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Meister, Stefan

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Geopolitics of Infrastructure and Connectivity in the South Caucasus: The Case of Armenia and Azerbaijan

Stefan Meister (German Council on Foreign Relations, DGAP)

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Abstract

Russia's large-scale invasion of Ukraine since February 2022 and the Second Nagorno-Karabakh War in autumn 2020 have changed the power and security balance in the South Caucasus. Both events have had a strong impact on connectivity and infrastructure in the region and beyond. As a result, the role of the South Caucasus in connecting Asia and Europe, as well as Russia and the Middle East, will increase. Simultaneously, the imbalance between Armenia and Azerbaijan in the conflict over Nagorno-Karabakh and the confrontation between Russia and the West will undermine cooperation and connectivity in the region. Rather than serving the interests of the societies and countries of the South Caucasus, the weaponisation of corridors and infrastructure is embedded in processes of geopolitical and power competition.

Reshaping the Security Balance

While the Russian-brokered ceasefire agreement after the Second Nagorno-Karabakh War between Armenia and Azerbaijan in November 2020 and the deployment of nearly 2000 'peacekeepers' lacking international recognition to the disputed region have strengthened Moscow's role in the South Caucasus, the war in Ukraine since February 2022 has weakened Russia's broader position as a security player.[1] Russia has sent parts of its 'peace forces' from Nagorno-Karabakh and regular troops from its military base in Armenia to Ukraine, replacing these professional troops with conscripts. Russia will still remain a key security actor with its military presence in Armenia, Azerbaijan, and Georgia, and will maintain its capability to impact regional security. Yet, with its (military) resources bound up in Ukraine and with Western sanctions leading to a shift of transit routes and Russian priorities, Moscow will have to make more compromises with Azerbaijan and Turkey in the South Caucasus likely at the costs of Armenia. Simultaneously, Russian leadership will undermine any European or US attempt to help solve regional conflicts and to increase the Western role in regional security and connectivity, as this would further challenge its position as regional hegemon.

Moscow's criticism of the facilitation format provided by European Council President Charles Michel, who organised several meetings between the leaders of Armenia and Azerbaijan, and the EU monitoring mission on the Armenian border with Azerbaijan shows how much the Kremlin sees the EU as a competitor in the region (Kucera 2023a; Rzayev/ Mammadov 2023). The key multilateral format on the conflict in Nagorno-Karabakh, the OSCE Minsk group (with its co-chairs France, Russia and the US), stopped functioning because of disagreements between Russia and the two Western countries and Azerbaijani disinterest in French participation in the negotiations.[2] Turkey has increased its importance in regional security as the key military supporter of Azerbaijan and through its role as a node for trade and transit for both Russia and the EU. Iran, the third major regional player, has seen its influence diminish due to the rise of Turkey and its closest regional partner, Armenia, losing the war. Teheran's policy of maintaining the status quo in the region has failed to come to terms with the current dynamics, and domestically, the regime faces a deep legitimisation crisis. Iran is concerned about Azerbaijan's possible control of the so-called 'Zangezur corridor' on the Armenian side of the border with Iran (Rzayev/ Mammatov 2023), and the conflict with Baku has been further exacerbated after an attack on the Azerbaijani embassy in Teheran (Globe 2023). All of these changes will contribute to the creation of a new regional order and security balance. What role the EU will play in this reshaping with its Eastern Partnership policy (EaP), is not yet decided.

Changing Interests in Transit and Connectivity

Although the new geopolitical and security situation provides opportunities, it also creates new constraints for

1 Заявление Президента Азербайджанской Республики, Премьер-министра Республики Армения и Президента Российской Федерации [Statement by the President of the Republic of Azerbaijan, the Prime Minister of the Republic of Armenia and the President of the Russian Federation], kremlin.ru, 10 November 2020. Available at: http://kremlin.ru/events/president/news/64384 (accessed 22 February 2023).

2 'Russian Foreign Minister Sergei Lavrov has stated that France and the United States are refusing to work with Russia in the OSCE Minsk Group, which has been tasked, since 1992, to help resolve the Nagorno-Karabakh conflict', https://twitter.com/OCMediaorg/status/1512425755023749122, OC-Media, 8 April 2022 (access 24 March 2023).

connectivity in the region. As parts of the Middle Corridor, the Caspian Sea and Kazakhstan (Trans-Caspian International Transport Route) are gaining increasing importance in regard to trade between Europe and Asia, as well as alternative sources to Russian oil and gas supply to the EU via the South Caucasus. With comprehensive Western sanctions against Russia and the near shut-down of the Northern Transit Route between Europe and Asia via Russia, the need for new trade routes between Asia and Europe means greater engagement with countries such as Kazakhstan, Azerbaijan, and Georgia in areas such as infrastructure investment, customs regime harmonization, and border management and governance. Security, connectivity, and energy policy will become major interrelated areas of the EU neighbourhood policy towards the South Caucasus. While these aspects are so far not sufficiently reflected in the EaP 'Connectivity and Central Asia' strategy, they are discussed by the member states and the EU institutions as key areas for EU cooperation with the Eastern neighbours (European Parliament 2022). The current debate about updating the EU's neighbourhood and enlargement policy, which includes a discussion about connectivity, infrastructure and energy transit, is still lacking substantial new policy elements (Meister et al. 2023).

Both Russia and the EU have an interest in investing in infrastructure in the region. At the same time, Russia and the West's contradictory perceptions of security and order are reflected in regional conflicts, particularly the conflict over Nagorno-Karabakh, and carry a disruptive effect for any investment. With its victory in the Second Nagorno-Karabakh War, Azerbaijan has not only gained back the seven surrounding regions, but now controls parts of the region itself, including the symbolically important city of Shusha. Only the Russian-backed ceasefire agreement prevented Baku from taking the whole region inhabited by Karabakh Armenians. The agreement furthermore allowed Russia to deploy 'peace forces' on Azerbaijani land and to become a guarantor of security for the Lachin corridor as the only link between Armenia and Nagorno-Karabakh, as well as a possible new corridor through Southern Armenia along the border with Iran.

The ceasefire agreement stipulated that Russian 'peace forces' would guarantee transit and communication between Armenia and Nagorno-Karabakh and that a corridor between Azerbaijan and its exclave Nakhichevan crossing Armenian territory would be created. While Russian 'peace forces' have not been able to guarantee transit through the Lachin corridor since December 2022, the agreed so called 'Zangezur corridor' through the Southern Armenian region Syunik has not yet been created because of differences in terms of status and border controls for entering the transit route (Kucera 2023b). Since December 2022, so-called environmental activists have blocked access through the Lachin corridor, creating a shortage of food and fuel supply for the Karabakh Armenians living there (Kitachayev 2023). This blockade has ended only in May 2023 with the establishment of a checkpoint by Azerbaijan on the entrance of the new road to the Lachin corridor close to the Armenian border. While the official number of people living in Nagorny-Karabakh is 120,000 people, the real number is most likely much smaller. The main dispute concerns the control over access through and along the corridor. Baku demands transit to its exclave without border controls, while the Armenian government is only willing to accept access to its territory controlled by its own customs and border forces. Russia taking full control of the corridor or Armenia not being able to control who enters the transit route could disrupt trade between Iran and Armenia. This would isolate Armenia even further, especially since its border with Turkey has been closed since 1993 in the context of the First Nagorno-Karabakh War, and the only access to its most important trading partner Russia is via an already overloaded route through Georgia. Armenia, currently the weakest actor in the region after losing the war, is thus in a very vulnerable situation lacking bargaining power.

While Russia has an interest in keeping its 'peace forces' in the disputed region to strengthen its bargaining position vis-a-vis Azerbaijan, the connection to Turkey via the territory of Armenia is becoming more important for all actors. The North–South transit route from Russia to Iran via Azerbaijan, as well as trade via Turkey, are key to Moscow. With Russia's increasing interest in improving transit and trade with its key ally Iran, these routes provide access to the Middle East and, in particular, Turkey, which has also become a major trade hub for a Russia keenly interested in circumventing Western sanctions — trade between Russia and Turkey increased by 87% in 2022 (Bourcier 2022). This interest is shifting Russia's priorities in the South Caucasus.

Securitisation of Connectivity

As long as the border between Armenia and Azerbaijan is not demarcated and there is no agreement between both countries on the status of Nagorno-Karabakh, as well as the border regime for the relevant supply corridors, every discussion about transit and infrastructure in the region will raise security and sovereignty concerns. The securitisation and weaponisation of corridors, infrastructure, and trade routes have a counterproductive effect on human security as well as connectivity and infrastructure investment. The EU's interest in buying more oil and gas from Central Asia and the Caspian region as well as in investing in the Middle Corridor to Asia creates concerns, above all in Armenia,

about the EU's willingness to compromise on the security situation of that country as well as the rule of law and human rights in Azerbaijan (Quinn 2022). However, even if these are not in fact at risk, without greater EU engagement in regional conflict resolution to help to internationalise the negotiations among the conflict parties, providing peacekeeping and monitoring missions as well as negotiation platforms, there will be no opportunity to de-securitise transit and infrastructure. If the EU does not engage in cases of regional conflict resolution as an honest broker, any infrastructure investment will be seen purely in the context of broader tensions with Russia. Looking at connectivity merely from an investment and technical perspective ignores the geopolitical implications and risks a deadlock, as is currently the case between Azerbaijan and Armenia.

Infrastructure and control over trade routes are traditionally key elements of projecting power and enforcing interests in the South Caucasus. When Azerbaijan built the South Caucasus (Gas) Pipeline (SCP) and the Baku–Tbilisi–Ceyhan (BTC) oil pipeline with the support of the US government in the 1990s and 2000s, the main goal was to develop alternative transit routes to Europe to become independent from transit via Russia. The Southern Gas Corridor has the potential to make a bigger contribution to the EU's energy security in the future. It consists of the SCP, the Trans-Anatolian Pipeline, and the Trans-Adriatic Pipeline. This infrastructure has improved Baku's bargaining position towards Moscow and made a balancing policy between Russia and Western countries possible in the past decade. There is now a discussion to increase the volumes of oil and gas flowing through these pipelines, but there are limits to this set by production and infrastructure. Currently, Azerbaijan supplies the EU with only 2% of its gas.[3] The European Commission signed in July 2022 a memorandum with Baku to double the annual supply of Azerbaijani gas to 20 billion cubic metres by 2027.[4] Additionally, a new project agreed upon between the leaders of Azerbaijan, Georgia, Romania, and Hungary is the construction of an electricity cable running under the Black Sea to transport renewable energy from Azerbaijan (and possibly also Georgia) to Europe.[5]

The Russo-Georgian War in 2008 confirmed to the Azerbaijani government that Western countries would not guarantee the security of any South Caucasian state. Russia even threatened the pipelines running across Georgian territory to Turkey. The consequence was a rapprochement with Russia and, to a greater extent, with Turkey. Now, with its victory in the Second Nagorno-Karabakh War and the increasing interest in transit via the South Caucasus, Azerbaijan has improved its bargaining position towards the EU. For Georgia, this new situation also provides the opportunity to establish itself as a transit hub for Russia and Azerbaijan, as well as Turkey and Europe, on both the North–South and East–West routes. For Russian leadership, Azerbaijan has become more important in terms of trade and transit.

Given that the opening of the border between Turkey and Armenia is dependent on a peace agreement on Nagorno Karabakh, there will be no opportunity for additional trade routes for Armenia other than through Georgia as long as it has not agreed on the status of the disputed region with Baku. This illustrates how the disruption of transit is linked to securitisation in the region. In 2017, the Baku–Tbilisi–Kars railroad opened, linking the Caspian Sea with Turkey via Azerbaijan and Georgia. There are plans to increase the transport capacity of this line by a factor of five (van Leijen 2022). This railway line has created a new reality: even if its border with Turkey were to be reopened, the route completely side-lines Armenia in terms of rail connectivity in the Middle Corridor. Both Caspian and Black Sea ferries and port services face limitations in terms of rail throughput capacity: even if both Azerbaijan and Georgia invested in the modernisation and the expansion of capacities of railway traffic, the bottlenecks via the two seas and ports persist. Investment in the Azerbaijani and Georgian ports is already underway, but this will improve the situation only in a couple of years (Eldem 2022). The Turkish railway system, in particular, is not ready for increased overland transit.

Outlook

The EU and European funding institutions like the European Bank for Reconstruction and Development and European Investment Bank are already major investors in infrastructure in the South Caucasus region and beyond. They aim to facilitate connectivity in Central Asia and the South Caucasus and a broader transition towards a sustainable, climate-neutral growth model. Despite growing Chinese investments in line with China's Belt and Road Initiative (which aims to integrate

3 'Energy Outlook', bp.com, 30 January 2023, https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html (accessed 21 February 2023).

4 'Four countries offer help to boost Azeri gas supply to Europe', Reuters, 30 September 2022, https://www.reuters.com/business/energy/four-countries-offer-help-boost-azeri-gas-supply-europe-2022-09-30/#:~:text=The%20European%20Commission%20in%20July,production%20and%20export%20to%20Europe (accessed 25 March 2023).

5 'Hungary, Romania, Georgia, Azerbaijan agree to Black Sea electricity project', RFE/RL, 17 December 2022, https://www.rferl.org/a/romania-hungary-azerbaijan-georgia-electric-cable-black-sea/32180990.html (accessed 24 March 2023).

economic spaces in Asia, Europe, and Africa through different kinds of connectivity investments), these European institutions and the Central Asian Development Cooperation Instrument are the biggest investors in infrastructure in Central Asia and the South Caucasus (Kalkschmied 2022). Caspian oil and gas are already playing a role in the European market, and its importance in terms of volume and diversification of suppliers will only grow (Roberts/ Bowden 2022). The Middle Corridor will potentially become more important in trade between Europe and Asia, but it will need more investment in ports, railway, and highway infrastructure. It is interlinked with the Global Gateway Initiative of the EU, which aims to invest in different kinds of infrastructure, connectivity, health, and education and compete with China's BRI. Nevertheless, it still lacks sufficient funding (Koch 2022). The security situation in the Black Sea region will have a major impact on trade and transit routes; here, the outcome of the war against Ukraine will play a major role.

The South Caucasus as a connection between Asia and Europe, as well as Russia and the Middle East, will play a bigger role in the global trade routes. It is a region where geopolitics, security and economic interests are closely interlinked. Both the Second Nagorno Karabakh War and Russia's aggression against Ukraine have had a strong impact on the regional security balance and infrastructure projects. The overlap of intra-regional conflicts and external actors' interests creates a new dynamic in the context of the Russian aggression against Ukraine. Especially infrastructure and connectivity are major areas where different actors compete, and which are used to gain more influence in the region. Therefore, connectivity cannot be developed without taking security and geopolitical interests into consideration. On the contrary, these issues are highly interlinked and can only be developed for the benefit of local and regional societies through a process of de-securitisation. The latest trends in the conflict between Armenia and Azerbaijan point in a different direction.

The stronger focus of the EU on bilateral relations with EaP countries and its redefinition as a security actor in the neighbourhood by member states follows the trends of securitisation and exclusive relations with each country. The EaP, as a framework policy for the entire neighbourhood, should explore the possibilities of linking connectivity and trade investment with the EU's role as a peace actor in regional conflicts. It should connect the different post-Soviet regions and policies from Eastern Europe to the Black Sea, the South Caucasus and on to Central Asia. Even if there is additional potential for gas supply from Azerbaijan, Kazakhstan, and Turkmenistan to Europe, this would require huge investment, particularly for the Trans-Caspian link, which will not be available soon. Here the EU should understand this investment not purely economically, but also in geopolitical and security terms, with the goal of integrating post-Soviet countries with the EU and exporting its norms and standards to the region to increase welfare, rule of law, and good governance. The internationalisation of the conflict settlement processes through a bigger role of the EU in South Caucasian regional conflicts is a precondition for peace, investment and connectivity in the region.

About the Author

Stefan Meister is Head of the Center for Order and Governance in Eastern Europe, Russia and Central Asia at the German Council on Foreign Relations (DGAP) in Berlin. From 2019 to 2021 he was the director of the Heinrich Böll Foundation in the South Caucasus.

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