Petre Mamradze (2016), How Yeltsin was threatening Shevardnadze – oil pipelines, a secret letter and the art of transforming the impossible, Kviris Palitra. Available at: https://kvirispalitra.ge/article/29843-rogor-emuqreboda-elcini-shevardnadzes-navthobsadenebi-saidumlo-tserili-da-sheudzlebelis-shesadzleblad-gardaqmnis-khelovneba/.

16 Agenda.ge (2015), Installation of "border" signs in Georgian villages sees important pipeline under Russian control. Available at: https://agenda.ge/en/news/2015/1547.

17 Businesswire (2016), Republic of Georgia Selects Anaklia Development Consortium to Build a Deep Sea Port in Anaklia. Available at: https://www.businesswire.com/news/home/20160208005531/en/Republic-of-Georgia-Selects-Anaklia-Development-Consortium-to-Build-a-Deep-Sea-Port-in-Anaklia.

In a nutshell, having the 4th and 7th Russian military bases illegally stationed within Tskhinvali Region[18] and Abkhazia,[19] with more than 10,000 military and Federal Security Servicemen, is a primary security risk for the Georgian government. The ongoing unprovoked war in Ukraine, which leaves a massive room for strategic ambiguity, together with the recent war between Armenia and Azerbaijan makes Georgia rethink and carefully reconsider its regional development projects. Georgia understands that the "temporary truce" between the neighbouring countries might last longer than previously, however it also realizes that the new ceasefire agreements do not necessarily constitute the final peace deals. Georgia as well as Azerbaijan are still struggling with its internationally imposed borders. As long as we still have Nagorno Karabakh, where Russia managed to gain the so-called Peacekeeper Mandate and put the extra boots on the ground, and Georgian territories of Tskhinvali Region and Abkhazia are still occupied by Moscow and the Kremlin's creeping annexation process in these regions quietly goes on, speaking about the sustainable geopolitical stability in the region can only be wishful thinking.

Tbilisi considers that the recent developments within the region should be assessed from the dimension of the "frozen" conflict, which might be thawed if Russia decides to escalate the situation. As Ghia Nodia, one of the more prominent Georgian political analysts pointed out in his recent article, it does not matter whether the document is formally called a "final" peace agreement, or just a ceasefire agreement, but what the actual situation in the territories is and what the parties of the conflict expect and feel.[20]

From the Georgian perspective, as long as Russia keep its "embassies" in Tskhinvali and Sokhumi it is near impossible for Tbilisi to build economic relations with Moscow through the "business as usual" dimension. Georgia

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[18] Jelger Groeneveld (2019), Russian Military Infrastructure in South Ossetia Region, Occupied. Available at: https://occupied.eastwatch.eu/south-ossetia/russian-military-infrastructure-in-south-ossetia-region/.

[19] Jelger Groeneveld (2019), Russian Military Infrastructure in Abkhazia, Occupied. Available at: https://occupied.eastwatch.eu/abkhazia/russian-military-infrastructure-in-abkhazia/.

[20] Ghia Nodia (2021), Georgian conflicts after the second Karabakh war, Publica. Available at: https://publika.ge/article/saqartvelos-konfliqtebi-yarabaghis-meore-omis-shemdeg/.

assumes that the peace formula established after the second war in Nagorno Karabakh is still eclectic as the key security "guarantor" for this deal is Russia.[21] It believes that the distrust and political antagonism to the "Nagorno Karabakh formula" will rise even more after Russia's invasion in Ukraine and unprecedented subsequent worldwide isolation of Moscow. Even before the war in Ukraine, official Tbilisi has been very careful with the newly established regional partnership named as 3+3 format, initiated at the beginning of 2021 by Turkey and Iran. Originally, this initiative, besides the partnership between the three countries of the South Caucasus (Azerbaijan, Armenia and Georgia), also envisaged the cooperation with other regional big players like Russia, Turkey and Iran. Georgia, through its Ministry of Foreign Affairs, officially rejected its participation within the format.[22]

It can be assumed that from Tbilisi's perspective, installation of Georgia within "3+3" format might reduce the chances for it to more effectively position itself as the regional hub within the wider Black Sea region cooperation platforms in the future. Georgia considers itself as an effective corridor in the wider geopolitical context when through its land and Black Sea corridors goods from China and Central Asia enter the EU and transatlantic markets. In this regard, some in Georgia – a country with largely pro-Wester political ambitions, view this "3+3" format as a "trap" set by big powers in the region (such as Russia, Turkey, Iran) to constrain Georgia within purely the South Caucasian regional context.

Conclusions and Recommendations

So, what assumptions can we draw from the above discussion? Despite the fact that after the second Nagorno Karabakh war, which has shaken the regional geo-politics, the security environment within the South Caucasus remains fragile. Opening up new roads and railway routes between and through the conflicting parties (Azerbaijan and Armenia) will indeed be a positive step forward towards normalizing the security situation within the

[21] Russia protects the roads between Armenia and the rest of the Nagorno-Karabakh on the one hand and the main territory of Azerbaijan and the Nakhichevan region on the other.

[22] Georgian Journal (2021), Georgia Officially Rejects 3+3 Format. Available at: https://georgianjournal.ge/politics/37559-georgia-officially-rejects-33-format.html

region, but whether it will be enough to achieve a sustainable peace over a longer period is still unclear. The geopolitical fragility might grow even more, as Russia's war in Ukraine will have a serious affect not only on the regional and global security architecture/developments in the South Caucasus and the wider Black Sea region, but also on the political and economic relations across the world. In this very fragile geopolitical environment, Georgia will be keener to define its regional politics and geo-strategic itinerary within the security lens. As long as Russia continues to occupy Georgia's Tskhinvali region and Abkhazia and as long as Russia is running 4th and 7th Russian military bases there, Tbilisi's stance towards any economic partnership and different economic projects within the South Caucasus will be carefully assessed through the security lens.

No matter how the war in Ukraine ends, it will reshape the Black Sea regional and wider European security architecture. The ongoing sanctions put in place against the Russian political establishment, industry, energy and financial sector, transportation means and economic partnerships with Western industrial giants (and not only) will have a lasting impact on Russia's economy. They pose challenges to Georgia's economic stability too,[23] but at the same time, they also open up other opportunities for Georgia to find its place and expand its role within the South Caucasus and wider Black Sea region. Imposing sanctions on Russia will hit its economy and its financial sectors hard and as a result, it will diminish Russia's ability to function well as the transit corridor between Chinese and Central Asian markets and Europe.[24] This means that Georgia, with its European and Euro-Atlantic aspirations and being part of the EU's Deep and Comprehensive Free Trade Agreement (DCFTA), may assume a bigger role in connecting China and Central Asian countries with the EU markets.

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[23] Russia remains one of the key trade and economic partners of Georgia. Source: Transparency International (2020), Georgia's Economic Dependence on Russia: Trends and Threats. Available at: https://transparency.ge/en/blog/georgias-economic-dependence-russia-trends-and-threats.

[24] Thomas De Waal (2021), In the South Caucasus, can new trade routes help overcome a history of conflict, Carnegie Europe. Available at: https://carnegieeurope.eu/2021/11/08/in-south-caucasus-can-new-trade-routes-help-overcome-history-of-conflict-pub-85729.

Recommendations

1. In the South Caucasus context, Georgia should strengthen its status as the most effective and shortest bridge between the West and the East. It is doable if it strengthens its democratic institutions and continues its path of systematic reforms against corruption and bureaucracy. In this case it can regain the status of the most reliable and sustainable partner for the West in the South Caucasus.

2. Georgia should enhance its strategic cooperation with its key neighbouring allies: Turkey and Azerbaijan. The Georgian market should be open and secure for Azerbaijani and Turkish investment.

3. Trio corridor between Azerbaijan-Georgia-Turkey should remain as the most stable and sustainable ring within long string of trade lines between China, Central Asia and the West (the EU and the US).

4. Deep sea port project in Anaklya should be implemented by the Western Investors and it should become the key alternative for Novorossiysk port and key hub for trade within the region in the near future.

5. Georgia should keep friendly relations with Armenia and maintain its strategic transport infrastructure in good shape. Keeping the transport corridor between Armenia and Russia open all year round, including during winter season should be the vital strategic interest for Georgia.

6. Connectivity projects (Digital, Energy, etc.) with the EU through the Black Sea and the establishment of the new transportation lines between Georgia-Bulgaria, Georgia-Romania should become one of the key priorities for the Georgian government.

7. Georgia should work on marking itself as the key digital hub within the South Caucasus as it receives the safest and the best quality internet connection from the EU through fiber optic cable under the Black Sea.

8. Georgia should keep thinking outside the box when it comes to conflict resolution and its transformation. The windows of opportunities to peacefully resolve the conflict might open up any time depending on the outcome of the war in Ukraine and Georgia should be ready to offer something tangible to its citizens and all residents in Abkhazia and Tskhinvali region.

This paper does not intend to provide a full picture of the complexity and full scale of the security and economic challenges and opportunities in Georgia and the wider region. Rather, its aim was to portray some of the key angles of cross-pollination between the security and economic dimension and its effect on the case of Georgia.

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A Road to Economic Prosperity of the South Caucasus: Prospects and Challenges

Razi Nurullayev

Introduction

Since ancient times the South Caucasus has been one of the important parts of the trading routes connecting East and West. This small, but extremely important region was on the crossroads of the Great Silk Road – it had been crossed by hundreds of caravans delivering goods from East to West and from West to East. And Baku, the modern capital of Azerbaijan has been a crucial hub in the Caucasus region throughout these times. No wonder, the South Caucasus, located in a strategic position between Turkey, Iran, and Russia, has seen numerous political, military, religious, and cultural rivalries and expansionism of great powers over centuries.

Any merchant crossing the Caspian Sea on their vessels would use the South Caucasus as a hub to deliver their goods further to their final destination. Aside from that, the region is rich with oil, which at these times was already considered a valuable resource. According to historians,[1] oil has been produced from open wells around Baku from as early as the Middle Ages. It was traded both west to Europe and east across the sea to Asia.

Throughout modern history, however, things in the South Caucasus were not so bright in terms of trade and international transit volumes. Transportation capabilities of the region were for obvious reasons hampered during Soviet times – all three South Caucasus republics were affected by the overall policy of isolation of the Soviet Union. And after the collapse of the Soviet Union new obstacles emerged – this time due to never-ending disputes, territorial conflicts and geopolitical matters.

Major transportation and energy projects that have been implemented in the South Caucasus during the last decades are paving a way for the region to

[1] https://en.unesco.org/silkroad/content/baku-baki.

return to its former glory. Among these projects are the Southern Gas Corridor, East-West and North-West projects, as well as Baku-Tbilisi-Kars railway line, the new Baku Port at Alat, Anaklia Deep Sea Port project, etc.

Nevertheless, despite some positive developments, the South Caucasus practically remains "divided" as a result of territorial conflicts and geopolitical tensions, which prevent unlocking its full potential. Economy stands second to politics.

For instance, such an important energy project, as the Southern Gas Corridor bypassed Armenia – because of the Armenian-Azerbaijani conflict. However, constructing the pipeline through the territory of this country would be more practical from the economic standpoint – the route would be shorter and this would mean less expenditures and faster construction speeds. Georgia, due to it strained relations with Russia is refusing[2] to join the 3+3 format, which is aimed to fully unlock communications in the region. Armenia, even after the latest war has not yet decided if it is ready to start normalizing its relations with Azerbaijan through the process of mutual recognition of territorial integrity (although, Armenian officials made a number of positive statements, regarding unlocking of communications), which again endangers deployment of future developments in the region, including tightening of economic cooperation and the implementation of new mutually beneficial projects.

Due to the abovementioned obstacles, the influence of unified economic and trade initiatives on the region is pretty limited: countries must make major choices depending almost solely on their foreign policy courses and not on economic considerations. And it does not seem that the situation is going to change some day in a short perspective.

But it does not mean that initiatives to improve economic cooperation in the South Caucasus are doomed from the start. By applying the right tools, it is possible to change the situation and make it beneficial for all.

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2 https://tass.com/world/1363913.

A Brief Economic Survey for the South Caucasus

Economies of Azerbaijan, Armenia and Georgia are seemingly recovering from damage inflicted by the pandemic. As quarantine restrictions are easing, all three countries reported solid GDP growth by the end of 2021 – an obvious sign that things are getting back on track.

The backbone of Azerbaijan's economy is the hydrocarbons industry – according to State Customs Committee data, it accounted for almost 88 % of the country exports in 2021. The government is set to develop the non-oil sector as well during the last few years a whole number of projects have been launched in this direction. Among the main priorities are the agricultural sector, light industry, food sector and tourism.

The above-mentioned sectors do in turn constitute a much larger portion of revenue for the economies of Armenia and Georgia, as these countries do not possess a significant amount of hydrocarbons reserves.

Despite the differences in the structure of national economies, these economies, according to experts, share the same weaknesses. As the World Bank states,[3] these weaknesses are the following;

1. A clear division between capital cities, secondary urban centers, and rural or hinterland areas is evident. As a result, growth within countries has not been equal.

2. In each country, the concentration of economic activity and the bulk of economic development has been led by capital cities. However, the patterns of spatial disparities and the role of secondary cities vary in each country.

3. In general, poverty persists in both urban and rural settings.

4. Geographical isolation and lack of connectivity, demographic dynamics (including migration and population growth), and regional

[3] https://documents1.worldbank.org/curated/en/614351556553124178/pdf/South-Caucasus-in-Motion.pdf.

> disparities in access to basic services and to higher-productivity formal employment is contributing to social inequalities and hinder opportunities for economic prosperity emerging.

World Bank analysts state that a number of institutional reforms should be taken by governments to fix these issues.

> Since the collapse of the Soviet Union, the countries of the South Caucasus have achieved important progress in poverty reduction and economic growth. However, the benefits have not been equally shared in every part of these countries. [p. 28] Armenia, Azerbaijan, and Georgia would benefit if the governments are able to incorporate spatial, economic, and social mobility issues more closely in the policy agenda. [p. 18]

Recommendation

Institutional reforms, support for small and medium businesses, especially in rural areas, creation of a favourable environment for investment and implementation of best practices from developed countries seem to be necessary for South Caucasus republics to take national economies on a new level. New projects and frameworks by foreign partners in this direction or expanding of the existing ones will more than likely be welcomed by local governments.

Prospects of the South Caucasus as a Transportation and Energy Hub

If agriculture, the food sector, and tourism are vital in terms of GDP growth, transportation and energy projects can be viewed as key components when it comes to overall development of the South Caucasus region.

The volume of cargo shipment through Azerbaijan has enjoyed steady increase during the last years. According to recent statistics by the State Statistical Committee of Azerbaijan, the volume of cargo transportation through the territory of the country within the framework of the Eurasian Transport Corridor (TRACECA) for 2021 amounted to some 39.6 million tons, which is 3 % higher than in 2020. The share of transit cargo amounted to 22.3 % of the total volume of cargo transportation in this direction, or nearly 9 million tons – an increase of 5.3 %.

As for Georgia, freight turnover of the Georgian Railway for the first half of 2021 increased[4] by 10 % compared to the same period last year and amounted to 6 million tons. Transportation of goods of Turkmen origin increased by 95 %; an increase in the transportation of Uzbek dry cargo in recent months has also been reported.

Of course, growth of shipments would be impossible without the necessary infrastructure. During the last decade a number of major projects were implemented in the region that have the potential to take South Caucasus transporting and transit capabilities to a completely new level.

One of these projects is Baku-Tbilisi-Kars, which was commissioned in 2017. The 828 km railway stretches from the Azerbaijani coast of the Caspian Sea to the Georgian capital, and from there to Turkey, connecting the country's extensive railway system and thus gaining access to European borders. As of today, the railway's cargo turnover is 6 million tons while passenger turnover is 1 million people. In the future, it may increase to 3 million passengers and 20 million tons of cargo. The project is aimed to boost the transit potential of the regional countries, develop the cooperation within the framework of European Neighbourhood policy, and expand the foreign economic relations of Azerbaijan, Georgia and Turkey.

Another such project is the new Baku International Sea Trade Port, which was opened in 2018. Phase One of the new port includes a ferry terminal, a general cargo berth, a RO-RO berth, a service berth, various administrative buildings, a customs holding area, an open storage yard, warehouses, a container yard, rail and road access to berths, a heavy lift landing area and amenities area. As a result, the Port of Baku is now capable of serving 150 meter-long, 10,000 tonne capacity ferries and its cargo transportation capacity has been increased to 15 million tonnes and 500 000 containers (TEU) per year.

And the most ambitious one is the Free Trade Zone, created in Alat settlement in Garadagh district of Baku. The Free Trade Zone, which also includes the territory of the New Baku International Sea Trade Port, is expected to play a crucial role in transforming Azerbaijan into an international transport and transit hub. Apart from playing a leading role in international

[4] https://then24.com/2021/07/21/georgian-railways-record-freight-traffic-increase/.

cargo transportation and Europe-Asia logistics chains, the Free Trade Zone can significantly contribute to promoting local production and ensuring the recognition of the "Made in Azerbaijan" brand worldwide. The Free Trade Zone is aimed to serve a total population of 130 million people and covering the Southern Caucasus, Central Asia, Russia and a part of Turkey.

In the global context, the South Caucasus is considered to be a part of the so-called "Middle Corridor". It historically competes with the "Northern Corridor" (Baltic countries/Russia) and Southern Corridor (Iranian Port of Bandar Abbas).

There are different opinions regarding prospects of the South Caucasus as a transit hub. Some experts state that a transit route through the region is simply not going to work as expected. According to Thomas de Waal,[5] its perspectives are dim – because of a number of obstacles – both geographical and procedural.

> The Middle Corridor currently sees very small traffic flows compared to the Northern Route that runs via Russia and the Maritime Route via the Suez Canal. China's Belt and Road Initiative includes the China – Central Asia – West Asia Economic Corridor that runs through the South Caucasus, but Beijing has not yet invested in any major infrastructure or transport projects in the region.
>
> While some in the South Caucasus have been eager to turn to China for financing and infrastructure, Beijing has no history of funding such projects there. It did not provide any financial support for the BTK railway. Financing these railway projects would be well within China's means, but its track record in the region has been focused on far smaller projects that do not cross borders.
>
> Many are sceptical about the prospects for the Middle Corridor as an east-west route, regarding it as a poor competitor to its northern and southern rivals due to the obstacles posed by the Caspian and Black Seas and by multiple border crossings in some countries with difficult customs regimes.

Other experts on the other hand are more optimistic, stating that transporting projects on the South Caucasus are quite promising. According to the

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5 https://carnegieeurope.eu/2021/11/08/in-south-caucasus-can-new-trade-routes-help-overcome-history-of-conflict-pub-85729.

"South Caucasus Gateways" report of the Asian Development Bank,[6] the region has all necessary preconditions to drastically improve the situation, but it requires close cooperation between all three countries.

> The South Caucasus region can serve as a transport hub between Asia and Europe, but cooperation between the countries is a precondition for realizing this potential. South Caucasus gateways compete with other transport routes and only the fastest and least expensive routes will attract significant transport flows.
>
> All three countries have made considerable efforts to improve soft and hard trade infrastructure – including investments to reduce travel time and facilitate trade – and to align with international integration initiatives.
>
> However, the region would benefit from improved connections. Armenia could benefit from reopened road and rail connections from its southern territories to Yerevan and Iran, through Azerbaijan's exclave Nakhichevan. Azerbaijan would benefit from direct road or rail connections to Nakhichevan – through southern Armenia – and further to Turkey and Iran. Open transport gateways could improve the region's tourism potential.

So, improving relations between countries of the region (including between Azerbaijan and Armenia) is considered the key step towards improving the region's transportation capabilities.

Trilateral agreement that was concluded in November 2020 between leaders of Azerbaijan, Russia and Armenia after the Second Karabakh war provides for opening of a transport route, which will connect Azerbaijan's mainland with its southwestern exclave of Nakhichevan – the Zangezur corridor. This project is considered to be a key element of unblocking communications in the South Caucasus.

And implementation of the project seems to be beneficial for all regional and neighbouring countries. Turkey, for example, will have a new logistics corridor connecting Central Asia and China. Russian trains could travel through Azerbaijan on their way to the Zangezur Corridor, which links Armenia, Turkey, and Iran, while Russian goods could travel through Turkey to the Middle East and other Southern Asian countries.

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[6] https://www.adb.org/sites/default/files/project-documents/55118/55118-001-tar-en.pdf.

The project will allow Armenia to reach the markets of Russia and the Eurasian Economic Union. The absence of a land route to the main trade partner has negatively affected Armenia's foreign economic relations and its economic security.

The Zangezur corridor will also create the opportunity for Armenia to get a railroad link to its other trade partner Iran. Previously, due to the lack of necessary financial resources and inability to attract foreign investments, Armenia was not able to build a railroad to Iran from its territory. Now, cargo between Iran and Armenia can travel through the new route.

By reopening trade ties with Azerbaijan and Turkey, the corridor will also help Armenia out of economic isolation. Armenia will benefit from access to the East-West Corridor, while improving cooperation with Azerbaijan.

According to the Pakistani expert Mehmood-ul-Hassan Khan,[7] unblocking of communications will lead to extremely positive results.

> Critical analysis of the Zangezur Corridor asserts that it permits the operation of a transport corridor connecting Europe and Asia, which is of strategic importance to Russia and China, and promises potential economic benefits to all countries in the region. Thus, it holds a grand economic, business, investment and connecting proposition to all the regional countries.
>
> It will drastically improve Azerbaijan's position in the "East-West" and "North-South" transport corridors, as it is situated on the historic "Silk Road" and seeks to become a logistics hub between Europe and Asia. The East-West corridor has great significance to China and the EU. Both have a combined trade turnover of 560 billion euros in 2019 and chances are now further brightened after signing of the new "China-EU Investment Deal".

When it comes to energy projects in the South Caucasus, the most ambitious one is undoubtedly the Southern Gas Corridor. The 8th Ministerial Meeting of the project's Advisory Council was recently held in Baku. In view of the further deterioration of relations between West and Russia attention to this project has increased even more during the last months.

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7 https://azertag.az/en/xeber/Strategic_importance_of_Zangazur_corridor-1794597.

The project consists of the Trans Anatolian Natural Gas Pipeline (TANAP), Trans Adriatic Pipeline (TAP) and South Caucasus Pipeline and has an initial output volume of 16 bcm of gas. With a length of 3,500 km, the Southern Gas Corridor is one of the world's largest infrastructure projects that will transport gas from Azerbaijan's giant Shah Deniz field to European markets.

Last year the Southern Gas Corridor allowed Azerbaijan to export 19 billion cubic meters of natural gas, 8.5 to Turkey, almost 7 billion to Italy and the rest to other members of the team-Georgia, Greece, Bulgaria.[8]

More available gas would provide investment for expansion of the TAP pipeline, increasing its capacity to its theoretical maximum of 20 billion cubic meters per year. According to the State Oil Company of Azerbaijan Republic (SOCAR), the TAP consortium is currently conducting market studies and could make the decision to invest in expanding capacity this year. And there is a potential to connect new sources to the South Gas Corridor (today it only exports gas from Shah Deniz field in Azerbaijan). American expert Luke Coffey states[9] such a turn of events is possible – but again – only if peace will reign in the South Caucasus.

> Thinking boldly and creatively, if there is genuine peace someday, and if the idea of a Trans Caspian Pipeline is realized, that could pave the way for a Turkmenistan-Azerbaijan-Armenia-Nakhichevan-Turkey gas pipeline (TAANaT). The idea would not be to compete with the Trans Adriatic Pipeline and the Trans Anatolian Pipeline, which are part of the Southern Gas Corridor. Instead, such an ambitious project could help integrate the region, build trust among old adversaries, and support Armenia with its own energy issues.
>
> While the region is years away from the diplomatic conditions that would allow such a project, the U.S. should start a discussion now on what is possible. An enduring peace between Armenia and Azerbaijan could benefit the entire South Caucasus, and the U.S. should work diligently to make this happen, through its presence and leadership in the region.

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8 https://azertag.az/en/xeber/8th_Ministerial_Meeting_of_Southern_Gas_Corridor_Advisory_Council_was_held_in_Baku__President_Ilham_Aliyev_attended_the_meeting_VIDEO-2000519.

9 https://www.mei.edu/publications/33-format-south-caucasus-doesnt-add.

Recommendation

The South Caucasus possesses plenty of potential to significantly increase its role as a transportation, transit and energy hub. This potential can lead to solid results faster with right support from external actors – financial and institutional, as well as technical. Support in attracting new investors for developing the existing and creating new projects can play a crucial role as well. The benefits of transporting capabilities of the South Caucasus in perspective can extend far beyond the region itself. In addition, regional energy projects may greatly lower the EU's strategic dependence on Russian gas.

The EU, EAEU and the South Caucasus

When it comes to joining economic integration platforms, South Caucasus countries do have two choices: either deepen integration with the European Union, through initiatives like the Eastern Partnership, or to follow Russia and join the Eurasian Economic Union.

From an economic standpoint, this is a really easy pick – every emerging country wishes to deepen cooperation with the EU, as it would mean new investment, new technologies and overall development in the long-term.

But in post-Soviet realities this choice obviously comes with a price – an ultimate goal of any country, which has chosen to go down the European path, is to become a "full" member of the EU. And doing that without angering Russia is utterly impossible – as the Georgian example shows.

Despite the political issues, economic cooperation between the European Union and South Caucasus is increasing. Right now, the EU is the biggest trading partner for Azerbaijan and Georgia,[10] and second biggest for Armenia. Between 2016 and 2019, EU trade has increased by 40 % with Azerbaijan, 27 % with Armenia, and 12 % with Georgia.

[10] https://ec.europa.eu/commission/commissioners/2019-2024/varhelyi/announcements/remarks-commissioner-varhelyi-conference-south-caucasus-and-west-whys-and-hows-stronger-eu-us_e.

Another important factor is that most of the youth of the South Caucasus sees the future of their respective countries in integration with European and Atlantic institutions.

Russia seems to be opposed to seeing most of post-soviet countries as its exclusive zone of influence. Moscow is actively promoting "Eurasian integration" as an alternative to the EU. The member states of the Eurasian Economic Union are Armenia, Belarus, Kazakhstan, Kyrgyz Republic and Russia itself.[11]

However, according to experts, EAEU cannot be viewed as an alternative to the EU – at least at its current state – simply because its goals are very different from those declared. It is not economic integration in a common sense, but rather a tool that allows keeping a number of post-soviet countries "in check". Armenia, for instance, is a sole current member of EAEU in the South Caucasus, but not due to any economic benefits: it is rather a price that a country should pay for military support and alliance with Moscow.

And Russia's statements about the EAEU being a working alternative to European Integration, do not correspond with reality very well. As experts state[12] Russia's 'equivalency' argument is flawed. Unlike the EU, the EAEU is not governed by strong common institutions capable of devising and enforcing a set of common rules. Russia also fails in the matters of upholding regional trade liberalization within the union. So, the EAEU is not an authentic project in economic integration, but rather a kind of a political tool.

> The main reason for that is the fact that, from the outset, Moscow created the EAEU as a vehicle to reverse Russia's loss of power in the region following the demise of the Soviet Union, rather than to pursue deep economic integration with smaller states (which matter little for Russia's economic development).
>
> So, even though the EAEU is billed as a common market and presented as a rules-based body, throughout the bloc's existence Russia has resorted to power-based interactions with other member states.

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11 http://www.eaeunion.org/?lang=en#about.

12 https://www.chathamhouse.org/2021/05/myths-and-misconceptions-debate-russia/myth-10-eurasian-economic-union-genuine-and.

Therefore, as Russia seeks to promote the EAEU, it is essential for Western policymakers to recognize that its main benefits for Russia are political.

And even if the above-mentioned issues would somehow be magically resolved, another issue arises: members of the EAEU simply do not present even the fraction of economic powerhouse that the EU is – in terms of GDP figures and overall development. So, this union cannot be considered a reasonable alternative to European integration – at least not in its current state.

And the EU, as was mentioned earlier, cannot fully deploy its capabilities on the South Caucasus due to the restrictive policies of Russia. So currently all the activities are being implemented within frameworks like Eastern Partnership, different kinds of twinning projects and on an individual basis.

As an example, the EU has recently decided to allocate two billion euros to Azerbaijan within the economic investment plan.[13] Commissioner Oliver Varheli stressed the implementation of specific projects with Baku is being considered and added that the EU was ready to participate in the process of restoration and reconstruction (across the territories liberated during the Second Karabakh War) in Azerbaijan.

Considering that Russia is strongly opposed to any attempts by South Caucasus republics to become members or even declare a goal of becoming members of the EU or any other Western integration platform, a straightforward approach in this direction will not work: it can even worsen the situation. Therefore, again, the best course of action would be to increase efforts towards supporting business and institutional reforms to make South Caucasus countries gradually closer to EU standards economically. Then just wait for the time to come.

What Are the Ways to Unite the South Caucasus Economically?

Any external actor that wants to deepen its relations with the South Caucasus should keep in consideration the fact that all three countries of the region

[13] https://apa.az/en/foreign-policy/eu-allocates-a-2-billion-euro-financial-package-to-azerbaijan-367627.

have chosen different political courses, which, in term, shape their choice, when it comes to economic initiatives as well.

Therefore, any such initiatives should start on an individual basis and be purely economic – without political obligations. External donors should also abstain from taking sides in regional conflicts – as it may cause distrust. And all the work should be done in accordance with the territorial integrity of the regional countries. A good framework for such projects can be the Eastern Partnership (EaP) initiative. There are already a number of positive examples from such forms of cooperation.

What Can Be Used as a Backbone for the Economic Transformation of the South Caucasus?

As was previously mentioned, countries of South Caucasus can gain a lot from institutional reforms. So, support in conducting institutional reforms can be a key tool for any external actor, which wants to contribute to the process of regional economic development and enlarge ties with South Caucasus countries. This kind of support is already provided by international financial organizations and the EU within the framework of Eastern Partnership and different kinds of twinning projects, but obviously, more work can be done.

Implementation of new projects, aimed at providing support for local small and medium businesses can be another important step. Among the most promising spheres that can get the economic situation in the South Caucasus to a new level are agriculture, food sector, light industry and tourism.

According to the World Trade Organization[14] small- and medium-sized enterprises (SMEs) represent over 90 % of the business population, 60-70 % of employment and 55 % of GDP in developed economies. SMEs do not merely contribute to the economy – they *are* the economy.

[14] https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/foundation-economies-worldwide-small-business-0.

In 2020, the EU spent[15] 145 million Euros to support 71 851 SMEs across the Eastern Partnership in 2020. Across the region, SMEs supported by the EU grew on average in 2020 by 17.44 % generating an extra 1 billion Euros for their respective economies. The work done by the EU also led to creation of around 50 thousand new jobs. So it is obvious that efforts in this direction lead to very solid results. No wonder, that the head of the EU Delegation to Azerbaijan Peter Mikhalko recently stated[16] that the EU wants to support 25,000 SMEs in Azerbaijan.

Projects in the above-mentioned fields can gradually transform into frameworks, which will include a great deal of cooperation between all three countries of the region. For instance, one part of the theoretical project can be implemented in Azerbaijan, the other ones – in Georgia and Armenia, or in all three countries at the same time. In addition, such projects may require participation of citizens of all three republics.

Recommendation

The process of creating a unified economic framework for the South Caucasus countries could be more successful with participation of the neighbouring countries.

Turkey is the country with the most potential. Ankara is a strategic ally of Azerbaijan, and has good relations with Georgia. Right now, its borders with Armenia are closed, but Ankara and Yerevan are negotiating to change the situation.

And unlike two of the other regional powers – Russia and Iran, Turkey is not considered a "rogue state" – it is a member of NATO and an important ally of the West. At the same time, Ankara manages to keep good relations with Russia, which means that this country can play a perfect mediating role towards appliance of the EU initiatives in the South Caucasus.

15 https://eu4business.eu/results-2020#general/.

16 https://report.az/en/business/peter-michalko-eu-wants-to-support-25-000-smes-in-azerbaijan/.

A Project that May Change the Transport Map of the Region

A big event recently took place and mostly remained unnoticed. On March 11, Azerbaijan and Iran signed a Memorandum to establish new railway, highway, communication, and energy supply lines connecting mainland Azerbaijan to its exclave of Nakhichevan through the territory of Iran. This means that Azerbaijan has gained a second wind and launched large-scale projects that are changing the transport, communication, logistics and energy map of the region, which may again leave Armenia outside the route.

Creation of new communication ties between the East Zangezur economic region and Nakhichevan through the territory of Iran has reduced the importance of the so-called Zangezur corridor via the territory of Armenia and deprived it of manipulations with the corridor. Now Azerbaijan would show an even stronger stance on the Lachin corridor and tie its existence to that of Armenia.

The transit agreement says to build four bridges across the Araz River, including two roads with a pedestrian crossing and two railways, as well as communication and energy infrastructure. These bridges will pass 5 km from the state border of Armenia. The Parties undertake to build on their territory a checkpoint across the state border capable of receiving at least 1,000 units of the fleet of freight traffic (export, import and transit cargo), including 500 units of entry and 500 units of exit per day.

It is important to understand that the signed Memorandum carries a double meaning. In a narrow aspect, it is designed to ensure the integration of the main part of Azerbaijan with Nakhichevan. However, in reality, in a broader sense, the implementation of this document will lead to strategic changes in the transport and communication map of the region and will entail other projects. That is why it is concluded for an indefinite period.

There are some major political consequences of the signed Memorandum. It deprives Armenia of asserting a pressure on Azerbaijan and shutting down the corridor in future. Azerbaijan has a reserve route that is only 5 km from the Armenian border. After all, it was Yerevan that prevented the creation of the Zangezur corridor for a year and a half, deliberately trying to block it

under various pretexts. As seen Azerbaijan found a new way to reduce its dependence on the corridor through the Armenian territory.

The new corridor, of course, strikes at the Zangezur corridor, conceived as connecting Azerbaijan with its Nakhichevan autonomy through the territory of Armenia, and would counterbalance the existence of the Lachin corridor, which connects Armenia with Karabakh.

Azerbaijan, as is known, insisted on the speedy implementation of the Zangezur project. Armenia did not particularly hide that it finds it as a threat to its national interests. Without giving up the creation of the Zangezur corridor in words, the Armenian authorities did very little in practice. Even Moscow's attempt to speed up the course of events did not help. Baku decided to demonstrate the ability to solve pressing problems on its own, without regard to Armenia.

Armenian political elites also made a big miscalculation on the part of Iran, thinking that Iran would continue to pressure Azerbaijan in the harm to its own economy. Indeed, honestly, the creation of this corridor was and is a beneficial solution for Armenia to solve its economic problems.

"Such communication can take place only through the Armenian territory, and only with its permission," they thought in Yerevan. "This is our instrument of influence on Azerbaijan; this is our chance to assert our own importance in the region." However, it turned out to be a soap bubble with a new transport project between Azerbaijan and Iran.

In addition, the Armenian side was fully confident that the pro-Armenian lobby would retain its influence in Tehran under President Ibrahim Raisi. Nevertheless, the new president of Iran, with the approval of the Supreme Leader Ali Khamenei, chose to have a strategic partnership with Azerbaijan.

Now having agreed with Iran, the Azerbaijani side can confidently return to the parallels of the Zangezur and Lachin corridors. If Armenia and the part of Karabakh where Russian peacekeepers are temporarily stationed are connected by the Lachin corridor, then Azerbaijan and Nakhichevan should be connected by the Zangezur corridor with a similar status: There will be no

Zangezur corridor, there will be no Lachin! If Armenia fails to meet up to its obligations, Baku intends to block the Lachin road.

Azerbaijan is sincere in proposing Armenia different economic projects and trying to involve it into different kinds of transport hubs and most probably Armenia gets a part of the North-South transport corridor and Azerbaijan is willingly to help with it. Azerbaijan can even invest in Armenia and Azerbaijani business elite can build multi million business projects there if both countries reciprocally recognize each other's territorial integrity, respect the indivisibility and inviolability of borders.

How to Resolve Political Issues and to Ensure Inter-Ethnic Reconciliation?

As was stated before, one of the key issues on the road of uniting the South Caucasus economically is a conclusion of a peace agreement between Azerbaijan and Armenia, with subsequent mutual recognition of territorial integrity. Such a document will allow the deployment of major developments in the region, which will lead to economic development and prosperity.

It should be noted that the Armenian side has made some very positive remarks regarding this process during the last few months. For instance, prime minister of Armenia Nikol Pashinyan has recently expressed[17] the interest of his country to implement a railway project that will reconnect Armenia with Azerbaijan. He stated that this railway would become a route for international cargo transportation. Prime minister recalled that the agreement to restore the railroad between the countries had been reached by the leaders of Armenia and Azerbaijan during a meeting in Brussels.

Pashinyan added, that the two countries "are very close to record the first practical results" of the Armenia-Russia-Azerbaijan deputy prime ministerial working group dealing with the unblocking of regional communications, as "the February 2 meeting has been very practical and dedicated to the works on building the Yeraskh-Ordubad-Meghri-Horadiz railway."

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17 http://arka.am/en/news/business/pashinyan_armenia_azerbaijan_railroad_to_be_used_for_international_cargo_transportation/.

Later he also stated[18] Armenia hopes to sign a legal document with Azerbaijan in the near future, which will allow the construction of the Yeraskh (Arazdeen)-Julfa-Ordubad-Meghri-Horadiz railway to begin.

> Currently, we are carrying out concrete work on the construction of the Armenian section of the Yeraskh-Julfa-Ordubad-Meghri-Horadiz railway. Technical work has already begun. We hope that the agreements reached will be reflected in the form of a document in the near future and the process will be fully developed.

However, Armenian officials are evading the issue of recognizing Karabakh as a part of Azerbaijan. In addition, for obvious reasons, Baku will not sign any kind of peace document until this issue is resolved – territorial integrity of Azerbaijan cannot be under any circumstances a matter of discussion. So, opening the communications with Armenia can be implemented only with a delimitation and demarcation process between two countries finished and a document on mutual recognition of territorial integrity signed.

Commenting the situation, Azerbaijan's foreign minister Jeyhun Bayramov has stated[19] that Azerbaijan is ready to start the delimitation and demarcation of the state border with Armenia without preconditions. Minister warned Armenia against attempts to disrupt this process.

> We believe that there is no need for any 'inventions' or 'creative approaches' to begin the delimitation process. International borders must be recognized. The work of the commission must begin. We believe that a state that has occupied about 20 % of the territory of another neighbouring country for 30 years, in violation of all norms and principles of international law, has no political, legal or moral right to put forward any preconditions for defining this process after the end of the occupation. The sooner the Armenian state understands this, we think, the sooner the process can begin.

The position of Azerbaijan is clear – Baku is ready to develop cooperation with Armenia with on one condition – recognition of its territorial integrity by Yerevan. After this is done, Azerbaijan is open to any framework and program that will add to the economic development of the South Caucasus.

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18 https://azeridaily.com/reality/65477.

19 https://www.azernews.az/nation/188977.html.

Therefore, again, new approaches and new players can become the key component for resolving all current problems and answering all the questions. However, it is only true for actors, which do respect international law and genuinely want to contribute to the development of the South Caucasus.

Any external actor, which wants to contribute to the peace-making process in the South Caucasus, can do that in two following ways. First, by deploying projects that will boost public diplomacy. Second, by boosting economic cooperation in the region by establishing various business projects. Cooperation between entrepreneurs may enlarge possibilities in the political field.

South Caucasus: Infrastructure of War and Peace

Ara H. Marjanan

Structural Stability

Preparing an article in our times of dramatic geopolitical changes is a real challenge, first of all, from the point of view of adequate perception of the future. Especially if one plans to speak about "Peace Building through Economic and Infrastructure Integration" in a troubled region like the South Caucasus.

You may recall from everyday life, in moments of great change, or from lectures on *calculus* – if you are lucky enough to remember them – that in a bifurcation point, or in singularities, it is almost impossible to make a prediction about the future – be it the evolving course of history, or a behaviour of a function. The reason for this is that in such points you cannot truncate the so-called Taylor expansion of the function in a more or less meaningful way. In other words, in such a situation you can no longer simplify the picture you are dealing with.

This simplification was a common trick of mathematicians, politicians and political analysts for decades, if not centuries. They used it with amazing efficiency, when it comes to mathematicians, but with dubious results – when it comes to politicians and political analysts. Now, in our non-linear world, it is over. Today you need more subtle technics, and I am glad to say, that there are some.

One of them is known as "catastrophe theory" to laymen, or "theory of singularities of differentiable mappings" – for professionals. Despite such a frightening sounding, although so congenial to the recent events in Nagorno-Karabakh, and now in Ukraine, the basic idea is quite simple: if you cannot simplify the picture and yet you need to handle it as it is, try to find the so-called "structurally stable forms" and then work with them only. Luckily, you will find out, that in many and very different cases there are quite a few of

them. Here we have come to the first important concept of our article – the concept of "structural stability".[1]

In this article, we believe that peace and prosperity is better than war and deprivation – nowadays, this is not such a trivial statement, as it might seem. More than that, we think that peace and prosperity are "structurally stable" forms of humanity and nations. At least they should be as such, maintaining interactions between the nations in a dynamically stable equilibrium. But for that, we need "structurally stable" foundation, which will ensure the stability of peace. In short, if we want a sustainable peace in South Caucasus, it should be structurally stable at first.

Infrastructure

In his recent book,[2] a veteran economic commentator stated that infrastructure is one of the "foundations of the future". Now this foundation is in serious danger of being undermined or even collapsing in those economies, which are neglecting them, risking to be overtaken by more infrastructure-conscious nations. By infrastructure the author of this book means (as we do) all kind of physical infrastructure: ground, air and marine transportation, energy, including pipelines and high voltage transmission lines, banking, communications, including digital infrastructure, broadband cables, satellites, and many more. Trillion-dollar scale infrastructural projects announced during last decade by China, US, EU, Russia and, in between, by smaller nations on a smaller scale indicates growing infrastructure consciousness of our world: essentially – "the World of Worlds", competing with each other for resources, technology and critical infrastructure.[3]

We must be clear, infrastructure can serve as structurally stable basis for peace, but it can also serve the war. Infrastructure shapes the dynamics of war and peace in our globe, providing a rigid base, structural skeleton, upon which competing geopolitical, ideological and integrational scenarios build

1 Thom, René, Stabilité structurelle et morphogénèse: essai d'une théorie générale des modèles. Benjamin, 1972.

2 Rowley, A.H., Foundations of the Future: The Global Battle for Infrastructure. August 2020.

3 Harutyunyan G., Marjanyan A., World of Worlds: Scientific and Technological Landscape. "21st CENTURY", № 1 (20), 2017.

their muscles. This is true for the (post)modern "World of Worlds" in general, and is especially true for the South Caucasus, historically a torn apart region, by and between East and West, South and North. In order to establish here a sustainable peace, one will need not only strong mutual will and "software of peace" – confidence building, inter-ethnic reconciliation and "Track 2 diplomacy" but also an appropriate infrastructural base, let us say "hardware of peace", which will ensure sustainability in our region.

Unfortunately, developments of the past 30 years provide little ground for optimism. Especially when one considers that the development of infrastructure in our region served primarily for the war. Besides, current escalation between the West and Russia overshadowed some promising developments in this context.

Thus, today we face two interrelated problems: overcome the war-oriented logic of infrastructural development in the South Caucasus by reorienting it toward peace; and minimize various negative impacts of current West-Russia standoff for our region. Understandably, we will focus on the first one.

Infrastructure of War and Peace

Organizers of our workshop proposed five questions in order "to spur thinking among invited speakers and participants". One of them is the following: To what extent has infrastructure connectivity become an issue on the multilateral agenda of the region? What international legal/political frameworks and operational mechanisms exist for setting the rules for multilateral connectivity?

The answer to the first part of this question in our view is straightforward: To the great extent. In fact, we believe that only **inclusive infrastructure connectivity,** aimed at ending the blockade of Armenia and the isolation of Iran, can and will serve as a structurally stable basis for sustainable peace and prosperity in our region.

Allow me to consider here two examples of infrastructural connectivity in their interplay with the war and peace.

Let us start with high voltage transmission lines (HVTL). You may recall that back in 2007-09 former presidents of Armenia and Turkey – Serzh Sargsyan and Abdullah Gül – launched the so called "football diplomacy". In October 2009, "Zurich protocols" were signed, offering some basis for re-establishing diplomatic relations between the two countries, opening the international border, closed by Turkey back in 1993, and setting up a joint commission to address the issue of the Armenian genocide. Unfortunately, this process was essentially dead by the end of 2013 to the beginning 2014, largely due to assurances Ankara had previously given to Baku during the Nagorno-Karabakh conflict, as well as due to harsh critics from Armenian nationalists and hard-liners.

However, we believe, that this process has come to nothing also because it was lacking "structural stability" in it. It was not backed by proper infrastructural base. With the bitter taste of a missed opportunity, today we must admit, that back then there was such an opportunity – we are talking about regional HVTL network. Indeed, HVTLs are the least politicized segment of infrastructure, where solutions can be found quickly, without going deep into complicated geopolitical and political problems, so typical for the "opening of the borders", railroads, or oil and gas.

Fig.1. HVTLs, Turkey, Georgia, Armenia

In 2009, Armenia officially announced that it was ready to export 1.5 billion kWh of electricity to Turkey immediately, and could double this export in the next 2-3 years. All that is needed for this is to put back in operation the already existing Kars (Turkey) - Gyumri (Armenia) 200 kV line (white line, Fig.1), and then extend the Khorasan-Kars (Turkey) 400 kV line by 40 km to Armavir in Armenia (red dotted line, Fig.1). We emphasize that both then and today, only Armenia has excess generating capacity in the region and is able to ensure reliable export of electricity to its neighbours.

Instead, in 2008-09, with the support of US AID and EBRD, a decision was made to build the so-called "Turkey-Georgia-Azerbaijan Energy Bridge". Hoping that Azerbaijan and Georgia will be able to supply a significant amount of electricity to Turkey, a costly 240 km long 400 kV Borchka (Turkey) - Akhaltskha (Georgia) HVTL was built (yellow line, Fig.1). Naturally, these hopes were in vain, since neither then, nor today, neither Georgia nor Azerbaijan have a sufficient level of generating capacities for that. In other words, it was decided to deepen Armenia's blockade, supplementing to the already established railway and pipeline blockade with the blockade of HVTL.

Today, 14 years after these events, the possibility of ending the blockade of Armenia, at least in relation to the HVTL network, is still waiting for realization. You may know that in December 2021, Armenia and Turkey appointed special envoys to discuss steps for normalization of the relations between the two countries: From Turkey Ambassador Serdar Kılıç and from Armenia the Deputy Speaker of Armenian Parliament Ruben Rubinyan. On January 14, 2022, the special envoys met in Moscow for the first time. The second meeting was held in Vienna on February 24, 2022.

I think, today is the time to put the issue of re-commissioning the Gyumri-Kars 220 kV line, and construction of 400 kV Horasan-Kars-Armavir line on the table for discussions. We do not have another 14 years to spent in vain.

Our next example is about railroads. We will not go into the history of how the railroad network of South Caucasus was created and what motives Tsarist Russia or USSR had behind this. Instead, we will focus on recent events,

starting with the Baku-Tbilisi-Kars railroad (BTK), which became operational on 30 October 2017 (red line, Fig.2). BTK was intended to provide an alternative link between Azerbaijan and Turkey via Georgia, carefully bypassing Armenia.

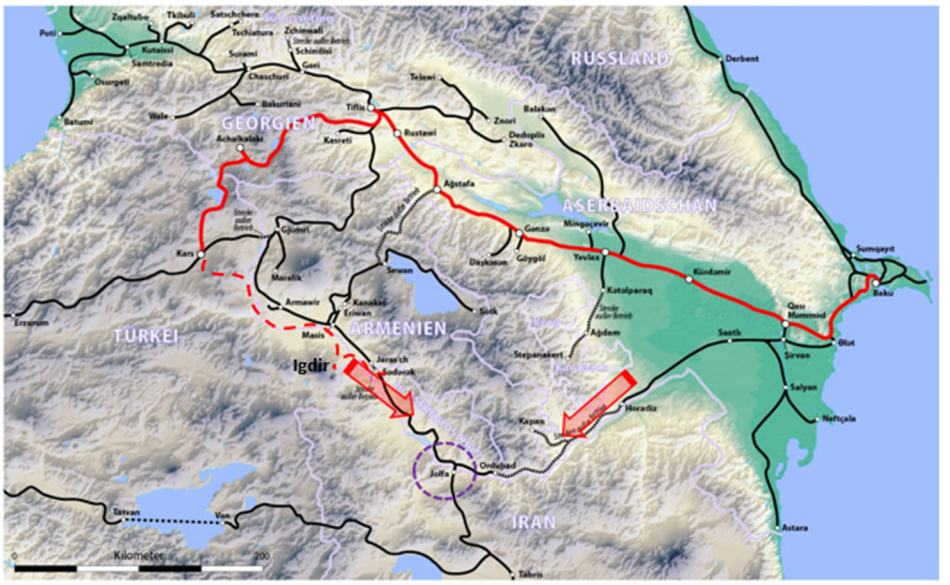

Fig.2. Complete railroad blockade of Armenia (Kars-Igdir-Nakhichevan), or integration in "East-West" and "South-North" network (Julfa/Jolfa railroad junction) Source: GUAM, with additions

Please note, that since 1899, there were operational railroad Tbilisi (Georgia) - Gyumri (Armenia) - Kars (Turkey, Fig.2), which was closed by Turkey only in 1993, after almost a century of operation. Again, we will not go to the motives involved – each side has narratives of its own and will confine ourselves to a simple statement: the construction of the BTK is a clear sign of the implemented strategy: to blockade Armenia, to suffocate its economy.

On March 19, 2018, the Turkish Ministry of Transport announced, "Turkey will begin to implement the Kars-Igdir-Nakhichevan railroad project soon. It is a top priority transport project for us" (red dashed line, Fig.2). According to this announcement "opening of a logistics centre in Kars, construction of the Kars-Igdir-Nakhichevan railroad, will ensure cross-border trade

between Azerbaijan's Nakhichevan Autonomous Republic and Turkey's Kars and Igdir provinces, and will strengthen relations between Baku and Ankara".[4]

I would like to stress two things here:

- First, there is the existing Gyumri-Armavir-Masis-Yeraskh railway (Fig.2), which runs exactly parallel to the planned Kars-Igdir-Nakhidjevan railway, only on the Armenian side of the Araks River. It can be concluded that the only reason for the construction of the Kars-Igdir-Nakhichevan railway on the Turkish side of the Araks River is that Turkey does not plan to use the existing line on the Armenian side in the near future.

- Second, this announcement was made more than two years prior to the beginning of the "44-day War" in Nagorno-Karabakh (September 27, 2020). During the "44-day War" the main blow of Azerbaijani armed forces was directed along the left bank Araks riverbed, in the direction from Horadiz to the border junction between Armenia and Iran (see the block arrow on Fig.2).

Now consider the direction of the main strike of the Azerbaijani armed forces in October 2020 is apparently on the "collision course" with the direction of the "railway expansion", announced by Turkey back in 2018. In other words, the armed forces of Azerbaijan are going to meet with the "railway expansion" of Turkey towards Nakhichevan – which can be interpreted as a logical endgame of the above-mentioned strategy to complete railroad blockade of Armenia.

There is more to add: On June 16, 2021, after 219 days from the trilateral declaration of November 9, 2020, which ended the "44-day War", intentions of Turkey and Azerbaijan toward Kars-Igdir-Nakhichevan railroad were reaffirmed once again. According to the newly appointed Minister of Transport and Infrastructure of Turkey:

> At the end of 2020 (Sic!) we have completed our survey regarding the Kars-Iğdır-Aralık-Dilucu Railway, which is the section between Iğdır-Nahcıvan

[4] https://www.azernews.az/business/133488.html.

> railroad. This project, together with the BTK Railway and the Kars Logistics Center, which is under construction, is a line that will complete our Middle Corridor.[5]

Without going into details of what the Minister means by the "Middle Corridor", it should be concluded that even after 220 days after the "44-day War", the intentions of Turkey and Azerbaijan are clearly visible to keep Armenia isolated, to complete the full railway blockade of Armenia.

All these facts are a perfect example of how the development of railway infrastructure can serve the war. But can these developments serve the peace instead? Our answer is – yes, they can. For that, in our view, it is necessary and sufficient to:

- Reopen Julfa/Jolfa railway junction point on Iran and Nakhichevan border (indicated by ellipse, Fig.2).

- Integrate this junction to the South Caucasus railroad network as a crossroad hub, and important gate of Armenia to Iran and Indo-Pacific.

This will balance the onslaught of Turkey and Azerbaijan along the East-West axis with the North-South axis, connecting the Gulf of Oman (Chabahar) and India (Mumbai) in the South, with the Baltic Sea in the North (St. Petersburg). This will ensure the structural stability of the entire regional railway network. This would be an excellent example of "multilateral infrastructure connectivity" serving sustainable peace in the South Caucasus. By the way, on February 17, 2022, Prime Minister N. Pashinyan called[6] this scenario "the Armenian Crossroads".

And there are some promising developments here. Iran developing its Chabahar port has made great efforts to overcome the bottleneck of the Strait of Hormuz (the Goreh-Jask pipeline, etc.). In December 2021, during a meeting in Brussels the leaders of Armenia and Azerbaijan outlined an agreement on restoration of the Yeraskh-Julfa-Ordubad-Meghri-Horadiz

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5 https://en.rayhaber.com/2021/06/kars-nahcivan-demiryolu-projesi-fizibilite-calismalarinin-surdurulmesi-karari-alindi/.

6 https://armenpress.am/eng/news/1075783/.

railway, connecting Armenia and Azerbaijan via Nakhidjevan exclave of Azerbaijan. On February 2, 2022, Deputy Prime Minister M. Grigoryan held a meeting with the Russian co-chairman of the trilateral working group, Deputy Prime Minister A. Overchuk and the head of Russian Railways OJSC O. Belozerov on technical and financial issues of the construction of this railway. On the next day, February 3, 2022, it was announced, that "The South Caucasian Railway Company (a subsidiary of Russian Railways OJSC) will operate the Yeraskh-Julfa-Ordubad-Meghri-Horadiz railway, which will connect the territories of Armenia and Azerbaijan".[7] On February 9, 2022, Prime Minister N. Pashinyan stated, that "a working group will be immediately created to work on construction of the Armenian section of this railway."[8]

Of course, much remains to be done. First of all, it will be necessary to put "international legal/political frameworks and operational mechanisms" behind the realization of this scenario. A real tour de force, if you consider that this will require harmonization of approaches and coordination of efforts by and between EU, RF, China and US. In addition, it would be necessary to analyze the entire range of international legal documents relating to the issues of providing unhindered access for "really landlocked" countries, such as Armenia, to the ports of the "high seas" and other regional infrastructure. Support from UN (CTAD, OHRLLS) and the EU could be instrumental for this.

To implement all these, several important conditions must be met. Firstly, the cessation of military provocations on the line of contact between the parties and the shelling[9] of Armenian territory from the territory of Azerbaijan and Nakhichevan. Secondly, the withdrawal of the Azerbaijani armed forces from the territory of the Republic of Armenia, which have penetrated here since May 2021. Finally, it is necessary to lower the belligerent rhetoric of the parties and establish confidence-building measures.

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7 https://tass.ru/ekonomika/13602549.

8 https://armenpress.am/eng/news/1075134.html.

9 The shelling of Armenian positions by the Azerbaijani armed forces resumed with the outbreak of hostilities in Ukraine (March 24, 2022) and has been increasing since then.

Armenian Economy in Brief

Let us have a quick look at the Armenian economy:

Armenia's economy – "mostly free" according to Heritage Foundation's 2020 Index of Economic Freedom[10] – expanded rapidly between 2017 and 2019, with the annual GDP growth rate averaging at 6.8 %. A record growth since 2007, and the highest growth among peer countries – according to Asian Development Bank. Prudent macroeconomic policies helped establish a record of accomplishments of macroeconomic stability and an improved business environment following the political realignment of May 2018.

The top exported products from Armenia are copper, gold, tobacco and spirits. According to US International Trade Administration,[11] mining and minerals is the best prospect industry sector for Armenia. The country's mineral resources include copper, molybdenum, zinc, gold and silver. In 2017, Armenia joined the Extractive Industries Transparency Initiative (EITI) as a candidate country. In 2020, following the EITI Board's positive assessment, Armenia became the 53rd country with satisfactory progress.

While the mining sector accounts for only 3 % of Armenia's gross domestic product (GDP), it dominates Armenia's goods exports. Exports of mined resources, including finished products (aluminium foil, diamonds, etc.), account more than half of Armenia's exports annually. Mined copper represents the single largest contributor to Armenia's exports and is one of the fastest-growing sectors of Armenian economy. The biggest copper and molybdenum mine is located in Kajaran (Syunik province) and operated by the "Zangezur" Copper-Molybdenum Combine CJSC (ZCMC).

Established in 1951, ZCMC was privatized in 2004.[12] On September 30, 2021, GeoProMining Armenia obtained 60 % of ZCMC.[13] Roman

10 HF 2020 Index Rank - 34, Score - 70.6, the highest rank among East EU countries.
11 https://www.trade.gov/country-commercial-guides/armenia-mining-and-minerals.
12 CRONIMET Mining GmbH (60 % of shares), "The Plant of Pure Iron" OJSC (15 %), Armenian Molybdenum Production Ltd. (12.5 %) and Zangezur Mining Ltd (12.5 %).
13 https://news.am/eng/news/665519.html.

Trotsenko,[14] a member of the Board of Directors of GeoProMining Armenia has noted:

> We were glad to take the opportunity to further expand our business in Armenia and obtain a control kit of ZCMC and offer the Government of Armenia 15 % of equity. We intend to expand cooperation with the Government of Armenia, and this is the first step within the scope of our broader vision for investments. We plan to carry out large-scale and long-term investment programs in Armenia's mining sector, the total volume of which will reach around $4 billion.

On October 6, 2021, Prime-Minister N. Pashinyan in the Armenian Parliament stated[15] that GeoProMining's proposal include support for a construction of new nuclear power plant in Armenia.[16]

In October 2021, the "Industrial Company" JSC – 100 % subsidiary of GeoProMining Armenia. – transferred 25 % of its share in the ZCMC to the Government of Armenia.[17] On January 5, 2022, The Armenian government handed over its 15 % equity (or 25 % of share) in the ZCMC to the trust management of the Armenian National Interest Fund (ANIF).[18]

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14 Trotsenko owns Aeon Corporation (RF), which includes 14 airports in Russia, the Moscow River Steamship Line and several river ports. Trotsenko bought 48 % of GeoProMining in Mar. 2019 and a further 50 % in Jan., according to Prime news agency.

15 https://www.world-nuclear-news.org/Articles/Nuclear-to-support-mining-expansion-in-Armenia.

16 Armenian nuclear power plant (ANPP) in Metsamor, has two 407.5 MWe BWR reactors (soviet designation ВВЭР-440/В-270) which started operating in 1976 and 1980 respectively. Although they sustained without any damage strong Spitak earthquake (December 7, 1988), both units were taken off line in February 25, 1989 due to concerns raised by political instability in Trans-Caucasia and safety reasons. Unit #1 of ANPP is decommissioned since 1988, Unit #2 was restarted in November 1995. Currently it accounts for about 40 % of total electricity generation in Armenia. In 2021 modernization of Unit #2, was successfully completed.

17 https://finport.am/full_news.php?id=44783&lang=3.

18 ANIF's mandate implies participation in the management of strategic assets in the Republic of Armenia, in cases when the investor wants to have the state's participation. https://anif.am/.

Conclusion: From "Coal and Steel" to "Gas and Copper"

The Syunik province of Armenia, bordering with Azerbaijan, Artsakh, Nakhichevan and Iran, besides its rich deposits of copper, molybdenum and rare metals, is located at the epicentre of the regional transport infrastructure. All current disputes and discussions are conducted around this region.

Crossroads connecting Armenia with Iran and Azerbaijan converge here and they can become arteries that feed peace and prosperity. The industrial potential of Armenia is concentrated here, which, given the opportunity, will contribute to the strengthening of the region. Here are the promising sites of the Meghri and Ushtabin hydropower stations,[19] the construction of which can become the first sign of the peaceful infrastructure development of the entire region. Finally, the shortest gas transportation routes from Iran to the Black Sea and Europe, from Central Asia to the West pass through Syunik region as well.

Exactly 70 years ago, in 1952, the Treaty Establishing the European Coal and Steel Community was ratified,[20] bringing lasting peace and prosperity to the Western Europe. The vision of Robert Schuman, Jean Monnet, Konrad Adenauer and many others has become a reality, giving to several consequent generations of Europeans the opportunity to live peacefully and work in cooperation. The "founding fathers" of the European integration managed to transform once torn apart Alsace-Lorraine region into the cornerstone of the modern Western Europe, enforced it with structurally stable "Treaty on Coal and Steel".

I would like to believe that the current generation of politicians and economists, engineers and lawyers, based on this inspiring example, will be able to transform Syunik-Zangezur region into a cornerstone of the peaceful South Caucasus, and offer to the peoples of our region a new "Treaty on Gas and Copper", ensuring sustainable peace.

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[19] Run-of-river hydropower stations on Araks River with about 100 MW of installed capacity each. Located on Armenian (Meghri HPP) and Iranian (Ushtabin HPP) territory, on the border between Syunik and East Azerbaijan provinces of Armenia and Iran respectively.

[20] https://www.britannica.com/topic/European-Coal-and-Steel-Community.

PART III: Leveraging Economic Integration and Infrastructure Connectivity in the Service of Peace

South Caucasus and Black Sea Connectivity: Focus on Georgia

Elguja Khokrishvili

Introduction

Due to Georgia's strategic geographic location, it plays an important role in the South Caucasus as a transit country for trade flows and energy projects. The country's Black Sea ports not only provide access to European markets for landlocked Central Asian countries, but for China and the EU, the route via Georgia complements the Northern Eurasian land routes through Russia. Georgia seeks to expand its function and geopolitical identity in the wider Black Sea region and beyond. This paper explores the role that Black Sea connectivity plays in Georgia's security and economic development. By unpacking major views of and dynamics towards the Black Sea region (BSR) from the Georgian perspective, we attempt to answer two questions: what are Georgia's key perceptions of the South Caucasus and Black Sea connectivity? What is the role of Black Sea Region in strengthening Georgia's economic and security resilience in quickly changing environment marked by geo-economic competition? We conclude with thoughts on future of the region and the role of the EU, Georgia's closest partner, in it.

Georgia's Perceptions of the Black Sea Area

The Black Sea region (BSR) for Georgia has a function of a transit point with yet unfulfilled potential. As a link between Europe and Asia, the BSR has always been of great geopolitical and geo-economic importance as a transit point on global East-West and North-South trade routes. Strategic documents of Georgia underline the importance of the Black Sea as a source of economic exchange, investments, and tourism. Moreover, Georgia considers its littoral status as conducive to regional cooperation and peace-making in the volatile South Caucasus region. According to Georgia's National Security Strategy, "the potential of Georgia as a Black Sea littoral state is a supporting factor for the development of multilateral cooperation among the three South Caucasus states." However, for the past 15 years, the Black Sea region

has not developed into a vibrant zone for trade, transport, energy, or cultural exchange. Instead, much of the region's potential was lost as it became the scene of struggle for dominance and geopolitical competition. This is the second image which informs and shapes Georgia's regional perceptions.

With geopolitical competition is also connected the third image of the Black Sea, namely an area dominated by the Russian geopolitical presence. Georgia considers the Black Sea Region as a potential source of danger to its national security and stability. Regarding Russia's challenge in the Black Sea, military conflicts in Georgia and Ukraine are considered as constituting parts of the same process which poses serious threats to the peace and economic development in the Black Sea region (MFA Georgia 2019). Russia's aggression against Georgia and Ukraine allows it to exponentially increase its military presence in the BSR, and to establish effective power projection.

Next to geopolitical aspects and risks emanating from Russia's heavy presence, the Black Sea is also considered as an arena of geo-economic competition. New opportunities start to emerge as the political, security, trade, and economic interests of several actors in the Black Sea region are increasing. Besides the littoral states these are the EU and NATO, the USA and China. For Georgia, this means more involvement in potential economic, energy, and connectivity projects. From this perspective, Georgia could benefit from an increased presence of its Western partners which would have "a positive impact on regional security and economic development allowing the Wider Black Sea region to play its historical role of becoming a valuable geo-economic hub" (MOD Georgia 2021).

The Black Sea is also considered as a geographic compass and an important bridge towards the EU and the NATO. Full membership of both Western organizations remains the key objective of Georgia's foreign policy and the Black Sea is the only area offering Georgia direct geographic links to member states Turkey, Bulgaria and Romania. Moreover, in the context of Georgia's European integration, belonging to the Black Sea area also seems to be connected to the rebuilding of Georgia's national identity. This identity reformulation effort seeks to underplay sub-regional aspects and highlighting Georgia's trans-regional linkages. For example, political elites in Georgia have tried long to disassociate the country from the South Caucasus region

and associate it more with Eastern European community politically and culturally. The image of being a Black Sea country seems to be helpful in this regard as it provides symbolic and physical connection with other littoral Eastern European states. For instance, the 2019-2022 Foreign Policy Strategy (FPS) of Georgia mentions "Eastern-European-Black Sea region" which also includes Georgia (MFA Georgia 2019). According to the Georgian National Security Concept,

> as a Black Sea and Southeast European country, Georgia is part of Europe geographically, politically, and culturally; yet it was cut off from its natural course of development by historical cataclysms (MOD Georgia 2011).

Against this background, Georgia's MOD Vision 2030 sees Russia's coercive actions as continuous attempts to undermine "Georgia's chosen course towards unification with the Western, European Family" (MOD Georgia 2021). The civilizational dimension of Georgia's European choice is further echoed by the latest Foreign Policy Strategy. According to the document, membership of EU and NATO is based on "civilizational choice of Georgia, is a matter of a broad societal consensus and guaranteed by constitution of Georgia" (MFA Georgia 2019). At Georgia's insistence, the EU-Georgia Association Agreement identifies Georgia as "an Eastern European country"[1] being committed to implementing and promoting the "common values on which the EU is built" (Official Journal of the European Union 2014).

Role of the Black Sea Area in Georgia's Security

The Black Sea Area has recently turned into the main geographic space of Russia's geopolitical assertiveness which both directly and indirectly undermines Georgia's national sovereignty and threatens its statehood and foreign policy priorities. Direct negative impact is generated by Russian occupation of Abkhazia, and to lesser extent of South Ossetia, and resulting dominance of the Russian navy in Georgia's littoral waters. Georgia is especially vulnerable towards the military risks emanating from Russia's heavy naval and military presence in the Black Sea Area. It is worth recalling that the Black Sea shore was one of the key scenes during the 2008 war when Russian navy

[1] Many in Georgia think the EU avoided calling Georgia an "European country" not to invoke any association with Article 49 of the EU treaty. (See: Chkhikhvadze, V. (2019). Georgia. Overcoming the libertarian legacy. Chaillot Papers, 153, 57-71).

decimated Georgia's fleet and kept a maritime cordon blocking access to the port of Poti and the entire Georgian coast (Institute for War and Peace Reporting 2013). Russia holds more than 8,000 military personnel and modern military equipment, including S-300 air defence system in Abkhazia and South Ossetia (Civil Georgia 2017). Russia also maintains naval military presence in the strategically important port of Ochamchire located in Abkhazia. Tbilisi itself does not have any naval military presence after the 2008 Russia-Georgia War. Its mosquito-size coast guard has no chance against Russian navy. From sea, Georgia is virtually undefended in case of Russia's potential incursion (Kuimova and Wezeman 2018).

Indirect negative impacts also stem from Russia's occupation of Crimea and the military conflict in the Eastern Ukraine. Russia's long-term strategy seems to be to transform "the Black Sea into an anti-access/area denial zone" (Seskuria 2020) which threatens Georgia's transit hub potential and its connectivity strategy to reach out to the outside world including the NATO and the EU partners via the Black Sea. The 2020 war between Armenia and Azerbaijan and the deployment of Russian peacekeeping forces in Nagorno Karabagh added another layer to Georgia's deteriorating security. The conflict also highlighted Turkey's geopolitical assertiveness which can act as a counterbalance to Russia's regional dominance amid fading Western influence (Georgian Institute for Politics 2021).

After the 2008 Russia-Georgia war, it became clear that NATO and EU membership was on hold and the Western actors were not ready to bring Georgia under their military and security umbrella. However, deepening ties with both organisations in order to hedge the security risks in Georgia and wider Black Sea region continued below the formal membership pressure. After the war the EU sent the European Union Monitoring Mission (EUMM) to observe the peace between conflict parties and which to this day is the only international mission in Georgia providing a minimal deterrent against Russia (Kakachia at al. 2020). Georgia's practical approximation to NATO structures also accelerated after the 2008 war and resulted in 2016 in Georgia becoming a NATO Enhanced Opportunities Partner country, a status which provides "all of the privileges that alliance members receive except for the collective security umbrella" (Paul and Andguladze 2018). Closer military ties with NATO were also accompanied by strengthening bilateral partnerships with Georgia's key geopolitical partners – including the US and the

Black Sea neighbour Turkey. In 2021 the US and Georgia signed a new bilateral U.S.-Georgia security cooperation initiative – the Georgia Defense and Deterrence Enhancement Initiative – aimed at further modernization and development of Georgian military (US Embassy to Georgia 2022).

Finally, Georgia has been trying to balance Russia's geopolitical assertiveness by normalising relations with Moscow. After the 2012 power change in Georgia, relations between two countries have intensified somewhat, especially in areas of trade, tourism, investments, and economic exchanges (Kakachia and Lebanidze 2019). However, Georgia's approach not to irritate Russia soon hit its limits due to public discontent but also lack of any progress in conflict areas and security-related issues. To summarize, Georgia has tried but so far failed to establish a meaningful deterrent towards Russia-related security risks in the Black Sea area making the country vulnerable to variety of hostile tactics incoming from its northern neighbour.

Connectivity in Georgia's Economic Strategy

Georgia's relationship with the South Caucasus and the Black See Countries is not only about hard security. To establish itself as a hub linking East and West, Georgia is primarily pursuing with various degrees of success two series of measures: creating a network of free-trade agreements and expanding the country's road, rail, and sea traffic infrastructure. Georgia is an open economy and offers liberal regulations for foreign investors. Over the last two decades the country has signed several strategic trade agreements with the Black Sea states and extra-regional players: including the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, free trade agreements (FTAs) with Commonwealth of Independent States members (CIS), Turkey, EFTA countries, China and Hong Kong. It also enjoys preferential trade regimes, within its relations with the US, Canada, and Japan. Currently, products made in Georgia have access to one-third of the world consumer market through free trade regimes which reach more than 2.3 billion consumers in total. Particularly successful was the outreach to Chinese market, Georgia's exports grew from meagre USD 25.6 million in 2012 to USD 615.5 million in 2021 (GeoStat 2022).

Despite successes in accessing distant markets, the Black See region remains an important export market and a significant source of imports for Georgia.

In 2021, under the country's top ten single export partners were four Black Sea countries, led by Russia (14.4 % of exports), followed by Turkey (7.6 %), Ukraine (7.2 %), Bulgaria (6 %) and Romania (0.7 %). Also, Georgia's two biggest single import partners were from the Black See region, namely Turkey at 18.1 % of the total import and Russia at 10.2 %, followed by Ukraine at 4.5 % in the seventh place and Bulgaria and Romania with 1.7 % each.

The Black Sea plays an important role in Georgia's outreach to global markets but also in facilitation of international trade. Georgia's Black Sea ports are important assets and serve mainly transit traffic in and out of the region. The share of maritime transport trade (USD 4.5 billion) in Georgia's foreign trade turnover (USD 11.3 billion) is about 40 %, while the rest comes by road (42 %), rail (6.7 %), air (7.6 %) and other types of transport.[2]

In 2020, the total volume of goods handled by the ports amounted to 16.9 million tons (approximately half was oil and oil products), which is slightly less than in previous years and probably can be explained by Covid-related slowdown in trade. Georgia's own export and import needs through the ports did not exceed 4 to 5 million tons, so a large part of the goods handled by Georgian ports were transit goods (Tsereteli 2021). In 2019, the total transhipment in Georgian ports increased by 39.5 % compared to the previous year (after 15 % annual growth in 2018). This was mainly due to the growing demand for imports in the South Caucasus region and Central Asia, which is being met through Georgian ports. The maximum capacity for processing containers in Georgian ports is 750,000 TEU and in 2019, the total number of containers processed by Georgian seaports amounted to 647,816 TEU, which was 42.7 % more than in 2018 (Business Media Georgia 2021).

Georgia currently relies on its two main ports Poti and Batumi, as well as the two oil terminals at Kulevi and Supsa. Poti is the largest port in Georgia, occupying about 80 % of the volume processed in Georgian ports (12 million tons). Poti is mostly servicing bulk cargos and containers and it transhipped 7.4 million tons in 2020. Batumi has a capacity of up to 18 million tons, but up to 15 million tons of capacity is for liquid cargos, mostly oil

[2] Overall, in recent years from 10 to 11 million tons of goods transited through Georgia a year by railway, and from 6 to 7 million went by road (Eurasianet, 2021 8 Mar.). (https://eurasianet.org/not-all-roads-lead-to-georgia).

products. Supsa is connected to the Baku-Supsa pipeline and Kulevi (Tsereteli 2021). Georgian ports in Poti and Batumi are not deep enough for Panamax container ships, which means that cargo entering or leaving Georgia has to be transferred to other ships in Istanbul or Constanta, causing delays. For this reason, in 2017 the Georgian government tendered the Anaklia Development Consortium (ADC) to build a new deep-water port and free industrial zone (FIZ) at Anaklia, a few kilometres away from Russian-occupied Abkhazia region. The project was aiming to open the port to shipping in 2020, with a planned annual handling capacity of 100 million tons of cargo (ADC 2021), which could not only strengthen the country's position on the maritime Silk Road, but also would significantly increase Georgia's importance to the BSR. The project was suspended in 2020 after it came into conflict with Georgian domestic politics (Civil Georgia 2021). In January 2022, the Pace Group, a Georgian-American transport company, has unveiled a new Pace terminal in Poti port which will handle 2.5 million tons of bulk cargo and 100,000 TEU of containers, but much less than those planned for Anaklia (Civil Georgia 2022). Although the Anaklia project also appears to be back on the political agenda, the project is still on hold.

The Black Sea region also is an important international route for energy flows with Georgia being a key transit country. There are currently several key transit energy infrastructure elements with international significance. These include two oil pipelines: Baku-Supsa pipeline connecting Azerbaijan section of the Caspian Sea to the Georgian Black Sea port of Supsa, and Baku-Tbilisi-Ceyhan pipeline supplying Caspian crude oil to the Turkey Mediterranean port of Ceyhan. Another infrastructure network of international significance is the so-called South Caucasus Gas Pipeline also known as the Baku-Tbilisi-Erzurum gas pipeline which exports natural gas from the Shah Deniz field in the Caspian Sea in Azerbaijan, to Georgia and Turkey. This pipelines system has provided Georgia with a much-needed alternative to Russian oil and natural gas supplies, cementing the country's energy security.[3]

[3] Natural gas is the largest energy source in Georgia's energy consumption, accounting for 36.4 % in 2020. According to Energy Balance of Georgia the share of gas from Russia constituted 0.7 % in the total supplies in 2018 (99.3 % from Azerbaijan), but this figure increased to 17 % (83 % from Azerbaijan) as compared to 2021 (Eurasianet 2022, 3 Feb.). (https://eurasianet.org/georgia-buys-more-russian-gas-as-azerbaijan-imports-fall).

The South Caucasus Gas Pipeline has become the basis for the larger pipeline system the Southern Gas Corridor (SGC) linking a Baku-Tbilisi-Erzurum and with the Trans-Anatolian Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP), which stretches between Greece, Albania, and Italy. This chain of infrastructure projects of Southern Gas Corridor directly connects natural gas fields in the Caspian Sea to the EU markets. In 2021, Azerbaijani export of natural gas through the Southern Gas Corridor was 19bcm, 8.5 bcm to Turkey, almost 7 bcm to Italy and the rest to Georgia, Greece, and Bulgaria (Caspian News 2022). The project has the potential for substantial expansion and the development of Trans-Caspian energy connectivity between Turkmenistan and Azerbaijan trough Trans-Caspian Pipeline (TCP), which could tap Turkmenistan's gas reserves and eventually deliver them via Georgia and Turkey to the EU, will be major step forward.

The development of the Georgian portion of the Transcaspian International Transport Corridor (TITR) or "middle corridor"[4] within the Chinas Belt and Road initiative constitutes a central agenda for the Georgian government. Trans Caspian International Transport Route (TITR) or the Middle Corridor within the Chinas Belt and Road initiative is a multimodal trade route project starting from Turkey goes through Georgia and Azerbaijan crossing the Caspian Sea to Turkmenistan, Kazakhstan, Uzbekistan and arriving in China. The TITR competes with other major corridors connecting the Chinese hinterland with Europe, such as the Trans-Siberian Corridor and the Central Kazakhstan Corridor. The Georgia-China relation has been driven by trade and Georgia's ambitions to become an East-West transport hub. From China's perspective the Middle Corridor and therefore, Georgia's significance as a transit country – is of little geostrategic importance to China. In 2020, it was estimated that 81.5 % of Chinese cargo (more than 10 million TEU) – was shipped by sea, with most of the rest going via the northern route (through Russia and into Central Europe). As little as 1 % of cargo travelled via the Middle Corridor (Brattberg at al. 2021). However, The South Caucasus corridor will remain the shortest transportation link between Central Asia and the Black Sea and Eastern Europe, and therefore Trans-Caspian

[4] The Middle Corridor represents Turkey's vision for connecting China to Europe via Central Asia and the South Caucasus. Turkey and China in 2015 signed a memorandum of understanding to align Turkey's Middle Corridor Initiative with the OBOR Initiative including transportation and logistics cooperation as well as cooperation schemes.

traffic can still flow without support from Beijing. Chinese' investments in Georgia have been welcomed but have not been transformative.[5]

The new Baku-Tbilisi-Kars (BTK) links to the Transcaspian connection reaches out to markets in Turkmenistan and Kazakhstan and further Asia to China. It has the capacity to carry 6.5 million tons of freight per year, a figure which is expected to eventually increase to 17 million tons by 2034 (MFA Turkey 2022). Freight traffic has been increasing steadily on the line since it began operating in late 2017. However, there are still several obstacles to overcome before it becomes fully functional.[6]

Georgia offers both land and sea transport routes that facilitate transportation along the corridor. First, it provides an overland route to Turkey, especially via the BTK. Second, Georgia can serve as a maritime outlet to Europe via its port in the Black See. In particular, the movement of containers along the middle corridor from China to Georgia increased by 12.9 % in 2020 compared to 2019, and this figure increased by 260 % in the first half of 2021. So-called block trains, which operate from origin to destination with all documentation having been arranged in advance, are also now being used on this route. In 2021, a block train took only 21 days to travel from Xian in China to Tbilisi (Business Media Georgia 2021).

As a part of the post-war settlement over Karabakh, a potentially significant development for the Georgia may be re-opening of the direct railway line between Azerbaijan, Armenia, and Turkey. When a new southern route is fully implemented, this route may attract some volumes of cargo from Central Asia, which means they will bypass Georgian Black Sea ports, as well as there may be some volumes redirected from the Baku-Tbilisi-Kars (BTK) railway toward the Baku-Nakhichevan-Turkey direction and Georgia could lose some of transit fees. All three players in the South Caucasus, Armenia,

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5 According to public opinion survey conducted for IRI in February 2021, Georgians consider China neither a strong friend nor a threat. Only 11 % of respondents said that China was Georgia's "most important economic partner," despite the strong trading relationship between the two countries (International Republican Institute – IRI (2021, Feb.)).

6 Despite many episodic efforts, there is a lack of harmonization of the customs, border crossing, tariff, and other soft infrastructure elements, which is crucial for the competitiveness of the South Caucasus transportation corridor.

Azerbaijan and Georgia are collaborating and competing for access to trade corridors for new openings. From the perspective of individual countries, the priority will be to absorb the emerging corridor of benefits.

In terms of road connectivity, the country is focusing efforts on upgrading the East-West highway, which connects the east of the country to the west (Black Sea coast) and networks of highways crossing the country from south to north, as well as modernizing its freight train network. To improve Georgia-Armenia transit options, the Armenia-Georgia Border Road (M6 Vanadzor-Bagratashen) rehabilitation project must be noted. The project aims to improve the strategic regional link between Armenia (Vanadzor) and the Georgian border (Bagratashen), one of the busiest roads in Armenia for internal and external trade (Ministry of Finance of Armenia 2016). This is part of a corridor, also known as the Persian Gulf-Black Sea Corridor, a multimodal transport corridor, which envisages connecting Iran with Europe via Armenia and Georgia. Georgia also currently represents the most important north-south trade link between Armenia and Russia. This trade is conducted via the Georgian Military Road and can be closed during the winter months due to snowfall. This problem could be solved with the construction of a new bypass road, which is being financed with loans from the Asian Development Bank and the European Bank for Reconstruction and Development amounting to $558.6 million (Roads Department of Georgia 2021).

All these projects are explicitly designed to improve Georgia's transportation capacity. Georgia's 'soft' infrastructure for trade facilitation and logistics compares well with others in the Central Asia and South Caucasus region, but there are clearly significant gaps that need to be addressed. According to the World Economic Forum's Global Competitiveness Index the overall quality of infrastructure ranked 73rd out of 140 countries in 2019, on the 119th out of 160 countries in 2018 on the World Bank's Logistics Performance Index and 148th out of 181 countries in the third quarter of 2020 in the Liner Shipping Connectivity Index. The country is especially lagging behind in the efficiency of seaport and transport services, the quality of roads, airport connectivity, logistics quality and competence, and tracking and tracing. Relatively poor transport infrastructure and quality of logistics still hamper integration with external markets as well as internal connectivity in Georgia.

Georgia will need to work much harder to realize its potential as a geopolitical east-west hub and needs to develop high quality motorway and railway connection as well as logistics infrastructure through the country as an enabler of trade. Construction of the Anaklia deep-see port would allow Westbound cargoes originating in Asia – and European exports to Central and East Asia – to circumvent Russia's Novorossiysk deep-sea port. This project could reshape not only the South Caucasus security environment but also diversify the landlocked Central Asian countries security landscape.

Regional Economic Cooperation and the Role of the West

The Black Sea Area represents a complex geographic space loaded with geopolitical and geo-economic rivalries, which offers both risks and opportunities to its littoral states. As discussed, the main security risks for Georgia emanate from Russia's geopolitical presence in the BSR and Kremlin's increasing assertiveness against the pro-Western states of the region. Georgia's security and stability remains highly vulnerable due to presence of unresolved conflicts, Russia's continued destabilization measures as well as potential spill overs from unstable neighbourhood.

Western actors can support Georgia to boost its security and promote peace and stability in a wider Black Sea area. For this, the EU and its member states could develop their own security arrangements, to ensure sustainable peace, stability, and prosperity in the region. In practical terms, this could mean expanding the topics of Strategic Security Dialogue between EU and Georgia, scaling up support from European Peace Facility, expanding the EUMM mission, further expansion of Georgia's already solid participation in various CSDP missions, inclusion of Georgia into PESCO projects, supplies of defensive military equipment, and inclusion of Georgia's security-related concerns into dialogue with Russia.

The development of strategic connectivity between the South Caucasus and Black See Region should be in best interest of the European Union and would play an important role in providing alternative routes for energy, transportation, trade, and data connection to Western markets. It will be important for Georgia, Azerbaijan and Armenia as well as other partner countries, to improve coordination between a wide spread of projects, as well as

to utilize the strength of the region to attract more investors. Having advanced relationships with Azerbaijan and Turkey as well as with Armenia, Georgia must take a pro-active position in regional connectivity and coordination. What all three countries in the South Caucasus region share is the need to modernize their infrastructure and boost trade opportunities. The EU-promoted new regional infrastructure and investment projects have potential to play a key role in Georgia's economic development, boosting its connectivity and transit functions and strengthening resilience against domestic and external risks. In 2018, the EU adopted its own strategy to connect Europe and Asia intending to foster a network of rail, road, and maritime routes; and Georgia seeks to be part of this endeavour. With a new connectivity strategy, the EU is starting to play a more active role in shaping the rules around the connectivity in the eastern neighbourhood and beyond. However, Georgia's expectations from the EU activity include an influx of much-needed capital, especially in the underdeveloped infrastructure, which makes connection between Middle Corridor and Europe. During this decade, Georgia counts on funds allocated for extension of Trans-European Transport Network (TEN-T) to the EaP countries. If successfully implemented, projects will significantly improve Georgia's physical and digital connections with EU countries on the western shore of the Black Sea (Agenda 2021).

To ensure the stability and cooperative growth in the region, it is in the EU's interests to boost presence and show stronger leadership. As a mediating power, the EU could help coordinate positions and various interests in order to encourage much-needed regional economic integration. In turn, closer economic association will enable all countries involved to withstand Russia's persistent economic coercion as well as to balance China's growing economic influence in the region.

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A Marshall Plan for Peace and Security in the Caucasus: Myth or Reality?[1]

Tatoul Manasserian

> "We have not inherited this world from our parents, but we have borrowed it from our children and have to return it to them safe, secure and complete."

Human history counts centuries of different forms of fighting for existence, aggressions, killing and destroying, wars and other forms of armed conflicts since the Stone Age and are attempted to justify and characterize an art of fighting or even martial arts. Meanwhile, the art of building peace and security, the art of coexistence count only decades. Moreover, some nations are lacking sufficient knowledge on mentioned art as we witness mass killings and human tragedies over much of the globe. Therefore, it will be true to state that we live in a world where the words "conflict" and "confrontation" are not something from the theory, but possible and real threats. The same is true for the Caucasus region. The reasons for such threats come not only from the unsolved issues between ethnic groups within a country or from a confrontation between neighbouring states, they also have international roots. We need to pay more attention to the trends and issues of common concern that are being underestimated currently in our analysis of ways to prevent conflicts and promote security building and peace.

One of the enduring conflicts is the issue of Nagorno Karabakh. It is a challenging Gordian knot, if not an unending Sisyphean task. What we have witnessed during the past three decades are meetings, negotiations, face-to-face discussions on the highest levels, seminars, roundtables, conferences, where each party had repeatedly presented the arguments and figures that seem to make no impression to the opposite party and never brought us closer to a political solution. While political leaders look for a new round of negotiations after the 44-day war in Artsakh, we need to pay more attention to common

[1] This piece was originally written for, and presented at the 22nd workshop of the RSSC SG held in Reichenau/Rax on 04-07 November 2021, but it was unfortunately missed from the final draft of the previous Study Group Information volume "Stability Risks and New Conflict Management Platforms in the South Caucasus", Band 4/ 2022. The editors wish to kindly apologize to this author for the unintentional delay of the publication of this paper.

threats in the region. The issues that we suggest can never replace crucial political negotiations aimed to work out mutually acceptable solutions. The work in this direction has to be in parallel with the process of political discussions, and might impact positively on the overall political environment, and hopefully bringing closer the time for the establishment of the stable basis for peace and security in the wider Caucasus region.

There is a general perception that history repeats itself. In 1994, a cease-fire agreement was signed between Armenia, Russia, Azerbaijan and Nagorno Karabakh in Bishkek[2] stating the will of the parties to stop the war and give peace to the people of Nagorno Karabakh to live and work in their homeland. On November 10, 2020 a joint announcement was signed by Russia, Armenia and Azerbaijan to stop the war (with no agreement yet on ceasefire or the status of Nagorno Karabakh), which leaves a space to continue the armed conflict. A new scenario of war is not guaranteed at all. It is our firm belief that the developments after the 44-day war and the risk of new war may lead the parties to nowhere if the vision for the future are not clarified and pursued. The following questions remain unanswered; are we getting prepared for a new war in the region or are we committed to reverse this dangerous trend, and are we ready and able to initiate an architecture of peace, security and cooperation?

If the parties are really concerned about our vision on peaceful coexistence, then honesty, fairness and sincerity need to be the basis for further steps. It seems self-evident that the conversations on peace and cooperation will be deadlocked if the killer of peaceful Armenian trainee is pronounced a national hero in Azerbaijan;[3] if one state demands unlocking transportation communications and continues to threaten the other state to invade and occupy new territories of another state;[4] and if some leaders talk about possible

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2 Ceasefire Agreement Signed in Bishkek, May 11,.1994, available at: https://www.peaceagreements.org/view/990.

3 Azerbaijan's Hero Awards and Their Likely Meaning, February 5, 2021, available at: https://armenian.usc.edu/azerbaijans-war-hero-awards-and-their-likely-meaning/.

4 Aliyev, once again, threatens Armenia with war, Armenian Weekly, March 13, 2021, available at: https://armenianweekly.com/2021/03/13/aliyev-once-again-threatens-armenia-with-war/.

cooperation and continue the blockade of a land-locked country by violating international conventions.[5]

Building peace is discernibly a hard task to perform. The question is: from where to start? Nobel Peace Prize winner Nelson Mandela said "If you want to make peace with your enemy, you have to work with your enemy. Then he becomes your partner."[6]

We believe some simple steps need to be taken to make the peacebuilding process feasible:

1. to stop the hatred and animosity of all sides and monitor hate speech;
2. to avoid military attack rhetoric against each other on a state leadership level;
3. to open local communications, particularly, within Nagorno Karabakh, as well as in the region and respect international law;
4. to concentrate on common threats.

Currently none of the states in the Caucasus have managed to eliminate such major economic threats as poverty, undernourishment, mass migration, mass outflow of capital, population aging and other elements. What are amongst the common threats in the region that demand more and focused attention? These are, first of all, elements of economic security:

- food security;
- energy security;
- communications and transportation security;
- environmental protection;
- health and medical security;

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5 Endalcachew Bayeh, The Rights of Land-Locked States in the International Law: The Role of Bilateral/Multilateral Agreements, April 2015, Social Sciences 4(2): 27-30, available at: https://www.researchgate.net/publication/274076156_The_Rights_of_Land-Locked_States_in_the_International_Law_The_Role_of_BilateralMultilateral_Agreements.

6 Lopez Carolina, 2020, Notebook with Unique Flower … & Notebook|Gift Lined notebook|120 Pages Paperback – September 21, 2020, available at: https://www.amazon.com/enemy-becomes-partner-Nelson-Mandela/dp/B08K3Q1CHG.

- financial security;
- intellectual security and the "brain drain";
- natural and man-made disasters;
- information security, etc.

The economic threats are equally important for the states and coordinated actions have to be taken in a number of fields. **Energy security** is an issue of common concern. Armenia exports electricity to Iran during summer period, and imports during the winter time, exporting to Georgia throughout the year, and has a large potential to cover part of the energy shortage in Turkey and in Azerbaijan. There have been a series of meetings between experts and government officials of fore-mentioned countries to discuss the possibilities of building power plants in Georgia, Azerbaijan and Turkey with the help of the colleagues from Armenia. In addition, possibilities and existing resources have been examined by joint groups of these countries to initiate a project of creating a common energy system in the region. Research is done and allows us to state that the only obstacle to start such a mutually beneficial project is the lack of political dialogue and absence of political will. We are confident that the economic interests may play an essential role to speed up the process of cooperation aimed to reach the anticipated level of energy security in the region.

While most of us realize the importance and support of such projects, some speculate on made up stories of threats and seek to further isolate neighbouring countries by pointing to the nuclear power station in Armenia as a threat for security and suggest to shutting it down. First, such commentators do not mention that the nuclear power station was reopened in 1995 after careful examination of the upgraded security system particularly designed against high magnitude earthquakes not only in Armenia but also in neighbouring countries. Second, it should be noted that the electricity produced by the nuclear power plant is the best and the cleanest from the point of view of the environmental protection worldwide. Third, it is the cheapest and can be an excellent source for neighbouring countries as well. Finally, there is no suggestion whatsoever as to what may replace nuclear power as a vital source of energy supply. We suggest that the experts on energy issues need to take into consideration all traditional and alternative sources of energy aimed to the creation of a common energy system in our region.

The energy security issues are closely related to the **environmental protection and ecologic security.** It becomes obvious that none of the countries can solve the environmental issues without the help of neighbouring countries. Cleaning up the water of the rivers, especially on the borders is an issue of major mutual concern. Armenia will need to join its efforts with Georgia to build an up-to-date sanitary clean up station on their border to halt the outflow of polluted water. There are several other issues related to the water pollution in the broader Black Sea region, and each country realizes the significance of cooperation in this area. The cooperation has been started within the framework of corresponding working group, and all the steps to be taken in the future are definitely based on the belief that without joint efforts, no one can overcome the ecologic threats and have a safe and clean environment. It is worthy to mention that lake Sevan is considered the only reservoir of drinking water in the entire region and joint steps need to be taken to keep it clean and secure for the next generations.

The environmental protection, in turn, is closely related to **health and medical security** issues. We all witnessed the danger of COVID-19 and other diseases that took away millions of human lives. We also felt the common threat of the speed that the illness had crossed the borders and spread infection to many countries. What is it, if not a subject of common concern? Is there someone who believes that any country could fight a global pandemic alone? As professor Alan Whitehorn has suggested, given that the co-founders of the Pfizer and Moderna vaccines are of immigrant Turkish and Armenian ancestry respectively, maybe the two pioneering international drug companies could cooperate within the Caucasus region on the pandemic.

It is equally important to discuss the problems related to **communications and transportation security**. It is evident that the roads and communications in our region are not always safe and secure therefore, they are not always open to everyone. There is no exception from this fact: neither for locals, nor for foreign visitors and investors. It means that the foreigners cannot count on those means of transportation once a decision is made or a serious intention is present to start a business in any part of the region.
Financial security: Our observations have shown that the majority of countries in the region are either in a tough period of transition or in a recession

phase of their development. In turn, the unstable rates of growth of economies and numerous hardships create an unstable basis for the national currencies and for their exchange rates. In addition, it is hard to ignore and underestimate the high level of dollarization in most of the countries. In other words, it demonstrates that even the local population in those countries trusts the foreign currency more than the local currency. This in turn creates additional grounds for economic and financial environment in the region. Therefore, financial security becomes an issue of common concern for many countries. The situation is not better after the introduction of the Euro. Although a growing part of savings are kept in Euros, and the trend toward euroization is becoming more evident, it may only lead to the formation of a bipolar currency system in the world economy and can never be a remedy for the non-member countries of the Euro and Dollar zones. In the interim, it is obvious that steps have to be taken to strengthen national currencies. In the long run, the growing ties of economic cooperation can lead to the highest level of integration – to the common market where a common currency will become a must for the member states and feasible to achieve.

Another area of close cooperation and collective action is **food security.** Some two thirds of the world's population go to sleep hungry at night. Thirty years after the breakup of the Soviet Union in 1991, undernourishment remains a persistent challenge in many of the successor countries that are now part of the Commonwealth of Independent States (CIS), and the BSEC. It is useful to know that by contrast, the East European and Baltic countries have largely managed to escape this problem. These findings emerge from the UN Food and Agriculture Organization's (FAO), which estimates the number and proportion of undernourished people in countries in transition. In nine of the 12 CIS countries, at least 5 % of the population is undernourished. In four countries – Armenia, Azerbaijan, Georgia and Tajikistan – at least 20 % of the population suffers from undernourishment. Only one country, Belarus, has a level of undernourishment comparable to levels found in the industrialized world (less than 2.5 % of the population). All three countries of the South Caucasus – Armenia, Azerbaijan and Georgia – are now classified by the United Nations as low-income and food-deficit countries. On a more optimistic note, we acknowledge that these countries have enough resources to feed their inhabitants. It is also true to state that it is more an issue of better management and rational organization, than something related to the real shortage of resources. Once many of the member

states, especially those with transition economies, get well-organized, not only internally, but also actively involved in a bilateral and multilateral cooperation, most of the comparative and absolute advantages will be better used within the region. Multilateral exchange of goods, services and the results of intellectual property have to be encouraged by the governments. This, in turn, will benefit all countries and their citizens around the Black Sea and will allow implementing the goals agreed upon and signed by the countries in regional and global economic agendas.

The strategic interests of any country coincide with those of its strategic partner only partially, but never completely. The strategic partner's interests might be different from the internal ones of the home country and regional neighbours that we can call common interest parties. Within the region, there may exist more commonalities between neighbouring countries that are natural and which are long-term prerequisites for peace, security and stability. Eliminating common threats should be a number one priority for all of us in the South Caucasus.

While many issues of economic security can be overcome by the anticipated rates of growth of the national economy, there are several other threats that do not depend on human will and level of the economic welfare. Among them we have **natural and man-made disasters.** Presumably someone can expect the very first aid from the closest neighbour even with a history of certain political disputes rather than from a far-away strategic partner country. During and after earthquakes, saving human lives is a matter of seconds, and minutes, and quick, professional actions. We are pleased to mention numerous examples of such humanitarian actions, among them – rescuers and other assistance after the earthquakes in Armenia and in Turkey. The governments of both countries have accepted the assistance with deep appreciation and respect.

In the meantime, we do appreciate the aid provided by other neighbours, strategic and non-strategic partners alike. Obviously, there cannot be preferences and choices in this urgent case. In sum, we believe cooperative advantages of neighbouring countries deserve focal attention and careful study with an aim to utilize them and to create solid grounds for peace and security. We expect that our other colleagues from the region will also contribute to

this kind of analysis that could be conducted jointly, using the collective experience, knowledge and resources of the region, and involve broader circles, including business people and international structures as well. We definitely need to show our governments what we lose because of the absence of utilizing cooperative advantages. Also, there is a need to learn from the experience of other countries and regional associations, with a sole purpose – to prevent confrontations and conflicts in order to reach anticipated levels of sustainable development in the region. On the other hand, we need to admit that no political solution can be realized without economic backing. The history of the EU shows that the long-lasting conflicts between those nations that had taken place, disappeared as a result of increasing the level of economic welfare of the people in the region. In order to make all these happen in the Caucasus and the broader Black Sea region, we certainly need to draw upon international structures, and maybe more than we count on our strategic partners. In addition, each of our strategic partners are to certain extent involved in the decision-making process of key international structures, therefore multilateral solutions may promise to be fairer than the outcome of bilateral relations. Eliminating common threats can be a tangible tool for establishing peace and security in the region and allow all countries to benefit from their comparative and absolute advantages through cooperation.

Finally, there is a vital need to focus on some preconditions that may positively impact on peace building and cooperation in the Caucasus.

- First, Armenia and Azerbaijan may consider to act with each other directly without their strategic partners (Russia and Turkey).

- Second, a task force needs to be formed to analyse and reveal existing and emerging common threats, particularly, economic threats.

- Third, the role of international organizations should be strengthened, with a key role for the European Union, considering close relations to both countries, including the format of the Eastern Partnership and others.

- Fourth, a special panel on economic security needs to be arranged to discuss the afore-mentioned issues, involving experienced and unbiased experts from both countries.

- Fifth, projects designed and aimed to the reduction and elimination of common threats are required with the help of national experts anticipating relevant support and funding from the EU.

- Sixth, a comprehensive and detailed plan, a new Marshall Plan for the Caucasus is needed to utilize existing resources in order to establish peace, security and cooperation in the region.

- Seventh, as an expression of political and humanitarian will parties may consider to start from establishing a free technological zone based on Shushi Technological University, involving students, professors and working staff from neighbouring countries and other parts of the world.

Silhouettes of Peace, Security and Cooperation

Tatoul Manasserian

Preamble

The current state of international relations leaves less optimism for sustainable development and joyful future of the new generation. The examples are not scarce: the war in Ukraine, no war – no peace in Caucasus, civil war in South Sudan, war in Yemen, civil war in Libya, war in Afghanistan, civil war in Syria, instability in Iraq, criminal violence in Mexico, confrontation of U.S. & Iran, conflict of India & Pakistan, North Korea crisis, to name a few. In an attempt to create an alternative to war, xenophobia and political tension, we ask ourselves: what is the price for peace. Therefore, we may start with a careful design of peace, security and cooperation concept as the main objective of our study which may turn into a vision of strategic planning for the years to come. Therefore, economic integration and infrastructure projects as peace building tools are chosen to work out a realistic and feasible approach to synchronize future strategies, plans, projects between the nations in Caucasus, and with foreign stakeholders, international sponsors, private donors aimed at facilitating economic integration infrastructure connectivity, and increase their positive influence on security architecture throughout the entire region and beyond.

Strategic Partnerships in the Caucasus

We firmly believe that three nations in Caucasus hold strategic partnerships with three different nations that hold less political, economic, even cultural approaches in common. Thus, they all have different interests and understanding about the future of the region attempting to spread their values and principles all of the region. Instead, common vision and strategy need to be developed by Armenia, Azerbaijan and Georgia to strengthen the region as a whole (one political and economic union in future). Therefore, strategic partners, continuing cultural, economic and other relations, shall leave the three Causasian nations alone for a while politically and let them concentrate on commonalities more than on dividing lines. Given this, Caucasus shall

not be only a geographic term, but turn into an EU shape union with agreed understanding and evaluation of common threats, risks and the ways how to manage them. This kind of Union will be able to choose common partners that better match strategic goals and interests of the CAUCASUS. Nevertheless, the role of international organizations shall not be underestimated to assist in drafting and signing complete and detailed peace and security agreement by Armenia and Azerbaijan, as well as other bilateral agreements (such as between Armenia and Turkey, Georgia and Russia, and others).

Initial Steps for Regional Peacebuilding and Security Architecture

The peace building process is quite costly and is cannot be measured only by money. After everything is destroyed, people are killed or injured the decision makers and the civil societies have to start all over again to gain stability for an ordinary work. In addition, to a certain extent it requires more time, energy and efforts than even the war. To be more precise, political preamble for security and cooperation strongly depend on trilateral commitment to sign a ceasefire agreement and start a gradual arms control process by all parties (Armenia, Azerbaijan, Georgia), the OSCE and the UN, as well as the peacekeepers from OSCE Minsk group countries (USA, France, Russia).

These steps may lead to a secure and favorable environment for designing a road map to open the borders, to build and utilize ALL local and external communications. In turn, the most reasonable steps may presume the following;

1. respect international conventions ratified by all countries, particularly those related to land-locked countries ratified by all states in the region (Turkey, Azerbaijan, Georgia, Armenia);

2. opening up the borders for civilians and guarantee human rights of free movement of people, transportation of non-military goods through all states, including internal borders and communications in Nagorno Karabakh;

3. sign a Non-Attack Agreement between three nations – Armenia, Azerbaijan and Georgia;

4. involve international organizations (UN, OSCE, OCS, and external actors (Russia, Turkey, Iran, US, others) to sign a peace agreement for the whole South Caucasus;

5. create a joint group (government representatives, local and international experts) to monitor the implementation of mentioned agreement and work out a comprehensive plan of efficient network of transportation communications in Caucasus, including roads, rail roads, pipe lines, etc.

Common Concerns and Common threats in the Caucasus

One of the important tasks to perform is to concentrate more on commonalities, rather than on differences and dividing lines. Among the most realistic areas to start cooperation on the expert level is the evaluation of existing economic threats and the means to reduce them. In turn, it might commence from scanning the region for mentioned threats: political, economic, social, (food security, energy security, financial security, transportation security, information security, demographic security, including population aging, "brain drain", health security, including threats from COVID-19 and other communicable diseases, environmental security, poverty, hunger, migration crisis risk management and others). This task should be performed by professionals ONLY under careful surveillance of international organizations such as World Health Organization, International Labour Organization, UN Food and Agriculture Organization, the World Bank (WB), to name a few. This will keep the parties away from a temptation to exaggerate or hide the real figures or indicators and portray the real and realistic picture.

Rank	Country	2000	2006	2012	2021
17	Turkey	10.2	6.5	5.0	<5
25	Russia	10.1	7.1	6.4	6.2
27	Georgia	12.3	8.8	<5	6.3
32	Armenia	19.3	13.3	10.4	7.2
33	Azerbaijan	25.0	15.9	10.6	7.5
35	Iran	13.5	8.9	8.1	7.7

Table 1: Global Hunger Index Scores by 2021 GHI Rank[1]

[1] https://www.globalhungerindex.org/pdf/en/2021/synopsis.pdf.

Our research centre suggests to pay particular attention at the following key areas that among the key areas of regional and global concern.

As one can clearly perceive from the data presented below, none of the countries in Caucasus, as well as their neighbouring states can be proud of the state of affairs related to the food security. None of them is among the leaders in maintaining proper level of food security.

In Georgia, particularly, 13 % of the population is food insecure. This means that they are unable to provide enough food for themselves and their families. Families living with food insecurity often have to choose between paying bills or buying food.[2] Azerbaijan has a global hunger index of 9.5, which is a relatively low level of hunger. The global hunger index is a scale ranging from zero to 100, with zero being zero hunger and 100 being the most severe hunger. Numbers below 9.9 indicate low levels of hunger and numbers between 10-19.9 represent moderate hunger levels.[3] In Armenia 15.3 % of people are food insecure.[4]

As for energy security, it is worthy to consider the World Energy Council's Energy Trilemma Index tool.

Russia	28
Azerbaijan	39
Georgia	44
Turkey	47
Iran	48
Armenia	53

Table 2: The state of affairs in energy security for selected countries in 2021

The Energy Trilemma Index tool is produced in partnership with Oliver Wyman, that ranks countries on their ability to provide sustainable energy

2 https://scienceforgeorgia.org/food-insecurity-in-georgia/#:~:text=In%20Georgia%2C%2013%25%20of%20the,paying%20bills%20or%20buying%20food.

3 https://borgenproject.org/10-facts-about-hunger-in-azerbaijan/#:~:text=Azerbaijan%20has%20a%20global%20hunger,19.9%20represent%20moderate%20hunger%20levels.

4 https://www.wfp.org/countries/armenia.

through three dimensions: energy security, energy equity (accessibility and affordability), and environmental sustainability. The ranking measures overall performance in achieving a sustainable mix of policies and the balance grade highlights how well a country manages the trade-offs of the Trilemma with "A" being the best. Use this interactive Index to assess the sustainability of national energy policies.[5] Based on the above-presented data none of the states in the Caucasus are energy secure.

The next significant area of concern is the demographic security and migration crisis, including the new wave of migration from Russia and Ukraine. The table below does not include the data related to the current war in Ukraine and refugees from Nagorno Karabakh.

Country	Immigrants	Population	Emigrants
Russia	11,636,911	7.97%	10,756,697
Turkey	6,052,652	7.18%	3,411,408
Iran	2,797,235	3.33%	1,325,113
Azerbaijan	252,228	2.49%	1,163,922
Armenia	190,349	6.42%	958,190
Georgia	79,368	1.99%	861,077

Table 3: Indicators related to demographic security in selected countries in 2020; CSV JSON[6]

The current United Nations global estimate is that there were around 281 million international migrants in the world in 2020, which equates to 3.6 % of the global population. This is a small minority of the world's population, meaning that staying within one's country of birth remains, overwhelmingly, the norm. The great majority of people do not migrate across borders; much larger numbers migrate within countries, although we have seen this slows over the past two years as COVID-19 related immobility has gripped communities everywhere. The COVID-19 pandemic has also highlighted the interconnections between migration and mobility, with COVID-19 travel restrictions resulting in hundreds of millions of people being unable to travel for months on end, and leaving many thousands of migrants stranded and in

5 https://trilemma.worldenergy.org/reports/main/2021/World%20Energy%20Trilemma%20Index%202021.pdf.

6 World Migration Report 2022, WMR-2022-EN_3.pdf, https://worldpopulationreview.com/country-rankings/immigration-by-country.

need of assistance. Migration can be exacerbated by misinformation and politicization to alarming degrees, extremely important to provide humanitarian assistance to people who have been displaced, including by war, weather, conflict and persecution, or to those who have become stranded during crises, such as COVID-19. The Caucasus region is not an exception.

By and large all threats leave their negative impact on regional states. To sum up, we also suggest to pay attention such data as security threats index, where the states in the Caucasus are not among the most secure ones. The highest value was in Afghanistan: 10 index points and the lowest value was in Portugal: 0.5 index points. The indicator is available from 2007 to 2021. Below is a chart for all countries in Caucasus and their neighbours with precise available data.

Rank	Country	Score
27.	Russia	7.70
36.	Turkey	7.20
42.	Iran	6.90
56.	Azerbaijan	6.40
79.	Armenia	5.70
84.	Georgia	5.60

Table 4: Ranking and scores of selected countries by security threats index, 0 (low) – 10 (high), 2021

Definition: *The Security apparatus indicator considers the security threats to a state, such as bombings, attacks and battle-related deaths, rebel movements, mutinies, coups, or terrorism.* The Security apparatus also takes into account serious criminal factors, such as organized crime and homicides, and perceived trust of citizens in domestic security. The higher the value, the greater the threat to the state. The average for 2021 based on 173 countries was 5.29 index points.[7]

Silhouettes of the Road Map to Build Peace, Security and Cooperation in the Caucasus

Based on experts' data analysis, we suggest to form a joint task force to summarize, categorize and choose the most efficient tools to fight economic

[7] https://www.theglobaleconomy.com/rankings/security_threats_index/.

threats by systematic exchange of information, expert advice, designing common methodology and approaches, and other means.

One of the fundamental tools to start the peace building and security architecture we contemplate a comprehensive plan designed by leading experts and government representatives of three countries (road map) for cooperation aimed at conflict management and risk management, cooperation and development. However, neither a road map, nor any strategy, plan, concept or even an idea can turn into reality without firm commitment by all parties. Before counting on adequate understanding and political will of regional governments and decision makers, it shall be creditable to start from a simple step of forming public opinion, where the local experts from three countries may play a key role.

This requires, first, an understanding and agreement on certain terms, principles and approaches during roundtables, workshops and other forums outside the Caucasus (where the experts have a unique opportunity to have a face-to-face discussion and exchange of ideas) with further work in their home countries through different formats of contacts with the civil society, government officials, business people and other experts.

This may include but not be limited to the following:

1. prominent local experts with solid background in both public and private sectors;

2. national experts involved in various regional and international project related to different fields of economy;

3. international experts with a solid background and contribution to successful regional projects;

4. former high-rank officials of international organizations.

As a clear vision for the road map (strategy) we suggest to form a task force to establish an **Organization for Economic Cooperation in the**

Caucasus – OECC (governments and experts) with a focus on the following tasks:

1. design priority areas of cooperation, particularly, starting from regional infrastructure projects – roads, bridges, railroads and other means to facilitate trade and cooperation in the Caucasus and through the Caucasus to other regions;

2. negotiate infrastructure projects with other regional actors and regional organizations, such as EU, ASEAN, EAEU, BSEC and others;

3. reveal competitive advantages of Armenia, Azerbaijan and Georgia and work on utilizing cooperative advantages of Caucasus;

4. design and implement a comprehensive plan for reconstruction and development of all three nations and to create a competitive regional economy based on international success stories, namely, the Marshall Plan and others.

In particular, it is worthy to consider the following facts about the Marshall Plan, also known as the European Recovery Program. It was a U.S. four-year program providing aid to Western Europe, enacted in 1948 and provided more than $15 billion to reconstruct cities, industries and infrastructure and to remove trade barriers between European neighbors.[8] Post-war Europe was in dire straits: millions of its citizens had been killed or seriously wounded in World War II. Agricultural and other food production had been disrupted by the fighting. In addition, the region's transportation infrastructure – railways, roads, bridges, and ports – had suffered extensive damage.[9]

The aid was distributed to 16 European nations, including Britain, France, Belgium, the Netherlands, West Germany and Norway. To highlight the significance of America's largesse, the billions committed for aid effectively

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8 Harry S Truman Presidential Library and Museum. The Marshall Plan and the Cold War. TrumanLibrary.org.

9 Department of State. Office of the Historian. Marshall Plan, 1948. History.state.gov.

amounted to a generous 5 % of U.S. gross domestic product at the time $13 billion (equivalent of about $115 billion in 2020).

This was based on the belief of Marshall and his advisors that recovery in these larger nations was essential to overall European recovery.

The funds provided under the Marshall Plan accounted for less than 3 % of the combined national incomes of the countries that received them. By the time of the plan's last year, 1952, economic growth in the countries that had received funds had surpassed pre-war levels, a strong indicator of the program's positive impact, at least economically. As the designer of the plan, George C. Marshall himself said, "our policy is not directed against any country, but against hunger, poverty, desperation and chaos." The countries that received funds under the plan did not have to repay the United States, as the monies were awarded in the form of grants. However, the countries did return roughly 5 % of the money to cover the administrative costs of the plan's implementation.[10]

Prospects to Support Security and Cooperation in the Caucasus

The next step for implementing the road map may be the formation of a task force to establish an **International Fund for Economic Cooperation** in the Caucasus to fund regional infrastructure and trans-border (trilateral) economic projects aimed at regional security and cooperation (international organizations, donor countries, sponsors, etc.). This may assume the following steps:

1. creating a joint budget for regional projects composed from equal contributions from all three nations (for example, 1 % of the state budgets or GDPs);

2. donations, low interest loans from the World Bank (WB), the Asian Development Bank (ADB) and the International Bank for Reconstruction and Development (IBRD);

[10] The George C. Marshall Foundation. History of the Marshall Plan. MarshallFoundation.org.

3. an international aid from developed countries – former beneficiaries of the Marshall plan (ODA from members of the OECD's Development Assistance Committee (DAC) rose to USD 161.2 billion in 2020, up 3.5 % in real terms from 2019, boosted by additional spending mobilized to help developing countries grappling with the COVID-19 crisis);

4. EU funding;

5. EAEU funding;

6. other sources of support from potential stakeholders.

Conclusions

We may conclude that the establishment of peace and security followed by regional cooperation and integration is feasible, however, it needs a clear understanding of set goals, commitment, consistency, continuous efforts, time, resources and devotion. Moreover, it needs political will by all political actors and decision makers to gradually reach common goals. In addition, both the steps of working out, design and the step-by-step implementation of the road map to gain peace, security and cooperation requires transparency in actions and taken steps and high level of professionalism. Finally, anticipated tasks might be successfully performed if a triangle format of cooperation between the three countries in the Caucasus – Armenia, Azerbaijan and Georgia will be agreed and established. This format presumes active and equal involvement of the representatives from the governments, private sectors and the expert communities as counterbalancing and complimenting forces in mentioned process

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Sustainable Peace and Economic Integration in the South Caucasus: The Rising Role of the Zangezur Corridor

Vusal Gasimli and Ayaz Museyibov

Introduction

Initially, maintaining and strengthening the livelihoods of conflict-affected populations during conflict and in post-conflict period is one of the priority areas of governments and development agencies in the world.[1] Thus, today infrastructure has become one of the main components of the development in which peacebuilders typically aim at achieving through wide variety of highly political goals.[2]

Generally, peacebuilding refers to a full range of initiatives, strategies, and activities, which prevent, reduce, and transform conflicts and develop institutions, attitudes, and relationships that promote sustainable peace and development.[3] Overall, practitioners have found that infrastructure is simply the least controversial way of bringing conflicting communities together again around incontrovertibly shared goals.[4] However, peacebuilding and economic integration might have different meanings by different people.[5]

Although there is a number of challenges, the official statements, which have been made by both Armenia and Azerbaijan on the Zangezur Corridor show that this project is one of the most optimal and pragmatic opportunities presented in the current context of regional integration and peacebuilding.

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1 https://www.international-alert.org/wp-content/uploads/2021/09/Colombia-Supporting-Alternative-Economic-Opportunities-Peacebuilding-EN-2009.pdf.

2 https://academic.oup.com/ia/article/94/2/381/4872626.

3 Lederach, J. P., & Appleby, S. (2010). Strategic Peacebuilding: An Overview. In D. Philpott, & G. Powers, Strategies of Peace: Transforming Conflict in a Violent World (pp. 19-44). New York: Oxford University Press.

4 https://academic.oup.com/ia/article/94/2/381/4872626.

5 https://academic.oup.com/ia/article/94/2/381/4872626.

The new geopolitical situation and the requirements of the post-conflict period make regional economic integration a vital necessity in the South Caucasus. Certainly, effective collaboration could lead to a sustainable peace and secure coexistence in the region. In order to be pragmatic and find sustainable peace solutions, all stakeholders in the region must indeed adhere to the peacebuilding resolution: the key to the sustainable peace in the region is a peace agreement based on the principles of sovereignty and territorial integrity of the countries.

New Geopolitical Condition in the South Caucasus

Historically, the South Caucasus has been playing a significant role for establishing and developing the economic relations between Europe and Asia. After the trilateral agreement amongst Azerbaijan, Armenia and Russia, which led to a complete ceasefire and a cessation of all hostilities on November 10th of 2020, new geo-economic opportunities have been established in the South Caucasus region. Thanks to the trilateral agreement, the normalization of the relations between Turkey, Azerbaijan and Armenia and the potential for economic cooperation has emerged in the region. Hence, developments throughout the past two years show that there is a mutual interest in all South Caucasus countries for further establishing and expanding the trade and economic cooperation across border lines through establishing new opportunities. Therefore, it is suggested to promote the regional socio-economic reconciliation and cooperation programs for the sustainable peace in the region. Additionally, Armenian borders with Turkey have been closed since 1993 due to the conflict between Armenia and Azerbaijan. However, in the post-conflict period there is also a new solid opportunity for the recovery of Turkey-Armenia economic relations, too.

Historical Foundation for Mutual Understanding

The Transcaucasian Democratic Federative Republic

As it is known, Azerbaijan and Georgia have been part of numerous mega-projects throughout the history of region. Simultaneously, Armenia also used to be part of various types of geopolitical regional processes in the 20th century, beside Azerbaijan and Georgia. As a supporting fact, the historical

background of these three countries proves that they succeeded in establishing a confederation called "The Transcaucasian Democratic Federative Republic" (TDFR) amid political, military and economic turmoil in the region during the period of 1917-1918. Having the formation of the Transcaucasian Seim as a part of the legislative body, there were 125 delegates including 32 deputies from Georgian side, 30 deputies from Azerbaijan side, 27 deputies from Armenian side and other representatives from small blocks, represented the interest of all nationalities of Transcaucasia. At least, TDFR managed to design economic and social development initiatives for the region.

Although Azerbaijan, Armenia and Georgia established new independent states in 1918 and TDFR did not last long, such historical experiences and facts show that if there is a political, economic and social will from all sides, successful reconciliation and cooperation could be achieved in the South Caucasus region. In particular, the establishment of the TDFR after the conflict between the Azerbaijani and Armenian people in the early 20th century is important in this regard.

Implemented Regional Integration Projects

Several mega-projects and programs have been implemented with the participation of South Caucasus countries after gaining independence. Especially, Azerbaijan can be seen as a driving force in the region for the implementation of mega projects, whereby these projects aim at the diversification of the European energy security, and improving the development of the alternative trade, logistics routes based on regional collaboration.

As an obvious example, it should be noted that the construction of the South Caucasus Pipeline (SCP) was aimed at exporting the gas from Shah Deniz to the European continent through Georgia and Turkey. The SCP has been operating since the end of 2006. Obviously, this energy corridor is undeniably a unique project by which natural gas of the Caspian Sea meets its consumers in European markets. Also, the participation of Azerbaijan and Georgia from the South Caucasus region in this project represents the

possibility of future political and economic cooperation with the involvement of all region countries.[6]

At the same time, Baku-Tbilisi Ceyhan (BTC) pipeline is another mega-project initiated by Azerbaijan aimed at the development of the regional economic cooperation. Established with the partnership of Azerbaijan, Georgia, Turkey and certain Western countries, the role of the BTC in energy security of Europe is undeniable because Europe diversifies its energy routes by importing oil from the Caspian Sea region.[7]

Another major regional project could be considered the Western Route Export Pipeline (WREP), which transports crude oil from offshore oil fields in the Caspian Sea to the Black Sea, where the crude oil is further shipped via tankers through the Bosporus to European markets.[8]

Additionally, the railway project that links Baku in Azerbaijan with Kars in Eastern Turkey via Tbilisi in Georgia is not an exception in this regard.[9] Baku-Tbilisi-Kars (BTK) railway route as a land bridge between the booming markets of Asia and Europe aims at re-establishing the ancient Silk Road, develop the cooperation within the framework of European Neighbourhood policy, and expand the foreign economic relations of the countries.[10]

Undoubtedly, the three states of the South Caucasus – Azerbaijan, Armenia, and Georgia, harbour the heritage of historic nations. As a result of it, the external conflicts have always been important challenges to the overall well-being of the nations. Especially, Azerbaijan is located between the two states – Russia from the North, and Iran from the South. Nevertheless, the continuous geostrategic steps implemented by Azerbaijan have led the country

6 https://www.dailysabah.com/opinion/2019/12/31/the-energy-silk-road-launched-the-ball-is-now-in-europe.

7 https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/pipelines/btc.html.

8 https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/pipelines/wrep.html.

9 https://www.eurasian-research.org/publication/recent-developments-in-the-baku-tbilisi-kars-railway-project/.

10 https://www.oilfund.az/en/projects/6.

to turn those challenges into the opportunities. Especially, numerous cooperation and partnership agreements of Azerbaijan with Russia, Iran and EU can be mentioned in this context. Regarding to Azerbaijan's special role in regional architecture Z. Brzezinski has emphasized in his book named "The Grand Chessboard" that Azerbaijan is a cork in the bottle possessing the natural resources of the Caspian Sea and the prosperity of Central Asia.[11]

Furthermore, there have been various projects implemented and passing through Azerbaijan and Armenia in Soviet period. Hence, under the Soviet Union, Armenia and Azerbaijan were connected by two railway routes: the one through Nakhichevan, and another further to the north via Ijevan in Armenia and Gazakh in Azerbaijan.[12]

To summarize, historical experiences and traces of mutually implemented projects give hope for the fruitful cooperation and further deepening the economic integration for sustainable peace in the region. Additionally, the Zangezur Corridor is one of those geostrategic steps which will benefit not only the neighbouring countries, but all the South Caucasus countries.

Zangezur Corridor: A Way for the Economic Integration and Impacts on Regional Peace

The Role in Economic Integration

It is highly believed that through economic cooperation and integration, Azerbaijan and Armenia can open a new page in bilateral relations and end hostility between two states. Foremost, the implementation of the Zangezur corridor will increase the regional economic integration with the collaboration of the region countries including Azerbaijan, Turkey and Armenia. Hence, along with the economic integration amongst the region countries, the new corridor will form the mutual economic interdependence and trigger to shape a stronger foundation for the future peace. One of the significant contributions of the Zangezur Corridor is that it will create new geo-economic conditions in the region. Thus, the Zangezur Corridor envisages not

11 https://thezeitgeistmovement.se/files/Books/Brzezinski-The_Grand_Chessboard.pdf.

12 https://eurasianet.org/armenia-begins-work-to-restore-railroad-ties-with-azerbaijan.

only the opening of the railway routes between Azerbaijan and Armenia, but also the operation of roads, airlines and energy and electricity lines along this transport artery.

The new corridor will boost the development opportunities of the economic markets in the region. Thus, the growth of the trade and economic ties, along with the production, will promote import and export operations between the region countries. The impact of the new corridor on the development of not only transit trade, but also regional trade and production will be of vital significant. Hence, there are products in which all three countries of the South Caucasus specialize, and there is a demand for these products in the countries of the region. As a result of it, the revival of the domestic trade will directly expand the integration of inter countries trade and production in the region. For example, Armenia, which may import oil and gas products, electricity, various agricultural products, etc. from Azerbaijan, will have the opportunity to export metals and a large number of agricultural products and etc. to the opposite direction. Consequently, as a result of the opening of communications, it is more likely to increase the trade volume amongst the region countries, and thousands of new jobs will be created.

In the short term, electricity transmission from Azerbaijan to Nakhichevan via the Corridor, and in the long term and perhaps in the medium term, the transportation of Caspian energy resources to Europe via this corridor may be actualized. Such projects will strengthen regional integration.

In the short term, new Corridor will support the economic development of cities and regions along the corridor, which will make a significant contribution to the development of trade and job creation, poverty reduction, youth employment, and the development of small and medium enterprises in the region. In this respect, the project will make a significant contribution to the development of Zangezur region of Armenia and the central city of Kapan, its remote rural areas and the Nakhichevan region of Azerbaijan. In general, the areas where the Zangezur Corridor passes, is considered a dispersed settlement and higher emigration regions compared to the other parts of the region. In particular, it should be noted that one of the main directions and destination of emigration from the region is Eastern Europe and Russia, which is expected decreasing remittances to the region in the future. Thus, this the corridor becomes important in terms of poverty reduction, too.

Undoubtedly, the benefits of the new corridor for each country can be considered in different aspects beside the general economic benefits of it. Geography as well as the road and railway infrastructure inherited from the Soviet Union render Armenia an obvious hub in land and railway communications between Turkey, the Caucasus, Russia and Central Asia. Armenia is now a dead-end, and railways operate at 15 % of their capacity.

As a result of the opening of the Corridor, Armenia could improve its trade relations with Central Asia, Russia, Iran and China through Azerbaijan's transport routes, and Azerbaijan with the European Union and Turkey. Additionally, thanks to the new Corridor Armenia will get the shorter and optimal railway access to the European markets through Zangezur, Azerbaijan (Nakhichevan) and Turkey. It will also support the return of the IDPs to the liberated Azerbaijani lands and the future development of the region in the post-war period.

The capacity of Armenia's 44-kilometer border with the sanctioned Iranian economy is limited. Also taking into account the seasonal factors, The Upper Lars checkpoint of Georgia, the only access to the Russia which is the main trading partner of Armenia, has low potential. The closure of land routes between Georgia and Russia, which occur periodically, considerably blocks Armenia's most important land communication with the rest of the world. Therefore, the new Corridor will create a new chance for Armenia to make use of Mediterranean seaports. In 2001, the World Bank suggested that Armenian export could double if the country's borders with both Turkey and Azerbaijan were opened. The specific circumstances of the border opening would clearly play an important role in the exact rise in trade volumes.[13] The following quote from Vahan Kerobyan, the Minister of Economy of Armenia, can be cited as a significant example in terms of the value that the new corridor and regional integration will bring to the Armenian economy:

> Opening the borders will provide wide opportunities. Our exporters will be able to export their products to Russia or other countries through more convenient roads than we have now. Turkish ports will be open to us, and many

[13] https://www.europarl.europa.eu/RegData/etudes/etudes/join/2007/385526/EXPO-AFET_ET(2007)385526_EN.pdf.

> wide opportunities will be provided. It's possible that the Azerbaijani market will be open for us and ours for them.[14]

For Turkey, the reopening of the Zangezur corridor has a geostrategic significance as Ankara will get a direct land connection to mainland Azerbaijan. Furthermore, the corridor will boost trade between Turkey and Azerbaijan by further supporting economic integration. Additionally, it should be noted that the Turkish trucks mainly use Russia-Georgia routes before heading to Central Asia, currently. Thus, taking into account that Turkey is very interested in having a direct access to the Central Asian markets through Azerbaijan because such route would be shorter and cheaper, the importance of the Corridor rises.

For Russia, the reopening of the corridor will open a railway route to Armenia via Azerbaijan which is cheaper and more profitable because of tension and mutual mistrust in relations between Moscow and Tbilisi.[15]

Although the climate context is somewhat different, the importance of this issue for the climate security of the region countries is especially high at a time when climate change is becoming one of the main threats to the whole world. The Zangezur corridor will also have a positive impact on the implementation of the sustainable development goals for both countries. Currently, the trade amongst Armenia and the European Union, Russia, Central Asian countries, and as well as amongst Azerbaijan and Turkey and European countries is mainly carried out by road and longer alternative routes. Trade operations through railways, which take less time and omit less carbon, will undoubtedly contribute to the green economic development of the region. Thus, the new Corridor meet with the requirement of the modern trends and plays a unifying role to tackle global threats jointly.

Consequently, the analysis of the new Corridor in terms of peace and economic integration in the region will produce the following results:

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[14] https://www.thetribune.com/opinion-new-regional-challenges-might-dampen-the-prospects-of-pax-caucasia/.

[15] https://www.eurasiareview.com/17082021-implementation-of-november-declaration-critically-important-for-regional-security-and-peace-oped/?fbclid=IwAR3UKB97z9onkbfpHeZfCoHJ1X0D79W5E2N72TumcRr-1v67Lsfj2Txv8sU.

Stakeholders	Meeting interests
Turkey	will be directly connected to Azerbaijan and the Turkic nations in Central Asia.
Azerbaijan	will be able to end the blockade of the Nakhchivan AR and alternative routes to Turkey and EU.
Armenia	will get a shortest and lasting land link to Russia, a new rail connection to Iran and reach the markets of the Eurasian Economic Union and EU through alternative routes.
Iran	will have more efficient access to the Black Sea and the Mediterranean ports through the new communication arteries.
European Union	Trade and logistics channels for the EU with China will be expanded through alternative transport logistics corridors, which has an annual trade turnover of approximately 600 billion euros. Additionally, an alternative and more secure route for the bilateral relation with South Caucasus countries through Turkey.
Russia	will get a direct land link to Armenia, one of its main economic partners in the region.

As one can see from the above-mentioned facts, the Zangezur Corridor comes from the strategic interests of all involved parties. Plagued by proxy disputes between the region's big neighbors, the South Caucasus has almost no historical experience of collaboration, except the abovementioned ones. As Laurence Broers and Anna Ohanyan wrote in 2018, this lack of a history of collaboration combined with interventions by bigger powers make the South Caucasus a place characterized by "regional fracture".[16] Thus, in the view of the importance of the New Corridor for both regional integration and peacekeeping, as it is known the Zangezur Corridor will create the short-

[16] https://carnegieeurope.eu/2021/11/08/in-south-caucasus-can-new-trade-routes-help-overcome-history-of-conflict-pub-85729.

est and direct transport link between Armenia-Russia, Armenia-Iran, Armenia-Turkey by rail and road using the existing infrastructure of Azerbaijan. Undoubtedly, in this case, different regional stakeholders will also contribute to the sustainable peace in the region. It is due to the fact that the Zangezur Corridor probably is the most pragmatic project in the conditions of current realities that meets the interests of everyone and deepen regional integration.

Lasting Momentum for Unbreakable Peace

At the same time, if bilateral trade is strengthened with the introduction of the new Corridor, the region will transform from an area of tension into a zone of stability and peace. Certainly, there will be the development of specialized commercial centres and roadside retail centres, especially in the trajectory of the transport hubs of the Corridor. This, along with economic efficiency, will lead to the development of communication channels between the people of the region. Most importantly, mutual understanding, communication and a more tolerant atmosphere will develop gradually from time to time amongst people who start trading with each other. It is therefore reasonable to anticipate a substantial increase in regional emigration and more generally in human capital exchange between the countries once the Corridor is opened. Increased human interaction is likely to promote understanding and awareness of each other's societies, including their cultural, social and ideological diversities.[17] Comfortable transport arteries passing through the region will also attract tourists from the region countries and all over the world to these areas in the medium and long term, which is a natural historical museum. This creates additional communication opportunities between the people of the region besides the increasing regional welfare with the development of the tourism sector, too.

Along all its benefits, strengthening economic integration and, in parallel, strengthening the peace environment can trigger the expansion of regional social and infrastructure expenditures, and co-financing of regional projects. Especially, economy and business is the most sustainable area of cooperation since, once parties generate profit together, they will find it hard to stop.

[17] https://www.europarl.europa.eu/RegData/etudes/etudes/join/2007/385526/EXPO-AFET_ET(2007)385526_EN.pdf.

Thus, as a result of the new Corridor, the overall welfare of all region population will increase considerably. Hence, it will certainly increase the number of opponents of war and encourage all stakeholders in the region to take more peaceful and restrained positions.

Additional Economic Integration Tools for Peacebuilding

Besides the Zangezur corridor there are certain pragmatic opportunities for regional integration, too. Foremost, it would be beneficial to explicitly add measures in the direction of economic integration to the programs and the strategic development documents of region countries. Therefore, a tripartite commission including the Deputy Prime Ministers of Azerbaijan and Armenia, had a working experience in this direction. If the results of this commission are successful, it will be a good starting point and provide a solid basis for all South Caucasus countries to include such potential cooperation issues in their strategic development documents in the future period.

Since all three South Caucasus countries have strategic relations with the European Union, the important opportunity for the cooperation and integration is related to the finance tools provided by the European Union to the region. For instance, the European Union allocated about 5.7 billion Euro financial aid to region countries in recent two years. These funds were allocated mainly for the implementation of special programs. In this context, continuation of such financial programs and tools will contribute to the development of the infrastructure and economic prosperity of the region.

At the same time, another important factor in terms of regional economic integration is related to the establishment of the new regional economic partnership platform. Thus, the establishment of the "3+3" regional cooperation platform (South Caucasus trio, Turkey, Russia, Iran) initiated by Azerbaijan and Turkey may create a completely new geo-economic environment in the region and be the key for the lasting peace. It would serve not only for the resolution of post-conflict issues, but also for the regional integration and harmonious development in the region as a whole, being an important factor in cooperation and benefiting all countries of the region.

Conclusion

The importance of the alternative trade routes between the West and East became noteworthy after the Evergreen ship crisis in Suez Canal, the tension between Poland and Belarus, and the impose of sanctions on Russia. Thus, almost 50 % of rail freight trade relating to EU passes via Russia and Belarus.[18] Considering the facts of the sanctions over Russia and the tension between Belarus and Poland, the switch of the trade routes to the Middle Corridor is more likely to occur because it is the only viable alternative route connecting the West and East without passing Russia.[19]

Factually, the Middle Corridor has not yet fulfilled its potential capacity. Yet, the Minister of Industry and Infrastructure Development in Kazakhstan asserted that Aktau and Kuryk operates within 23 % of workload capacity.[20] It clearly indicates that the route via the Middle Corridor possesses political and economic stability which the international trade strives for it. Meanwhile, the implementation of Zangezur Corridor provides a new potential to the connectivity of the region and the artery of the Middle Corridor. Even, the memorandum signed between Azerbaijan and Iran[21] should be seen as the diversification of the Zangezur Corridor, implicitly the diversification of the Middle Corridor and the increase in the connectivity of the region.

Having the historical foundation of mutual participation in political, social, and economic areas (although rarely), the trilateral agreement and its provisions will help the region countries successfully apply regional socio-economic reconciliation and cooperation strategies. Considering the importance of European energy security, and the development of the alternative trade and logistics routes, there is a great opportunity for regional collaboration through the mega projects such as SCP, BTC, BTK, WREP etc.

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18 https://theloadstar.com/ukraine-invasion-will-impact-china-europe-rail-freight-and-push-up-rates/.

19 https://top-center.org/en/analytics/3348/with-russia-and-iran-sanctioned-middle-corridor-has-a-chance-to-establish-itself-as-a-viable-route-in-the-east-west-trade; https://www.railfreight.com/beltandroad/2022/03/08/a-bypass-route-to-duisburg-is-this-the-new-normal/?gdpr=accept.

20 https://eurasianet.org/russia-sanctions-prompt-kazakhstan-to-increase-exports-via-caspian.

21 https://oxu.az/politics/582040.

The complex nature of the Zangezur Corridor such as opening of the railway routes, roads, airlines, energy lines etc. increases the chances of boosting development opportunities and open a wide horizon for the economic markets in the region. The realization of the Corridor will facilitate the development of the transport hubs, specialized commercial centers, roadside retail centers and other such proactive infrastructure projects so that the development of trade and job creation, poverty reduction, youth employment, and the development of small and medium enterprises in the region will be achieved. The initiation of the "3+3" regional cooperation platform (South Caucasus trio, Turkey, Russia, Iran) is a positive step toward the sustainable and lasting peace in the region.

To summarize, the issue of restoration of regional transport and trade is of paramount important for several reasons. First of all, it is the only clear example of a "win-win" scenario for post-conflict stability. These and similar economic and trade opportunities are significant for all region countries. At the same time, this is an area of positive official diplomatic negotiations between Armenia and Azerbaijan, proffering hopeful signs for confidence-building between two countries. The new Corridor will enhance the integration of production and distribution networks, and could lead to the implementation of regional projects, further enhancing the process of sub-regional integration. The new corridor will connect economic agents along a divided geography. It will provide important connections between economic nodes or hubs that are centred in urban landscapes. Opening the Zangezur Corridor, finally, would create numerous opportunities for joint initiatives, particularly government-led ones. In the short and medium term, this project will play the role of regional economic integration platform besides a project for the individual countries. In the long run, the representatives of the peoples who pass through the lands of both countries more easily and comfortably (Armenians to Russia via Azerbaijan, Azerbaijanis to Turkey and Europe via Armenia) will have more mutual trust. However, the safety of the road and infrastructure projects passing through here will have to be ensured and the states will need to take necessary measures in this direction. The opening of the Corridor and the establishment of the diplomatic relations between the two countries would have a gradual but strong positive impact on public opinion in both countries by removing the most tangible sign of hostilities towards each other. An open corridor would also create numerous opportu-

nities for interpersonal engagement, communication, bonds and media coverage of issues lying beyond the conflict, thus educating region population about life in each other.

Recommendation to Reduce Spoilage in Nagorno-Karabakh: Evaluating the Role of Potential Objective Observers

Odin Bartsch, Blair Maddock-Ferrie, Rahul Pandya, and Benjamin Bogdan

Following the start of the so-called special military operations in the Ukraine, the true intention and role of a Russian 'peacekeeper' comes into question.[1] Their original mission was stated as ensuring the ceasefire conditions were met; now, they may be the largest spoiler in the region.[2] Spoilers as defined by the Capstone Doctrine are "individuals or groups that may profit from the spread or continuation of violence, or have an interest to disrupt a resolution of a conflict in a given setting."[3] Tactics for a state level spoiler found in the research of this paper are creating policies that have clauses that allow for the continuation of the mission, and recognizing separatist regions with the objective of continuing peacekeeping operations and undermining the territorial claims of the opposing state. Russia is not an objective actor; their peacekeepers are deployed to expand their influence in the region. This is seen in the current Ukrainian conflict as a Belarusian map highlight the peacekeepers in Moldova and has arrow indicators pointing towards Transnistria which is highlighted in red.[4] This paper assumes the red markings indicate the Russians positions as the briefing was regarding troop movements in the ongoing war.

To demonstrate Russian 'peacekeepers' are self-serving, this paper will examine media coming out of Nagorno Karabakh to prove that it is more

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1 The text and recommendations made in this proposal are those of the authors and not of the Canadian Armed Forces, the Department of National Defence of Canada, nor those of the Royal Military College of Canada.

2 "Statement by President of the Republic of Azerbaijan, Prime Minister of the Republic of Armenia and President of the Russian Federation," President of Russia (Kremlin, November 10, 2020), http://en.kremlin.ru/events/president/news/64384.

3 United Nations Peacekeeping Operations: Principles and Guidelines (New York: UN Dept. of Peacekeeping Operations, 2008).

4 Jesse O'Neill, "Belarus Dictator Appeared to Show Russian Plans to Invade Moldova," (New York Post, March 2, 2022), https://nypost.com/2022/03/01/belarus-dictator-alexander-lukashenko-appeared-to-show-russian-plans-to-invade-moldova-through-ukraine/.

inflammatory than helpful regarding ceasefire violations. The paper then argues the need for and to build the template for objective observers who would work alongside the peacekeepers; the peacekeepers could ensure the impartiality of the operation; human rights are being respected and there are no overlooked spoilers. The observers could also write consistent public reports to government organisations and media outlets as this perspective would be helpful to support or refute information provided by the governments and/or state news media, all of which could serve to decrease miscommunication between state actors and non-governmental groups with the aim of aiding the long-term peace of Nagorno Karabakh.

Nagorno-Karabakh is just another example of Russia increasing their buffer. Turkey is a NATO member and Azerbaijan is their close ally. This means that increased cooperation between Turkey and Azerbaijan may see an influx of NATO-friendly troops on Russia's southern border. So, to increase their buffer, Russia deployed peacekeepers to create a buffer in the strategic location of Nagorno Karabakh. Along with increasing their physical buffer, it also increases their political buffer. If Ukraine, Moldova, or any other neighbouring/allied states aligns themselves with the West, Russia loses that political, military and economic support. The final similarities between Ukraine and Georgia does not directly relate to Nagorno-Karabakh but is a real potential reality. Russia uses the word peacekeeping, which as defined by the UN has three key components of being impartial, invited by the host nation, and non-use of force except in self-defence or defence of the mandate, very loosely.[5] This means that Russia will take permission from any source of power they deem as legitimate. So, what is stopping them from doing the same tactic in Nagorno Karabakh? Not much and that is concerning. At any moment, Russia can recognize Nagorno Karabakh and their government as independent and move to ensure their safety.

Current Spoilers in Nagorno Karabakh

There are still regular cease-fire violations in Nagorno-Karabakh by both sides. One of the most recent violations on 12 March 2022 was reported by both local media and by the Azerbaijani military. The Azerbaijani reports

[5] United Nations Peacekeeping Operations: Principles and Guidelines (New York: UN Dept. of Peacekeeping Operations, 2008).

state "members of an illegal Armenian armed detachment in the territory of Azerbaijan used various calibre weapons" to fire at military positions in various regions.[6] The government responded with "adequate retaliatory measures."[7] However, the ARMENPRESS news agency spread a message from the Artsakh Defence Army stating "in reality, as we have already informed, on March 11, during the whole day, the units of the Azerbaijani Armed Forces regularly violated the ceasefire."[8] This is just one example of the conflicting reports coming out of Nagorno-Karabakh where both sides demonise the other and without a third party source to verify reports, there is no way to know who is at fault. Due to the nature of ARMENPRESS, being a news agency, they have more of an obligation to viewership than the truth. *Twitter* and other social media are possible tool to verify reports, given someone films the violation and posts it, but #Nagorno-Karabakh appears to be heavily biased towards the Armenian side. Some posts show videos of ceasefire violations and current news but all the posts have an anti-Azerbaijan theme with no mention of Armenian ceasefire violations.[9] This is where an objective observer would be very useful as it would allow for conflicting reports to be independently verified so governments can make better informed policy decisions. The ability to refute reports could also aid in the peacekeeping process as less people will believe inflammatory reports that aim at spoiling the peace.

To address the factors and countries available for an objective observer, an option analysis has been completed in the following sections: factor and comparison. Options for observers are preferably states. This analysis has identified four factors that can be useful in weighing the usefulness of potential observer forces from Mongolia, South Korea, and Nepal.

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6 "Azerbaijan Army Positions Were Subjected to Fire," Ministry of Defense of the Republic of Azerbaijan, March 11, 2022.

7 Ibid.

8 "The Azerbaijani Side Violates the Ceasefire Overnight March 12 with the Use of Firearms – Defense Army of Artsakh," (Armenpress, March 12, 2022), https://armenpress.am/eng/news/1077705.html.

9 "#Nagorno-Karabakh," (Twitter), accessed March 16, 2022, https://twitter.com/search?q=%23NagornoKarabakh&src=recent_search_click&f=live.

Factors

Pro-NATO Bias/NATO Member State: Due to past rivalries between NATO and Russia, any state with a strong pro-NATO bias or protected under NATO Article 5 will not fill the observer role effectively. Any country under this definition should be considered carefully as the aim is to ensure the ceasefire conditions and provision within are being respected. Any build-up of NATO forces, even if not deployed on a NATO mission, may be viewed as hostile from a Russian perspective.[10] However, countries who are partners with NATO should still be considered as they do not have the same obligations as NATO member states.[11] NATO partners can as result act with more independent agency than NATO member states. The most ideal states would be those with no NATO affiliations since NATO has difficulty influencing them, but they cannot be biased in favour of states openly hostile to NATO.

Pro-Russian/Collective Security Treaty Organisation (CSTO) Bias: CSTO members, for similar reasons as defined in the Pro-NATO bias section of the framework, should not be considered for the objective observer role. CSTO member states may exhibit pro-Russian bias in their reports due to their status in the organisation. This would make these reports no more useful to populations within NATO/Western states than Russian military reports. However, countries that are on good diplomatic terms with Russia should still be considered. The most ideal states would be those with no CSTO affiliations since the CSTO has difficulty influencing them, but they cannot be biased in favour of states openly hostile to Russia.

Experience as Observers: States with experience as observers are ideal as they are best suited to working in unfriendly environments. Experienced observers should be comfortable going into towns and sub-regions to perform their role efficiently. So, any previous history in peacekeeping will be

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10 "Briefing by Foreign Ministry Spokeswoman," (The Ministry of Foreign Affairs of the Russian Federation, February 25, 2022), https://mid.ru/en/foreign_policy/news/1800470/.

11 NATO, "Partnerships: Projecting Stability through Cooperation," (NATO, February 1, 2022), https://www.nato.int/cps/en/natohq/topics_84336.htm.

relevant. Nagorno-Karabakh experiences frequent ceasefire violations so veteran observers will be a necessity for an optimal outcome.

Impartiality: Impartiality, as defined by the United Nations Security Council Resolution 1674, is one of three main components that is the most important factor while choosing a peacekeeper.[12] Impartiality does not mean neutrality but to be able to fairly penalise infractions between all parties involved. Impartiality is especially important in Nagorno-Karabakh as the current peacekeepers are not impartial and that may lead to issues further down the line.

Measures for Expected Success: Expected success is going to be measured on a Likert scale from 1 to 5. 1 being the lowest and least expected to succeed and 5 being the most expected to succeed. These scores will be measured based on the other factors stated in the framework section.

Observer Options

The region of Nagorno-Karabakh being highly contested necessitates the need for impartial and experienced observers that will enable proper monitoring of Peacekeeping Operations (PKOs).

Mongolia: The relationship between Mongolia and NATO is cooperative. Mongolia is not officially a part of NATO but has participated in several adjoined initiatives. Mongolia has a "Third Neighbour Policy" that is the foundation for many of its international interactions.[13] Under the purview of this policy, Mongolia signed the Individual Partnership and Cooperation program with NATO in 2012.[14] Mongolia has also deployed troops to Afghanistan and Kosovo under NATO led missions.[15] This gives Mongolia administrative ties to NATO along with an understanding of NATO operations. Under the Third Neighbour Policy, Mongolia keeps a close tie with

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12 Resolution 1674 (2006) (New York: UN, 2006).

13 Sharad K. Soni, "The 'Third Neighbour' Approach of Mongolia's Diplomacy of External Relations," India Quarterly: A Journal of International Affairs 71, no. 1 (2015): 37.

14 Sung-Won Yoon et al., "Views on NATO from Mongolia and the Republic of Korea: Hedging Strategy, and 'Perfunctory Partnership'?," Asian Security 14, no. 1 (2017): 54.

15 Ibid.

Russia as it is physically adjacent to it. Mongolia is part of the Chinese-Mongolian-Russian development of a high speed rail system that will boost economic relationships between the nations involved.[16] Mongolia has worked with Russia and other CSTO countries in joint exercises with their armed forces in 2012.[17] Due to the close working relation, Mongolia will be properly informed of Russian and CSTO values when participating as an objective observer.[18] Mongolia was a part of UN operations in the Western Sahara (MINURSO) as a military observer.[19] Mongolia was commended for its professionalism, and inclusion of women directly in the military observer role, which provides increased intelligence opportunities.[20] Regarding the Armenian and Azerbaijani conflict, Mongolia has no significant ties to the nations either economically, religiously, or militarily. Overall, Mongolia has an understanding of operations and relationships with both NATO and CSTO countries with the right experience and impartiality to be an object observer in the region of focus. The greatest issues that Mongolia has remains learning languages and interoperability which makes it best suited when paired with a partner who is well versed in multinational operations.[21] On the Likert scale, Mongolia is given a 3.5 as they do have a more defined connection to NATO but otherwise an excellent profile for consideration.

Republic of Korea: The Republic of Korea (ROK) chose to participate in the NATO global partners initiative to work together as they have their own

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16 Suocheng Dong et al., "An Evaluation of the Economic, Social, and Ecological Risks of China-Mongolia-Russia High-Speed Railway Construction and Policy Suggestions," Journal of Geographical Sciences 28, no. 7 (2018): 903.

17 Interfax, "Russian Army Will Conduct Joint Exercises with Armed Forces of India, Mongolia, SCO and CSTO Countries." Military News Agency, (2012): 1.

18 Sharad K. Soni, "The 'Third Neighbour' Approach of Mongolia's Diplomacy of External Relations," India Quarterly: A Journal of International Affairs 71, no. 1 (2015): 38.

19 "Service and Sacrifice: Mongolia Continues to Strengthen Its Contribution to UN Peacekeeping | UN News," (United Nations, March 9, 2018), https://news.un.org/en/story/2018/03/1004552.

20 Bolor Lkhaajav and Bolor Ganbold, "Mongolia's Female Peacekeepers: A Case Study for Gender Parity," (The Diplomat, January 13, 2022), https://thediplomat.com/2022/01/mongolias-female-peacekeepers-a-case-study-for-gender-parity/.

21 Abai Kanad, "A Mongolian Battalion in Unmiss: Lessons for Canada's Participation in Mali," Canadian Forces College/Collège Des Forces Canadiennes JCSP 45/PCEMI 45 (2019): 3.

security threat of North Korea otherwise known as the Democratic People's Republic of Korea (DPRK).[22]

According to NATO, the ROK and NATO have worked together on non-proliferation, cyber defence, counter-terrorism, CBRN defence, as well as civil preparedness, resilience and disaster relief.[23] Russia has recently shown interest in ROK as well as they have increased mutual foreign investment between the two powers.[24] According to the government of the ROK, their connections to Russia have been in that of political, business and cultural nature, which has also included visits from important political figure heads.[25] Due to this relationship, South Korea has been on better terms with Russia in recent years.

The ROK also has lots of experience as an international observer in areas of conflict. The ROK has peacekeepers deployed in all current peacekeeping missions.[26] Noble ones include MINRUSO in the Western Sahara, UNIFIL in Lebanon and UNMISS in South Sudan.[27] These missions show that ROK has experience working in conflict zones in various locations including zones with. ROK bilateral trade with both Azerbaijan and Armenia total add to less than 10 million USD.[28] Due to the relatively non-existent economic relation between the ROK and the region in question, it would have an impartial viewpoint. After all accounted factors ROK can be given a score of 3 as they have relations with both major NATO and CTSO states, while being

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22 Sangtu Ko and Seong-yong Park, "The Added Value of Partnership with NATO for South Korean Security," Pacific Focus 29, no. 3 (December 2014): 341.

23 Nato, "Relations with the Republic of Korea," (NATO, July 22, 2021), https://www.nato.int/cps/en/natohq/topics_50098.htm.

24 Ekaterina A. Degtereva and Han-Sol Lee, "South Korea – Russia Economic Relations: Focused on FDI," RUDN Journal of Economics 28, no. 1 (2020): 51.

25 Republic of Korea Ministry of Foreign Affairs, "Russia Central Asia: Ministry of Foreign Affairs, Republic of Korea," accessed March 16, 2022, https://mofa.go.kr/eng/wpge/m_21618/contents.do.

26 "Troop and Police Contributors Peacekeeping," (United Nations, 2022), https://peacekeeping.un.org/en/troop-and-police-contributors.

27 Ibid.

28 Republic of Korea Ministry of Foreign Affairs, "Search: Ministry of Foreign Affairs, Republic of Korea," accessed March 16, 2022, https://www.mofa.go.kr/eng/nation/m_4902/view.do?seq=76.

impartial and with the experience and stability to conduct observational missions in the Armenia and Azerbaijan region.

Nepal: Nepal is not a NATO partner nor do they practice with NATO forces in any capacity. They also do not have relations with the CSTO nor military alliances with Russia. Economically, Nepal trades more with the United States of America than Russia.[29] The lack of formal treaties between both the United States of America and Russia would allow Nepal to not be influenced by either actor. Thus satisfies the requirement for no NATO nor CSTO bias. Nepal has a long history of peacekeeping with operations around the world with the UN. Nepal's most recent mission peacekeeping operation, UNMHA in Yemen, has them acting as military observers and staff officers.[30] Nepal was a military observer in Georgia under operation UNOMIG in 2007.[31] Nepal has participated in 43 peacekeeping operations since 1958.[32] So, not only does Nepal have experience as a peacekeeper in dangerous regions, they have experience in the Caucuses. Accusations from 2011 that Nepal had sent criminals to peacekeeping operations in Liberia may be exploited by the local media if they demonstrate any perceived bias.[33] Nepal has no direct ambassador to Armenia, instead the Russian ambassador is accredited to Armenia.[34] They have virtually no economic trade and their relationship is built on good will, friendship, and mutual understanding with Armenia.[35] Nepal's relations with Azerbaijan are similar to Armenia as both have formal diplomatic ties going through third parties. However, Azerbaijan and Nepal do have economic trade.[36] Though, Nepal exports much more

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29 "Nepal – US Relations," Ministry of Foreign Affairs Nepal MOFA, accessed March 16, 2022, https://mofa.gov.np/nepal-us-relations/.

30 "Nepali Army," (Nepali Army), accessed March 16, 2022, https://www.nepalarmy.mil.np/page/na_in_un.

31 Ibid.

32 Ibid.

33 Colum Lynch, "Is Nepal Sending Accused Criminals to Serve in U.N. Peacekeeping Missions?" (Foreign Policy, November 11, 2011), https://foreignpolicy.com/2011/11/11/is-nepal-sending-accused-criminals-to-serve-in-u-n-peacekeeping-missions/.

34 "Nepal – Armenian Relations," (Ministry of Foreign Affairs, August 2020), https://mofa.gov.np/nepal-armenia/.

35 Ibid.

36 "Nepal – Azerbaijan Relations," (Ministry of Foreign Affairs, August 2020), https://mofa.gov.np/nepal-azerbaijan-relations/.

than it imports. There are no formal security agreements between either country. This allows Nepal to be impartial as any decision will have minimal backlash for foreign relations with Nepal. For their lack of formal ties with all countries involved, Nepal receives a 4.5 on the scale.

Recommendation

Based on the Likert scale, this paper recommends a joint observer force of majority Nepalese forces supplemented with Mongolian. Due to the expertise of the Nepalese forces coupled with the experience of Mongolia, there is an advantage of interoperability to reaffirm impartiality. So, it is recommended that Mongolia assist the Nepalese in a limited but joint capacity. Nepalese military observers are well known for their professionalism and effectiveness in peace operations. Women, which Nepal in PKO's has demonstrated to decrease breaches of the peace. violence will help stabilise the region.[37] However, though limited economic ties they have with Azerbaijan. There is a risk to ensuring impartiality. Nepal's allegation of employing criminals, regardless of the merit behind such claims, necessitates a second neutral party.[38] Mongolia is a professional force; however, it has been noted that it works best when assisting a more experienced military observer force. Further, their weaknesses in learning local languages and culture could be supplemented by their operation under Nepalese forces. Using Mongolia in a secondary role, in which their experience in joint operations with the US and Russia could be utilised, will be of great value to the Nepalese observer force. The addition of a second non-affiliated partner would serve to eliminate claims of bias and reduce the rate of spoilage. The Republic of Korea, although a professional and experienced peacekeeping force, their military affiliations with the United States poses a threat to impartiality. Especially, in light of current global issues. Based on these factors in which neither nation received a perfect score on the Likert scale, the use of joint operation would be the most successful between Nepal and Mongolia to reduce the effect of spoilers.

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37 Esther Brito, Bougacha Sirine, and Ghada Mezghani, "Women in Peacekeeping: Roles and Opportunities in Diversity," (IVolunteer International, May 14, 2020), https://www.ivint.org/women-in-peacekeeping-roles-and-opportunities-in-diversity/.

38 Lynch, "Is Nepal Sending Accused Criminals to Serve in U.N. Peacekeeping Missions?".

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Russian Peacekeeping Operation in Karabakh

Leonid Karabeshkin

Current State of Affairs

The Russian peacekeeping contingent was brought into Karabakh according to tripartite Statement of Russia, Azerbaijan and Armenia Presidents of November 10, 2020. Its size was defined by 1,960 servicemen, 90 armoured personnel carriers and 380 units of automobile and special equipment.

Besides, reportedly, the peacekeepers have at their disposal helicopters and unmanned reconnaissance gears. According to some experts, the actual number of personnel may exceed the specified limits. 27 observation posts have been deployed in the North and South areas of responsibility, including the Lachin corridor. At first, the observation posts were created in the southern zone of responsibility, where the main military activity of the parties involve took place. In the course of the operation, the boundaries of the zones of responsibility were readjusted.

The supply have been carried out by air transit through the territory of Armenia and by rail through Azerbaijan. Georgia granted permission for the passage of Russian military transport aircraft through its airspace.

The basis of the military contingent is made up of units of the 15th Separate Motorized Rifle Brigade, which was formed on February 1, 2005 and is a part of the 2nd Combined Army of the Central Military District. It is staffed exclusively with volunteer soldiers and equipped with armoured personnel carriers BTR-82AM, reconnaissance, control and communication systems, unmanned aerial vehicles of several types.

The units of the brigade are permanently dislocated in the Samara region of Russia. The brigade previously carried out a mission in the zone of the Georgian-Abkhaz conflict within the CIS mandate. According to some sources, it as well was involved into the annexation of Crimea in 2014.

In addition, units of the Russian Military Police are patrolling along the contact lines and escort the civil passenger and cargo convoys. Inter alia, they are engaged into guarding Azerbaijan civil cargo through Armenia-controlled territory (the military convoys of Azerbaijani Forces through the Lachin corridor were accompanied by peacekeepers, according to their official statements). Military policemen have experience of similar activities in Syria.

Humanitarian aid is provided by the Russia's Ministry of Emergency. The rough size of this grouping is unclear, while initially it was announced about 75 servicemen. They are involved into various types of activities, including restoration of communal infrastructure and demining. It was reported, that demining was also provided on the territory of Agdam, which had been transferred under control of Azerbaijan. Further, the team of local 68 pyrotechnics were trained.

For coordination purposes the Inter-agency Centre for Humanitarian Reaction, which includes representatives of "siloviki", MFA and "other interested agencies" was established. According to the Decree of Russian President V. Putin (13.11.2020), the functions of this body include:

1. Facilitating the return of citizens who left the regions of Nagorno Karabakh to their places of permanent residence;

2. Assistance to the authorities of Azerbaijan and Armenia in the restoration of civilian infrastructure in Nagorno Karabakh and creation of conditions for the normal life of its population;

3. Ensuring coordination of activities of Russian state bodies and public organizations to provide humanitarian assistance to residents of the districts of Nagorno Karabakh affected by hostilities;

4. Assistance to the authorities of the Republic of Azerbaijan and the Republic of Armenia in organizing interaction with international humanitarian organizations.

So, the peacekeepers and attached forces carry out a wide range of activities far beyond, monitoring the ceasefire, also providing humanitarian, medical and psychological assistance to the population, including internally displaced

persons, and ensuring the safety of agricultural activities in the immediate vicinity of the contact lines, mine clearance, search operations. In particular, they de facto control the possibilities of movement to the region, restricting entry to the region for citizens of other states, with the exception of Armenia and Russia. One may argue that the Nagorno-Karabakh region has actually become a protectorate of Russia, which is responsible not only for preventing military incidents, but also for socio-economic development.

In March 2021 Russian language was proclaimed official by the Parliament of Nagorno-Karabakh. There were rumours on possible issuance of Russian passports to residents of the region, though no campaign has been detected. The true statistics of Russian citizens in Karabakh is not available.

Challenges of the Status

Firstly, observers have questions about the absence of a mandate, with the exception of two points in the cease-fire agreement. Russia has made its proposals; however, there are disagreements between Armenia and Azerbaijan on this issue. The latter believes that the mandate should originate only from him. Russia is ready not to rush, while striving to obtain an exclusively tripartite mandate, securing itself from unfounded accusations in the event of an aggravation of the situation. Alongside with tripartite agreement, the status of Russian presence is defined by Decree 695 "On the Peacekeeping Measures in Nagorny Karabakh", signed by President Vladimir Putin on 12 November, 2020.

Secondly, a certain problem creates the defined five-year period of stationing. For example, a peacekeeping contingent in South Ossetia or Transnistria had de facto untimed mandate. Its extension is rapidly approaching and may require a complex negotiation process and new concessions. Until now, only Armenia has confirmed prolongation of peacekeepers deployment.

Thirdly, the activities of peacekeepers are criticized by Azerbaijan and to a growing extent – by Armenia. Azerbaijan used to express dissatisfaction with the fact that foreign citizens are allowed to enter Nagorno-Karabakh without notifying Baku. The Azerbaijani President Ilkham Aliyev said: "No foreign citizens or vehicles can enter these areas without our permission. Permission must be obtained from us."

In particular, Baku felt irritated by the trip to the region of the candidate for French presidency and the head of the Île-de-France metropolitan region, Valerie Pecresse, in December of 2021. The representative of the peacekeepers then commented that this happened due to an oversight, but Ilham Aliyev publicly doubted this. In practical sense, the double check was introduced: foreigners, willing to visit Nagorno Karabakh, should notify both Armenian and Karabakh foreign ministries, which means receiving consent from peacekeeping forces.

After the aggravation of the situation that took place in March 2022, Armenia for the first time sharply criticized Russian peacekeepers in an MFA Statement (26.03.2022), proposing an international investigation of their activities. Yerevan seemingly would like France and the United States as co-chairs of the OSCE Minsk Group on the Nagorno-Karabakh settlement to be more actively involved into the situation.

The Azerbaijan critics of peacekeepers has become more assertive as well. The observers paid attention to a number of publications in media, reportedly associated with official authorities. The following narratives have been disseminated:

- The Armenian side is violating the ceasefire regime, and the peacekeepers are condoning this. The failure to prevent the violation of the ceasefire by Armenians undermines the credibility of Russian peacekeepers. Russian troops are also suspected in combat training of Armenian forces.

- The newly appointed Commander of the Peacekeeping Forces in Nagorno Karabakh General Andrei Volkov apart of his predecessors is not neutral and bipartisan, but openly pro-Armenian. This is explained by his personal business interests in Karabakh (ownership of grape fields), as well as previous personal experience, when he was captured in 2020 by Azeri forces. Besides, Volkov has been accused of smuggling.

Fourthly, their implications have the military engagement of Russia in Ukraine. Roughly one month after Russian started "special military operations" there, Azerbaijan undertook to revisit the existing borderline, putting under control parish Parukh and surrounding positions of Armenian forces. This took place in spite of the fact that the Declaration on Allied Interaction between Russia and Azerbaijan (The Moscow Declaration, February 22, 2022) was just recently signed.

The document is aimed at deepening political, military and economic cooperation and emphasizes commitment to "mutual respect for the independence, state sovereignty, territorial integrity and inviolability of the state borders of the two countries." Such phrasing was interpreted in Baku as an official recognition of Karabakh belongingness to Azerbaijan. In addition, the Declaration stipulated possibility of mutual military assistance. The document confirms that "the Russian Federation and the Republic of Azerbaijan are pursuing an independent foreign policy aimed at protecting their national interests", which differs "allied interaction" from true alliance relationships.

It should be noted that Russia signed a similar document with Armenia "Declaration on Allied Interaction Focused in the 21st century" as early as in 2020. So, the Russian-Azerbaijani declaration to a certain extent balanced the situation. By the way, the existing legal framework limits the participation of post-Soviet republics, including Azerbaijan, in possible sanctions against Russia. The Treaty of Friendship, Cooperation and Mutual Security of July 29, 1998 fixes the obligation of the parties not to participate "in any actions or measures of a military, economic or financial nature, including through third countries, directed against the other High Contracting Party."

Since the beginning of March, the security situation in the region has aggravated. Apparently, Azerbaijan views the current international environment as benevolent for furthering its goal of establishing full control over Karabakh. Permanently maintained tension, uncertainty about the prospects of economic development, as well as growing doubts on the ability of Russian peacekeepers to provide security will inevitably lead to the exodus of a significant part of the Armenian population.

The Azerbaijani and Ukrainian sources spread the information on withdrawing a part of Russian peacekeepers to be sent to Ukraine. Even denied by the

authorities of Nagorno Karabakh and Russian Ambassador to Azerbaijan, these data has not been refuted by peacekeepers' command. Anyway, the warfare in Ukraine decreases available military capabilities of Russia and could potentially complicate rotation of peacekeepers.

The sanctions imposed on Russia have impeded its traditional transport routes. This may increase importance of the southern land corridor through Azerbaijan to Turkey. A growing dependence on Baku may result in decreasing Russia's manoeuvre and readiness to tough military responses if needed.

Russia's reaction on recent escalation confirms this thesis. On March 26, the Russian Defence Ministry accused Azerbaijan of violating the Tripartite Statement of the Presidents of Russia, Armenia and Azerbaijan. The next day, the Russian military department announced the withdrawal of Azerbaijani units, but was refuted by Azerbaijan itself, which stated that it continued to control the situation. Only on April 8 was the incident commented by Russian Minister for Foreign Affairs Sergei Lavrov, who said that peacekeepers are studying the situation:

> For us, these circumstances are not completely clear. I would not like to get ahead of myself and make final judgments. We are convinced that our Armenian friends fully trust Russian peacekeepers.[1]

[1] The Tribune, Apr. 11 2022, "Russian peacekeepers are investigating the incident, there are circumstances that require clarification: Lavrov on the invasion of Parukh – ARMENPRESS.AM", https://www.thetribune.com/russian-peacekeepers-are-investigating-the-incident-there-are-circumstances-that-require-clarification-lavrov-on-the-invasion-of-parukh-armenpress-am/.

Epilogue

Frederic Labarre and George Niculescu

One thing on which all the participants agree; the South Caucasus has potential as an integrated economic and infrastructural space. However, all the participants seem to associate various multilateral trade and economic arrangements against the leadership and ambitions of alleged "regional geopolitical champions": Moscow, Ankara, Brussels, London, or Washington.

Economic integration of the kind witnessed after the Second World War in Western Europe – the sort of integration which was greatly helped by the largesse of the United States' Marshall Plan – is frequently the automatic reference and model for our contributors. But here too, we find a strange contradiction, a schizophrenia, even, when this model comes to be applied to the South Caucasus. We find many instances in which, for instance, trade corridors are "weaponized" or believed to be weapons. Elsewhere, our analysts view "trade" as a meta-topic. Trade itself should be equitable between countries; hence a trade imbalance (where a country imports more from another than it exports to), is viewed through the lens of structural inequity, even unfairness. But we hasten to suggest this is not the case; the value of goods and services fluctuates and much of this exchange takes place between private – not public – entities. Only in the latter case is trade imbalance a real problem; when the State still controls much of economic activity within a country.

But trade corridors are not avenues of influence. Or at least they should not be. Trade imbalances should not be associated with national strength however characterised. Trade is not a zero-sum game. Trade blocs are by nature exclusive; but this does not automatically forbid trade across blocs, or among countries belonging to different blocs. It is just that such practice is discouraged through a bloc's internal rules. Sadly, trade blocs in the South Caucasus are a reflection of geopolitics, and this Study Group will have a hard time escaping that notion, and cementing the idea that trade is supposed to surpass the limitations imposed by geopolitics.

Another factor on which all participants agreed is that they all want peace. This is what the co-chairs have been after in the South Caucasus for the ten years that this Study Group has been in existence. But what does peace mean, exactly? In Western parlance, peace means compromise, negotiation, *quid pro quo*. And that is the essence of trade. However, we seem to have a circular logic at work when we discuss economic and infrastructural integration in the South Caucasus; it is thought to be the answer to conflict, but this answer can only be put forward under certain conditions. Conditionality is not the mark of trust, which is not only the building bloc of peace, but of economic activity as well. Economic integration is the result of trust following conflict. It cannot be conditional to certain gestures by the trading agents. Yet, the word "if" frequently appeared in discussions as a prerequisite for successful integration.

Sometimes peace means political or military victory. This is unequivocally equated with the defeat of the other party, but it is still peace. Why can we say victory at any cost, but not peace at any cost? You want peace? Then negotiate in good faith while there is still time. The first lesson of the war in Ukraine is to use time wisely. If peace is being forced upon you by military means, then the question is; is this action legal and justified? If you are on the receiving end, and you can – grudgingly – say "yes", then accept the outcome and move on, looking forward. We believe this is where the Armenia-Azerbaijan relationship is at, currently. We urge the sides to look forward – not backwards. If the action is categorically illegal, then peace can only mean the utter defeat of the offending party, however long it might take. Full stop. But if we want the others to deal honestly, we have to be honest with ourselves first. We have to consider our own positions with full acknowledgement of our true value in the greater geopolitical equation. The 44-day war was not a "Russian-Turkish" war, nor was it a "Turkish-Azerbaijani" plan. Nagorno Karabakh, otherwise called Artsakh, is not "newly acquired territory" as some commentators would have it. Whatever it was, it is over.

Mulling over what "could have been" only strengthens the idea that some influential actors in the South Caucasus (and these are not always politicians or public figures, but sometimes academics as well), have their "own" values and principles of cooperation. Not surprising then, that so many conditions are put forward for economic integration; winning can be achieved, provided one is prepared to pay the costs. Here, the word "If" is best associated with

Rudyard Kipling's famous poem. And in that poem, triumph and disaster are imposters.

It has been said that Armenia's foreign policy orientation, to take one, has been affected by the defeat in the 44-day war. We would contend that in Russia's current weakened state, never has it been more propitious for Armenia to maintain bearing on the Western course than now. When Armenia realizes that Russia is nowhere near the security guarantor it pretended to be. And this realisation must also play upon the minds in Abkhazia and South Ossetia. Contrary to what some would have the 44-day war solution which Azerbaijan had to use to recover territories lost almost 30 years ago cannot be advocated in the case of Abkhazia and South Ossetia. The lack of EU, US, and even Russian involvement in that war is not a token of acceptance that this is how conflicts should be resolved. It is the recognition that Azerbaijan was achieving in 44 days what could not be achieved in almost 30 years – probably because of unreasonable conditions. Three decades' worth of time to negotiate and perhaps create a new model of statehood which could have avoided bloodshed there, and also in other similar conflicts. Then was the time to negotiate. Time was lost, and lives were lost.

And in the end, what have we been witnessed to? The partial withdrawal of Russian troops from occupied territories (including what used to be called Nagorno Karabakh) to feed the incompetent war machine currently struggling in Ukraine. Now would be the time for Georgia to make overtures towards the two breakaway regions. Now is the time for Georgia to negotiate. Do not waste time. Do not waste lives.

At present, the South Caucasus can achieve peace very rapidly when the Armenian-Azerbaijani pair will move forward with their peace deal, and the breakaway regions realise on which side their bread is buttered. The Russian predilection for managing conflict by managing the fire it can bring to bear is fast coming to an end. Whatever happens with Ukraine, it is a foregone conclusion that Russia will not have the financial, military, or moral capacity to coerce and/or reward in the South Caucasus. It is not surprising to see GUAM come back in fashion.

Nor are other initiatives, like the Euro Region Caucasus being proposed. This sort of initiative is exactly what the co-chairs have been urging for nearly

a decade through the RSSC SG. The verdict is clear, the South Caucasus must demonstrate by its actions that is worthy of Euro-Atlantic partnership and membership. This realisation must be clear in the capitals; time is running out, as Russia founders and China rolls its envious eyes and slithers towards the Caucasus. To avoid being strangled by China's economic tentacles, which worm their way ever more insistently into the economies of the South Caucasus, Armenia, Azerbaijan, and Georgia must together lead themselves into the Euro-Atlantic embrace by their own example. They must convince Brussels and Washington that they are worthy. But still, conditions are imposed on that too … "if only there was a Marshall Plan", etc. Some South Caucasus countries have looked longingly eastwards, oblivious to the menace which China represents. There is no doubt that the economic integration of the South Caucasus will require the attention of an hegemon of some kind. But China cannot be that hegemon precisely for the reason which is offered to explain the region's professed western orientation – values.

The Eurasian Economic Union (EAEU) nominally demonstrated more Western orientation by shaping relations among members along the topic of trade. This requires non-zero-sum thinking, and Russia, back in 2015, when it created the EAEU should be credited with this shift in attitude. In this multilateral forum as well as in the Collective Security Treaty Organization (CSTO) it has shown extraordinary restraint in its dealings with fellow members. The Ukraine debacle signals that those days are over, however. Coercive policy-making and external relations are back on the agenda. The obvious alternative is autonomous economic integration, a demonstration of effective cooperation, and eventual membership in Euro-Atlantic economic and trade structures – at a minimum. Now is the time for the South Caucasus to come together economically. The RSSC SG stands ready to facilitate this process by offering to create a sub-group on the subject of economic integration, and already (see Policy Recommendations) it has been recommended to launch a Handbook project focused on building resilience against a broad range of human security threats. The co-chairs are proud to bring the RSSC SG at the forefront of thinking on this subject, on what should be a highly technical handbook.

We have considered the role of spoilers in this long-term endeavour, especially with regards to the current peacekeeping mission in Nagorno Karabakh. One of the recommendations was to suggest having a non-Euro-

Atlantic, non-NATO, non-EU, non-Russia, non-Turkish participation in an international peace mission, involving countries well-removed from the conflict and from the region. We applaud this suggestion, even if it does not seem realistic to implement it at the moment. We worry, however that the current mission may fall victim to the events in Ukraine in such a way as to re-ignite tensions. So we urge the capitals to mitigate this risk by solidifying a peace deal, and committing to the protection of human rights in the conflict zone, especially for returning IDPs.

One contributor asks "are we ready and able to initiate an architecture of peace, security and cooperation?" If we were optimistic at the start of the year, now, we are not so sure of what the future might look like. All the more reasons to not ask questions to which we do not want an answer, and simply forge ahead and do it.

PART IV: Policy Recommendations

Policy Recommendations

Regional Stability in the South Caucasus Study Group

Executive Summary

The Regional Stability in the South Caucasus Study Group (RSSC SG) met 24-27 March 2022 in Naples, Italy, discussed and subsequently agreed on a number of policy recommendations:

1. To initiate discussions among interested participants to set the ground work for a handbook on building resilience to human security threats. This handbook would be based on the subject matter of the 23rd RSSC SG workshop, and focus on energy security/diversity, demographic security, and food security.

2. To transform the peacekeeping mission on the Line of Contact (LoC) between Armenian and Azerbaijani forces into a peacebuilding mission, ostensibly when the current mission comes to an end in 2025.

3. To have Armenia, Azerbaijan and Georgia take advantage of the zero tariff conditions of manufacture to export to the EU market in compliance with EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA).

4. To leverage Georgia's position to create a certification centre with a view to facilitating exports to the EU from the South Caucasus.

5. To focus on the re-establishment of power lines to bring greater energy diversity to the region. In this view, some participants are urged to reach out to technical experts to generate more precise recommendations in upcoming workshops.

Introduction

The 23rd workshop, which was held in Naples from 24 to 27 March 2022, resumed with the topical program envisioned in March 2020. This workshop revisited the prospects of economic and infrastructural integration as levers for peacebuilding across the South Caucasus. However, since March 2020, the world has had to reckon with Russia's foolhardy invasion of Ukraine, which throws doubt over the viability of the OSCE based cooperative security system, as well as on the roles of multilateral organizations and mechanisms in conflict prevention, management, and resolution. In other words, this topic has emerged – two years later – as more pertinent than ever, especially in view of the RSSC SG's goal of helping the South Caucasus develop its own "strategic persona".

What follows is a brief description of the debates that took place, capped by policy recommendations. The co-chairs thank all the participants – whose recommendations these are – and the organizers for this workshop.

PANEL 1: The European versus Eurasian Integration Dilemma in 2022 (and beyond)

Panellists here spoke of how the Armenians and Azerbaijanis "knew" each other, and how, although the relationship had been conflictual for more than a quarter of a century, the potential for economic integration was greater than the threat of further disintegration. Integration is possible, but each country has different political and economic interests, strategies and policies. The need to harmonize the varying models of economic integration in the region is paramount. In this respect, the fate of Russia may affect Armenia's integration model. Meanwhile, there is Georgian-Armenian free trade, and Azerbaijan's economy that would benefit from additional diversification opportunities. One way to harmonize these various models might be to revisit the potential of the GUAM (Georgia-Ukraine-Azerbaijan-Moldova) organization, particularly if Armenia eventually decided to join it. Others were sceptical about this option. A few panellists anchored their argument on concrete infrastructure projects, across South Caucasus borders and towards Turkey (and hence, one assumes, towards the European Union). Celebrating the active participation of the European Union in such projects, the EU also supports the twin normalization processes between Armenia and Turkey, as well

as between Armenia and Azerbaijan. To some panellists the EU is keen on supporting with financial resources, but it is woefully short on vision. In other words, investment does not make integration. However, the presence of Russia in the equation (subsequent to its rapprochement with Turkey over the last decades) throws a complex variable into the equation. In some respects, the idea of South Caucasus integration hinges mostly on the peace between Armenia and Azerbaijan. In turn, this depends mostly on applying best international standards on guarantees for the protection of national minorities from Azerbaijan.

To others, there is a need to distinguish between pre- and post-44 days war over Nagorno-Karabakh. In any case, the diplomatic path is the correct one to take. Certain realities need to be taken into account; the Shusha Declaration emphasizes the Turkish key role in regional security, while the Moscow Declaration ensures that Russian concerns are acknowledged. GUAM discussions that took place in January 2022 in Kyiv point to Azerbaijan's increased influence and presence. But in addition to this, the region as a whole must reckon with the added Turkish strategic relevance in the region.

In addition to realities on the ground, the region must take into account the geopolitical processes at three levels; United States-Russia, EU-Russia and Iran-Turkey-Russia, in which Russia is the main player. In this respect, the Russian aggression of February 2022 has produced new realities and new opportunities. It has put a special onus on economic cooperation in the region, building upon the freedom of movement of goods, services, capital, and people. The key remains peace between Armenia and Azerbaijan, or at least normalization of their relations in the wake of signing a comprehensive Peace Agreement. In effect, the South Caucasus could possibly aim at creating a "Euro-region" where a common market between the three states, and a common security system, buttressed by a political statement on co-existence, and security guarantees would operate. These in turn would create other conditions for success, such as regional attractiveness and better living standards. However, there needs to be stronger financial and economic support from the international community (foremost from the EU); and solutions of a practical nature.

PANEL 2: Recent Developments in Regional Economic Integration and Infrastructure Building and Plans

This panel was more descriptive in nature and aimed at showing the realm of the possible, and stimulating the imagination by forcing the participants to consider the implications of infrastructural development on society.

Some panellists outlined the extensive security-economic (and therefore political) cross-pollination in Georgia. This cross-pollination is political because large commercial and financial projects are driven by or at the very least connected to personalities with strong interests in the region. The preservation of those interests involves securitization, which means that security links will likely dominate over economic links. In any case, a structurally-stable South Caucasus is the necessary pre-condition for sustainable peace. It is difficult to get rid of the idea that infrastructure can serve war and peace simultaneously. A step in the right direction would be to have infrastructure connectivity help break the relative Armenian (and Iranian) isolation. Such a project would be the development of high-voltage lines that would bring energy diversification to the whole region.

Other panellists see the development of infrastructure as geopolitical game-changers. For instance, the railway communications projects of Azerbaijan, seeking to link Azerbaijan to its exclave Nakhichevan via Iran are of great logistical importance for they reduce the weight of the Zangezur Corridor, and the Armenian leverage over that corridor. Simultaneously, the Zangezur Corridor was seen as a "threat" of sorts to Armenia. As long as the projects will have a "South Caucasus" origin, it will be difficult, it seems, to not see them as attempts to gain a strategic regional advantage. Thus, the need to attract outside investors can help the peacebuilding potential of infrastructure projects, which in turn can help bring the region closer to the EU, and thereby boost public diplomacy and economic cooperation.

Another panellist saw in such a scheme a worthy logistical and social development system of communications which avoided Russian dependence by emphasizing the East-West direction. However, this system might be perceived as a competitor to the North-South dimension of trade relations between Russia and the Middle-East (by way of Iran). Therefore, South Cau-

casus political and economic integration may benefit from the regional powers and other interested external actors (most notably, the EU and China) having agreed on their shared interests over regional lines of communication.

PANEL 3: Leveraging Economic Integration and Infrastructure Connectivity in the Service of Peace

One panellist presented briefly the outcomes of a research project on "Economic Incentives as Peace Building Tools in the context of the Nagorno-Karabakh Conflict" (2012-2015), which aimed to turn the economic dialogue between Armenia and Azerbaijan from an instrument of information warfare into an incentive for future peace. A few methodological options were considered for building up, and leveraging such a public debate. While both parties have acknowledged their historical, and socio-political differences, they also recognize that having a "Blueprint/Roadmap for Regional Economic Development and Infrastructure Integration in the South Caucasus" would be a worthwhile joint effort, in which Georgia might be also interested to join. In principle, although the findings of this project remain technically relevant and valid, the implications of the current great powers' competition need to be reviewed. In particular, the risks for the South Caucasus states being cut from the Western/European economic and infrastructure integration, and increasingly integrated with Eurasia and/or more closely linked to the Middle East should be assessed and mitigated.

Georgia remains a major beneficiary of East-West connectivity. The official strategic goal of the Georgian government is to expand this connectivity and establish Georgia as a hub between East and West. Economically and commercially speaking, Georgia, thanks to its numerous free trade agreements, is "non-aligned". This non-alignment is supported by the fact that Georgia is close to the needs of other countries in the region. All compete for trade corridors and all need to modernize infrastructure. The logical conclusion would be to make the region as a whole more competitive. This competitiveness could be generated by the evidence that a commercial hub like Tbilisi could help connect suppliers in the Caspian and beyond to the West.

To other panellists, this is all well and fine, but a general precondition would be for regional actors to honour existing conventions faithfully, arrive at

non-use-of-force agreements between all countries, open borders and guarantee respect for human rights. The promotion of contrary ideological notions must be stopped. Rather, it is the region itself which should develop its own strategic objectives with due consideration of human security threats (food, energy, demographic, financial, transportation, health, environmental, poverty) and regional hegemonic interests. In order to do this, actors should concentrate on commonalities, and address them frankly. When there are competitive advantages, these should be leveraged to the advantage of the whole region.

BREAKOUT GROUPS: Minerva – Strategic Peacebuilding and International Peace Support Groups in the South Caucasus

This interactive discussion was initially meant to start more detailed discussion on how to make use of the innovative ideas for a new regional security initiative proposed in previous RSSC SG workshops to support Track 1 negotiations, as well as capacity building aiming to create a common strategic culture supportive of peace in the South Caucasus. The discussion started with an introduction by Dr. Elkhan Nuriyev. While the generous ideas for "Eastern Peacefare" to be nurtured by multilateral dialogue within an "Eastern Table" were unanimously welcomed and agreed, the associated governance proposals of this initiative proved highly controversial among participants. That was most likely due to the ongoing Russian war in Ukraine largely highlighting the current irrelevance of the UN and OSCE collective security systems.

Eventually, since building consensus on this new security initiative proved unlikely, the moderators decided to shift the focus of this Break-out Group towards a more pragmatic approach which focused on what the three South Caucasus states could do together, thereby leaving aside the controversial role of external powers in leveraging such initiatives in line with their regional interests. This shift stimulated a much more productive trilateral economic dialogue on elements which might be included into a Joint "Blueprint/Roadmap for Regional Economic Development and Infrastructure Integration": the diversification of regional trade; setting up a fund that would support joint trade, industrial, and other enterprise-based projects; setting up a Joint Economic Commission and sectorial regional associations; building-

up economic dialogue of businesses and civil societies; defining and coordinating the role of the medias both in conflict management and resolution, and in supporting regional economic and infrastructure projects; supporting Public Private Partnerships (PPP's) in particular in areas relevant to EU's Green Deal, such as renewable energy joint ventures and EU partnerships; climate change and water management. Relevant new infrastructure projects could be also discussed.

BREAKOUT GROUPS: Mars – The Peacekeeping Mission in Nagorno-Karabakh

This initiative was put forward by the RSSC SG co-chairs in order to examine and warn regional actors of the risks of spoilers to the peacekeeping mission. It is acknowledged that the new situation on the ground, between Armenia and Azerbaijan, does not make unanimity, but it is, in the estimation of the RSSC SG co-chairs, the best opportunity on which to build a stable peace in the region. Since there are agents who may be against the establishment of a peacekeeping mission, it was deemed necessary to attempt to foresee risks to this mission.

Discussions revealed that there was no clear (or formal) mandate for this peacekeeping mission, meaning that Russian troops there developed different roles as situations warrant at different points of the Line of Contact. Also, there are no clear Rules of Engagement (RoE). In many ways, the risks to the peacekeeping mission are aggravated by the fact that there is not the consent of all the belligerents – Azerbaijan prefers a bilateral mandate with Russian forces.

The five-year duration of the mandate – the end of which is arriving soon – forces events on actors. The centres of gravity of this peacekeeping mission are threefold; the protection of Azerbaijani sovereignty, the protection of Armenian rights within that sovereignty, and the geopolitical and other interests of the Russian Federation. Since there are many interests at play – full sovereignty, protection of minorities, withdrawal of foreign forces, and, for Russia, the liberation of its soldiers to sustain aggression in Ukraine – the risks to the fragile peace at local level increase exponentially.

GENERAL POLICY RECOMMENDATIONS

Workshop participants urged – based on recommendations made at the previous November 2021 Reichenau workshop – to not sit and wait, but agree on a common project. The main objective is to tentatively focus on building resilience across a broad range of human security threats. How to move from collecting and acknowledging best practices to writing effective strategies and policies? "Strategies and policies" here are understood as regional, national and sub-national, i.e. as seen from the civil society, local communities and businesses levels. Using the power of the PfPC and the EaP networks, the RSSC SG proposes undertaking a new project tentatively aiming to distillate current best practices on building resilience against common human security threats into effective strategies, policies and concrete measures. A common vision over the future should be translated into a comprehensive list of common regional goals and objectives to be pursued over the next five to ten years. This, in turn, should lead to a deeper common security threats assessment. The PfPC/RSSC SG experts' group in charge with developing this project should also look at the competitive advantages of each country, and should adjust their joint human security efforts to their individual political and security agenda. Ostensibly, this could be the second deliverable of the new Handbook product by the PfP Consortium (PfPC). It is proposed to have a first online discussion in spring/summer 2022 that would have the following task:

1. Assess formal appetite in undertaking such a project;

2. Define an audience, scope of enquiry, tentative table of contents for the work, timelines, and resources;

3. Establish the way ahead for future deadlines for the production of this handbook.

Subsequently, a half-day Project Management Meeting, held back-to-back to the next Reichenau workshop, in November 2022, could further develop this project.

The Mars Sub-Group Recommends the Following:

1. Use the remaining three years of the current mandate to formalize the peacekeeping mandate and use the remaining three years of the current mandate to launch an international conference on the possible peacekeeping options and lay the ground work for a transformation of the mission towards peace-building past 2025.

2. Urgently call a high-level conference of all interested parties with the aim of drafting a peacebuilding agenda, plan for the return of internally-displaced persons (IDPs), training local officials, enhance civil society activity to stimulate foreign direct investment (FDI), election reforms, and measures to guarantee Armenian rights.

3. The current peacekeeping mission should be more transparent. An objective information assurance structure should be set up with the task to investigate cease-fire breaches and their consequences. This structure could take the form of a Georgian-Armenian-Azerbaijani civilian mission (a 'Caucasian House' of sorts).

4. All participants of this breakout group agreed that respect for the statements and agreements reached on 14 December 2021 at the European Council-sponsored meeting between the Armenian and Azerbaijani leaders should be maintained.

The Minerva Sub-Group Recommends the Following:

1. Armenian and Azeri enterprises should cooperate with Georgian enterprises for production of Georgian goods which include (in accordance with the EU-Georgia DCFTA Rules of Origin) Armenia/Azerbaijan produced components and benefit from zero tariff duties while exporting to EU markets. In the future the same approach could be used for South Caucasus products selling to EAEU markets via Armenia.

2. When the war in Ukraine is over and the settlement in place and the sanctions lifted, EU and Russia should discuss further the approximation of their regulatory systems.

3. In the near future, Georgia will develop laboratories and certification bodies, which would be recognized by the EU, which would make it easier for Armenian and Azeri producers to certify their export products for the EU in Georgia. Relevant authorities should carry out consultations on this.

4. Georgia and Armenia (since they are members of distinct regional integration arrangements) should develop a unified approach towards certification. Georgian goods destined to EAEU markets could be certified by a Georgian branch of the Armenian Certification body and vice-versa. Azerbaijan could discuss using certification bodies from both Georgia and Armenia to pursue its exports to EU and EAEU countries, respectively, after the conclusion of a Peace Agreement.

5. Regional states should initiate a "South Caucasus Triangular Dialogue" that would consist of cooperative trilateral contact groups of government officials and civil society organizations. Those contact groups should interconnect their work so that dialogue is not just carried out between governments, but also between governments and civil society organizations, who could contribute important on-the-ground knowledge to inform policies. (Dr. Elkhan Nuriyev, L&M Political Risk and Strategy Advisory, Vienna).

6. Any external actor which aims to contribute to peacebuilding in the South Caucasus should either: deploy economic projects that support public diplomacy, or boost economic cooperation in the region through concrete business projects. Cooperation between entrepreneurs may enlarge possibilities in the political field.

These policy recommendations reflect the findings of the 23rd RSSC workshop on "Peacebuilding through Economic and Infra-structure Integration in the South Caucasus", convened by the PfP Consortium Study Group "Regional Stability in the South Caucasus" in Naples, Italy, 24 – 27 March 2022. They were prepared by Frederic Labarre (Royal Military College of Canada, Kingston) and by Dr. George Vlad Niculescu (European Geopolitical Forum, Brussels) on the basis of the proposals submitted by the participants. Valuable support in proofreading and lay-outing came from Mirjam Habisreutinger (Austrian National Defence Academy, Vienna).
The Co-chairs are grateful for the input of all participants, including the comments received from: Ahmad Alili, Dr. Elkhan Nuriyev, Ayaz Museyibov and Oktay Tanrisever.

List of Abbreviations

AA	Association Agreement
ABL	Administrative Boundary Line
ADB	Asian Development Bank
ADC	Anaklia Development Consortium
ASEAN	Association of Southeast Asian Nations
BSEC	Black Sea Economic Cooperation
BSR	Black Sea Region
CBMs	Confidence Building Measures
CEPA	Comprehensive and Enhanced Partnership Agreement
CIS	Commonwealth of Independent States
CSTO	Collective Security Treaty Organization
DAC	Development Assistance Committee
DCFTA	Deep and Comprehensive Free Trade Area
EAEU	Eurasian Economic Union
EaP	Eastern Partnership
EFTA	European Free Trade Association
EGF	European Geopolitical Forum
ENP	European Neighborhood Policy
EU	European Union
EUMM	European Union Monitoring Mission
FAO	UN Food and Agriculture Organization
FIZ	Free Industrial Zone
FPS	Foreign Policy Strategy
IBRD	International Bank for Reconstruction and Development
IDPs	Internally Displaced Persons
IPAP	Individual Partnership Action Plan
LoC	Line of Contact
NK	Nagorno-Karabakh
ODA	Official Development Assistance
OECC	Organization for Economic Cooperation in the Caucasus
OECD	Organization for Economic Co-operation and Development
OSCE MG	Organization for Security and Co-operation in Europe Minsk Group
PA	Peace Agreement

PESCO	Permanent Structured Cooperation
PM	Prime Minister
SCP	South Caucasus Pipeline
SGC	Southern Gas Corridor
SME	Small- and Medium-Sized Enterprises
SOCAR	State Oil Company of Azerbaijan Republic
TAANaT	Turkmenistan-Azerbaijan-Armenia-Nakhchivan-Turkey-Gas Pipeline
TANAP	Trans Anatolian Natural Gas Pipeline
TAP	Trans Adriatic Pipeline
TDFR	Transcaucasian Democratic Federative Republic
TENT	Trans-European Transport Network
TITR	Transcaspian International Transport Corridor
TRACECA	Transport Corridor Europe-Caucasus-Asia (*also*: Eurasian Transport Corridor)
WB	World Bank
WREP	Western Route Export Pipeline

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The South Caucasus has potential for economic and infrastructural integration. However, multilateral trade and economic arrangements seem to be associated against the interests of alleged regional powers. No wonder that trade blocs are seen as a reflection of geopolitics.

Nevertheless, currently, the biggest risk for the South Caucasus region and states, ensuing from the possible outcome of the war in Ukraine, is related to the possibility of being split by the "Iron Curtain" of the new Cold/Hybrid War. Therefore, the 23rd meeting of the PfP Consortium Study Group in March 2022 strived to cement the idea that trade is supposed to surpass the limitations of geopolitics.

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