Policy Paper

Bringing Peace to the South Caucasus?

The EU in the Armenia-Azerbaijan Peace Process

Aldo Ferrari, Eleonora Tafuro Ambrosetti

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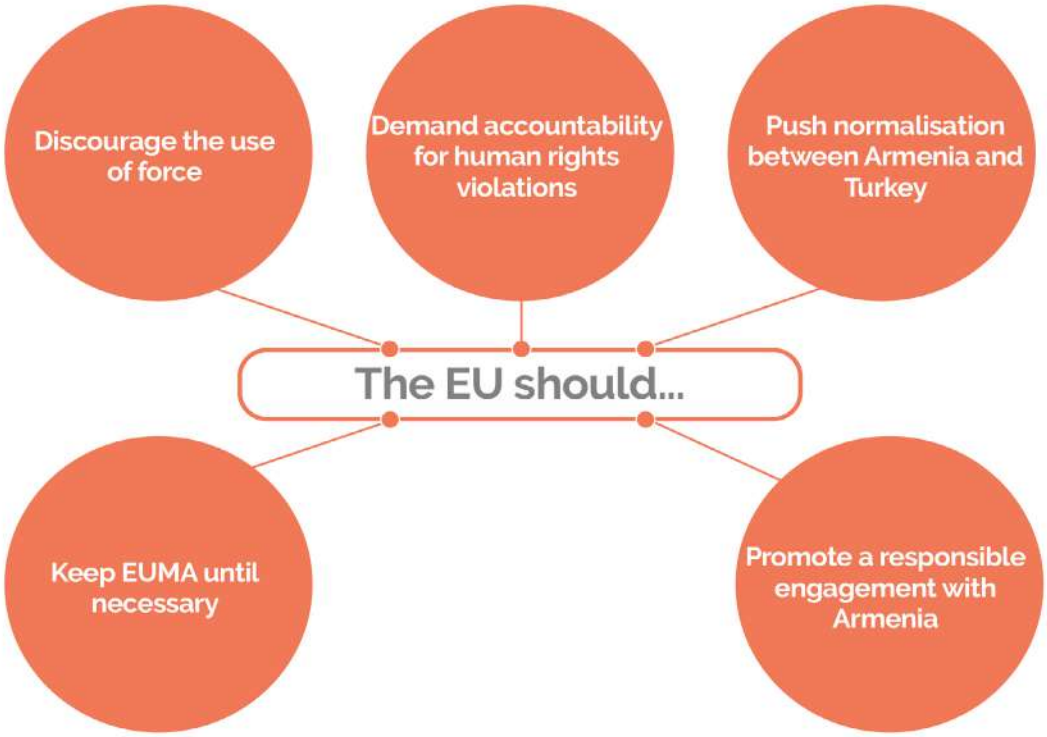
RUSSIA
GEORGIA
CASPIAN SEA
FORMER NAGORNO-KARABAKH OBLAST
ARMENIA
Yerevan
AZERBAIJAN
Baku
TURKEY
Nakhichevan
IRAN


Discourage the use of force
Demand accountability for human rights violations
Push normalisation between Armenia and Turkey
The EU should...
Keep EUMA until necessary
Promote a responsible engagement with Armenia

In Brief

In September 2023, Azerbaijan attacked the Armenian-controlled area of Nagorno-Karabakh – Artsakh in Armenian. This territory, formally part of Azerbaijan but de facto controlled by Armenians, had been at the centre of a bloody conflict between Baku and Yerevan that lasted for over 30 years. The Azerbaijani offensive only lasted for 24 hours and led to the capitulation of the breakaway republic, putting an end to Nagorno-Karabakh's history as a self-proclaimed entity. A mass exodus of about 120,000 people to Armenia began. For years now, Armenia and Azerbaijan have been negotiating a peace agreement that could bring about many potential "peace dividends" in terms of economic development, trade and regional connectivity, and social reconciliation between the two peoples. However, the two parties are yet to finalise this agreement, despite progress made in bilateral talks and numerous mediation attempts by the European Union (EU). After a brief historical overview, we shall review the main points of the controversy on both sides, the obstacles to long-lasting peace, and the stakes for the EU. The final section provides a few policy recommendations for the EU.

What's at Stake

1988

Start date of the Nagorno-Karabakh conflict

A BRIEF HISTORY OF THE CONFLICT

The origin of the Nagorno-Karabakh conflict can be traced back over a century.[1] The years following the collapse of the Russian Empire and the birth of the short-lived independent republics of Armenia and Azerbaijan (1918-1920) saw fierce confrontations between Armenians and Azerbaijanis for the control of three ethnically mixed regions: Zangezur, Nakhichevan and Nagorno-Karabakh. These three regions saw violent inter-ethnic clashes and dynamics of ethnic cleansing. After the Sovietisation of the two Caucasian republics, Moscow decided that Zangezur would be given to Armenia (in 1922, the Armenian population was the majority), Nakhichevan and Nagorno-Karabakh to Azerbaijan. However, Nagorno-Karabakh – mostly inhabited by Armenians– received the status of an Autonomous Region while Nakhichevan (Naxçivan in the Azeri language), where Azerbaijanis were only 60% of the inhabitants in 1917,[2] was established as an Autonomous Republic, therefore with greater autonomy. In the following decades, Nakhichevan saw the almost complete disappearance of its Armenians, but in Nagorno-Karabakh, the process of de-Armenisation took place only to a limited extent, with Armenians still making up 75% of the population in 1989. However, the region's status remained unresolved until Mikhail Gorbachev came to power in March 1985. His promises of restructuring (perestroika) of the political and economic system and freedom of expression (glasnost') aroused great expectations among the more than 100,000 Armenians who constituted two-thirds of the population of Nagorno-Karabakh. Yet, their protests against the discriminatory policy against them and requests for greater autonomy met with suppression from the Soviet and Azerbaijani authorities alike.

After the collapse of the USSR in 1991, the conflict between Armenians and Azerbaijanis over Nagorno-Karabakh exploded into an open war, which lasted from 1992 to 1994 and resulted in approximately 30,000 deaths and hundreds of thousands of displaced persons. At the end of this bloody conflict, in which Russia acted as the primary mediator, the Armenians of Nagorno-Karabakh – supported by the Republic of Armenia and the diaspora – managed not only to take control of almost the entire territory of the disputed region, but also to occupy seven surrounding districts previously inhabited almost exclusively by Azerbaijanis, who were

forced to abandon their homes and settle in other areas of Azerbaijan. Following this victory, Nagorno-Karabakh became de facto independent, though not recognised by any country in the international community, even by Armenia itself. Since early 1990s, the Minsk Group, led by a co-chairmanship composed of France, Russia and the United States, has been working to find a diplomatic solution to the conflict – under the aegis of the OSCE since 1995. The Group also includes representatives from Armenia and Azerbaijan (Nagorno-Karabakh was excluded), as well as representatives of Belarus, Finland, Germany, Italy, the Netherlands, Portugal, Turkey and Sweden. Over the decades, the Group has proven to ineffective, and occasional spats between the two armies have continued to cause casualties on both sides.

A resumption of large-scale hostilities began, with violent clashes in 2016 and in 2020, starting in July of that year along the international border between Armenia and Azerbaijan and then, in September, in Nagorno-Karabakh. Baku, with the political and military support of Turkey, achieved a clear military victory. The ceasefire agreement of November 10 was negotiated by Moscow, which had previously not accepted Armenia's requests for help despite the military alliance between the two countries, which does not, however, extend to Nagorno-Karabakh. Based on this agreement, the Armenians were forced to cede not only all the Azerbaijani districts occupied during the previous conflict, but also the southern part of the territory of Nagorno-Karabakh, including the city of Shusha/Shushi. Russian interposition forces were tasked to

1,225

Killed and wounded between the 2020 ceasefire and 16 September 2023

ensure the implementation of the ceasefire, at least until the expiration of the agreement in 2025. Armenia has also committed to providing an infrastructural "corridor" on its southern territory between Azerbaijan and the exclave of Nakhichevan.

Baku launched a new military operation in September 2022. Between the 12th and 14th of that month, the Azerbaijani army attacked the international border between Armenia and Azerbaijan, occupying strategic areas on Armenian territory. This escalation resulted in the deaths of hundreds of soldiers and the displacement of approximately 7,600 Armenian civilians. In the following months, Azerbaijan blocked the passage of vehicles and people along the Lachin corridor, the only link between Nagorno-Karabakh and Armenia, which Baku had committed to keep open under the 2020 peace treaty. The blockade of the Lachin corridor disrupted the delivery of food and medical supplies and even gas and electricity to the Nagorno-Karabakh population. The Armenian government, dissatisfied with the inaction of Russian peacekeepers in the face of the blockade of the Lachin corridor and during the escalation of September 2022, criticised Russia and signalled its desire to break from its dependence on it. In December 2022, in response to a request from the Armenian authorities, the European Union established a civilian mission (EUMA) to monitor the situation on the border with Azerbaijan (but not in Nagorno-Karabakh). Yerevan has also tried to improve relations with Turkey, a historic ally of Azerbaijan.

24 hours

Duration of the Azerbaijani operation to retake full control of the Karabakh

On 19 September 2023, Baku launched another attack, reportedly informing Moscow in advance,[3] leading to the surrender and immediate dissolution of the Nagorno-Karabakh institutions the day after. Russian state media immediately blamed Armenia for the escalation, while prominent figures such as former President Dmitry Medvedev and journalist Margarita Simonyan lashed out at Pashinyan for distancing the country from Russia and "flirting with NATO".[4] On 20 September, after the signing of the ceasefire and the definitive surrender of Nagorno-Karabakh, Kremlin spokesman Dmitry Peskov declared that the conflict was an internal matter for Azerbaijan, implicitly confirming Moscow's disinterest in supporting the Armenian side. Azerbaijan's bold military action put an end to the existence of the self-proclaimed independent republic of Artsakh and caused the entire Armenian population of the region to flee, with no clear path to a safe return. This evolution, in addition to cancelling the thousand-year-old Armenian presence in the region, has radically changed the geopolitical situation in the Southern Caucasus, causing, first and foremost, a dire crisis in the centuries-old collaboration between Russia and Armenia (see Box 1).

BOX 1

RUSSIA AND ARMENIA. THE COLLAPSE OF A CENTURIES-OLD ALLIANCE

Aldo Ferrari

The substantial end of the centuries-old relationship of close collaboration between Russia and Armenia amounts to one of the most notable events that have occurred in recent years on the international political scene. The very existence of the current republic of Armenia was made possible by the conquest by the Russian empire of the territories of north-eastern Armenia following the Turkmenchay Treaty imposed on Persia in 1828.

In this territory and in other regions of the Russian Empire, especially in the Caucasus, Armenians lived in an overall favourable political, economic and cultural context, albeit with some difficult moments, especially between 1881 and 1905. After the period of the independent republic (1918-1920), the return of the country under the control of Moscow as one of the federal republics of the USSR must be seen in a substantially positive light even if Armenia had to accept the Soviet decision to attribute to Azerbaijan the historically Armenian regions of Nakhichevan and especially the Nagorno-Karabakh (where Armenians accounted for 80% of the population).

Although Armenia too was negatively affected by communist political violence, during the Soviet period its population significantly increased, the country was heavily industrialised and experienced notable cultural consolidation.

In light of this positive collaboration, it is not surprising that after the end of the USSR, Armenia remained closely linked to Moscow, entering all Russian-led political, security and economic organisations. For almost 30 years, Russia's support protected Armenia and allowed it to maintain control of Nagorno-Karabakh, even without annexing it or officially recognising its existence. Artsakh – the official name of Nagorno-Karabakh in Armenian – was therefore for decades a quasi-state which received military defence and economic resources from Yerevan. It is also worth mentioning the fact that from 1998 to 2018 Armenia was ruled by two presidents – Robert Kocharyan and Serzh Sargsyan – both originally from Nagorno-Karabakh.

The turning point in the Russo-Armenian relationship must be seen in the so-called "velvet revolution" of 2018 which brought to power in Yerevan a new leader, Nikol Pashinyan, younger than his predecessors, not from Karabakh, less tied to the traditional alliance with Russia and oriented rather towards the West. Although Pashinyan declared that he did not want to change his policy towards Russia, Moscow evidently did not appreciate this political change in its main ally in the South Caucasus. For Putin, the rise of this new leadership was too similar to the colour revolutions of Georgia and Ukraine, which had distanced these two countries from

Moscow's orbit. However, initially the depth of this fracture was not perceived, even though Pashinyan's declared desire to put an end to the power and corruption of an elite closely linked to Russia could only arouse the latter's distrust. Regardless of the relationship with Moscow, crucially, the new Armenian prime minister failed to exploit his enormous initial popularity to seek a compromise on Nagorno-Karabakh with Azerbaijan, whose economic and military strength had grown enormously compared to the 1990s.

The offensive launched by Azerbaijan in September 2020 against Nagorno-Karabakh showed how much Moscow's attitude towards Armenia had changed. Russia intervened late, when Baku's overwhelming victory was already evident. And this despite the fact that, unlike Azerbaijan, Armenia was part of the Collective Security Treaty Organisation (CSTO), the Russian-led military alliance. However, this alliance bound Moscow only towards Armenia, not Nagorno-Karabakh, which according to international law was in fact a territory of Azerbaijan. It is no coincidence that the Russian analyst Fiodor Lukyanov observed that "the fact that Karabakh has never been recognised by Armenia, unlike Northern Cyprus, recognised by Turkey only, or South Ossetia and Abkhazia, recognised by Russia, of course, created a legal ambiguity that no one could agree to. How can a third country defend a territory, towards which the Armenian side itself has no clear position?".

However, these words only partially explain Russia's reluctance to support the Armenians in the conflict with Azerbaijan. Indeed, it is very difficult to imagine that Baku could have attacked Nagorno-Karabakh without first receiving the consent of Moscow which then still had a dominant position in the South Caucasus. The ceasefire of 10 November 2020 was obtained with the decisive intervention of Russia which also managed to impose its military presence in Nagorno-Karabakh with a peace-keeping mission between Armenians and Azerbaijanis. The ceasefire saw the Armenians lose most of the territories acquired in 1994. Yerevan regarded Russia's late action as a substantial reneging on its commitments . Hence, the distance between the two countries increased significantly in the following years. As noted by Armen Grigoryan, the head of Armenia's National Security Council, "Georgia and Ukraine changed their foreign policy after the [Rose and Maidan] revolutions, and they faced repercussions. We didn't make any changes, but we were still punished".

If the lack of Russian intervention to help Nagorno-Karabakh/Artsakh in 2020 can be explained by the fact that the Azerbaijani aggression did not directly strike the Republic of Armenia, but a quasi-state that was not recognised internationally, this argument is not valid for Russian inaction in the following years, when Baku attacked the Republic of Armenia several times with impunity, occupying several small strategic points within its territory without Moscow assuming the defence of its traditional ally. Russian disengagement continued to manifest itself even when, in December 2022, Azerbaijan imposed a complete blockade on Nagorno-Karabakh that deprived the local Armenian population of food, energy and medical supplies for many months. In this period, Moscow simply invited Yerevan to diplomatically regulate its relations with Baku.

Russian inaction towards the Azerbaijani military violations that occurred after the 2020 war in Armenian territory and the blockade of Nagorno-Karabakh that began in December 2022 also led Yerevan to turn to the European Union, which showed itself to be sensitive to this request for aid and in March 2023 sent an unarmed mission to monitor the Armenian border with Azerbaijan. This was a significant innovation, but largely ineffective, as shown by the new and definitive attack carried out by Baku in September 2023. It is no coincidence that this attack took place precisely in the days in which a joint Armenian-American military exercise was taking place. Moscow evidently perceived such a military exercise as a provocation.

Faced with the loss of traditional Russian protection, Yerevan has sought new paths, trying to reassert its independence *vis-à-vis* Moscow: Pashinyan repeatedly described as "a mistake" the decision to entrust the country's security to Russia for decades, strengthened military collaboration with the United States and ultimately joined the International Criminal Court, which would result in Putin's arrest should he set foot in Armenia. Besides, in February 2024, Pashinyan also suspended Armenia's participation in the CSTO, rightly accusing it of not having intervened in its defence against Azerbaijan's repeated coups in Armenian territory. On April 17, 2024, the Russian peace-keeping troops left their positions in Nagorno-Karabakh and returned to Russia, thus making the return of Armenians to the region even more unlikely.

Moscow's sudden shift away from Armenia is usually interpreted through the lens of Russian economic interests. In fact, after the outbreak of the war in Ukraine, Russia had an enormous need for new trade routes and the corridor through Azerbaijan to Iran appears key. Without any doubt, from an economic point of view, Azerbaijan is much more attractive than Armenia, but it can be observed that Russia could have cultivated its relations with Baku, in particular regarding the project of a corridor towards Iran, without sacrificing the historic alliance with Yerevan. Moscow instead made a different and apparently not very rational choice.

This abandonment by Russia left a great mark on Armenian society. Between 2019 and 2023, polls saw the number of Armenians who perceive the relationship with Russia positively fall from 93% to 31%. It is above all the younger generations who demonstrate this changed attitude. France and the United States, Western countries where large Armenian communities exist, are now seen as the most important countries for Armenia.

The pro-Russian orientation is currently represented mainly by unpopular figures like former president Kocharian, whose Armenian Alliance party, despite having 29 seats in parliament out of 107, appears to be experiencing sharp decline in its support.

However, it is interesting that a pro-Russian orientation can at least partly be found in the opposition movement that appeared in May 2024 when Pashinyan returned 4 villages conquered in 1992 to Azerbaijan without any compensation. The leader of this movement is the bishop Bagrat Galstanyan, who initially gathered a large following of tens of thousands of participants in demonstrations calling for Pashinyan's resignation. On June 9, Galstanyan released a video in Russian, supposedly to attract support from the old ally. Russian state media were indeed supportive of these protests, although the authorities remained silent on the matter. Although the intensity of these protests has greatly diminished in recent months, it remains possible that in view of the next parliamentary elections in 2026, Moscow will try to promote Armenian political forces less oriented towards the West than those supporting Pashinyan.

It should not be underestimated that Armenia is more dependent on Russia than ever, especially in the economic sphere, particularly for gas (85%) and grain (90%), but also for the supply of its only nuclear power plant, which provides a third of the country's electricity. Thanks to this situation, Moscow could try to bring Armenia back under its control. It should also be noted that this economic dependence made sense when it was linked to the security of Armenia, but now the situation, as we have seen, has completely changed although the country still hosts the large Russian military base of Gyumri, on the border with Turkey.

Aside from the possibility of a more assertive attitude on Russia's part, it should be noted that Pashinyan's pro-Western aspiration also faces other obstacles. Geography itself hinders the shift to the West, the road towards which passes through Turkey, the historical enemy of Armenia, and responsible for the genocide of 1915, never recognised by Ankara. Furthermore, emboldened by the victory and strengthened by its political and economic ties with Russia and

Turkey, Azerbaijan shows no signs of letting up its pressure on Armenia, on which it is trying to impose a constitutional change that requires the definitive abandonment of any claim over Karabakh. Nor should we forget that Baku is aggressively proposing a pseudo-historical discourse that claims the entire Armenian territory, defined as "Western Azerbaijan", as its own. Such a discourse can certainly be considered only a rhetorical exercise to increase diplomatic pressure on Armenia. At the same time, it should not be forgotten that the extreme weakness of present-day Armenia, having lost the support of Russia and not yet replaced it with any serious security guarantee from the West, provides an unrepeatable opportunity to Azerbaijan to exert more pressure on Yerevan. Despite the appeals made by Washington, Paris and Berlin to Baku to respect the territorial integrity of Armenia, it is difficult to imagine that in the event of aggression by Azerbaijan, Yerevan would receive support comparable to that which the West has offered to Ukraine.

Besides, as Thomas De Wall recently observed, "the other big regional powers around Armenia – Iran, Russia, and Turkey – are aware that the West is overextended. Despite their many differences, they have a common agenda, shared with Azerbaijan, to cut down the West's strategic profile in the region and elevate their own. In April, for example, top U.S. and European officials in Brussels announced an economic aid package for Armenia. In response, Iran, Russia, and Turkey each issued almost identical statements deploring the West's dangerous pursuit of "geopolitical confrontation", by which they meant Western intervention in Armenia.

In this delicate situation, Western support for Armenia is necessary and problematic at the same time.

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2. C. Frappi, "Armenia 2022. Looking for a way out of the Nagorno-Karabakh impasse", *Asia Maior*, XXXIII/2022, pp. 447-77.
3. A. Chkhikvadze, *Armenians Wonder Who to Trust After Lost Wars. With Nagorno-Karabakh lost, Armenia is looking for allies beyond Moscow*. March 16, 2024, 6:00 AM, https://foreignpolicy.com/2024/03/16/armenia-nagorno-karabakh-russia-alliances-war
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120,000

Karabakh Armenians fled in 2023

THE MAIN BONES OF CONTENTION

After Baku's 2023 military operation, consistent steps have been taken towards a peace agreement. As Pashinyan said at the 79th session of the UN General Assembly, "Peace between Armenia and Azerbaijan is both possible and attainable. The Azerbaijani president and I have said on numerous occasions that the peace agreement has been coordinated at least 80%".[5] Moreover, public opinion in both countries seems to overwhelmingly support a peace agreement. In Armenia, 56% of respondents to a September survey said they support signing a peace agreement with Azerbaijan,[6] while 84% of Azerbaijanis supported a peace treaty with Armenia according to a June 2024 poll.[7]

Given this favourable context, there were high hopes that Armenia and Azerbaijan could sign a peace deal before Baku hosted the UN's COP29 climate conference in November,[8] in line with Azerbaijan's call for a "COP truce" and the overall theme of its COP presidency, which stressed the climate-peace nexus.[9] However, this scenario has not materialised. Instead, the two countries are still stuck on contentious issues that are delaying and even hindering the peace process.

From the Armenian point of view, the most immediate concern is the release of 23 prisoners of war (POWs) currently detained by Baku. Among them are civilians, soldiers, and political leaders, including three former presidents of the defunct Nagorno-Karabakh Republic.[10] Given Azerbaijan's documented record of abuse committed against ethnic Armenian prisoners, there are fears for the safety of these detainees; recently, the UN Committee Against Torture reported "severe and grave violations of international humanitarian law and human rights law committed by Azerbaijani military forces against prisoners of war and other protected persons of Armenian ethnic or national origin, including extrajudicial killings, torture and other ill-treatment, [...] in a manner that strongly suggests that they did not fear being held accountable".[11] Azerbaijan's failure to release any of the Armenian POWs still imprisoned motivated Armenia's boycott of the COP29 climate summit in Baku.[12]

Two questions that should top the Armenian agenda for peace negotiations but are somehow absent from it are the return of the Karabakh Armenians and the protection of cultural heritage in the territories retaken by Baku. The overwhelming majority of Karabakh Armenians fled Nagorno-Karabakh to Armenia – their "mother" state – and initially found societal empathy and generous government financial support. However, over a year after their displacement, they now find themselves in a dire situation. Financially, it is not clear for how long Armenia – a country where 24.8% of the population already lives below

the poverty line – will manage to maintain its aid programmes, while the amount of international aid has been insufficient.[13] Politically, there is growing dissatisfaction with the Armenian government and very dim prospects of a return. As Cesare Figari Barberis and Ahmad Mammadli wrote, "While Baku is trying to discourage the return of Karabakh Armenians as much as possible, both the international community and the Armenian government itself are not pushing the issue. [...] The issue seems to have been removed from the agenda of the European Union and the United States, the only international actors that could have put pressure on Azerbaijan on this matter".[14]

The conflict between Armenia and Azerbaijan is also complicated by the issue of Armenian artistic heritage in Nakhichevan and Nagorno-Karabakh.[15] In the first region, given to Azerbaijan by the Soviet authorities in the early 1920s, the Baku government has completely destroyed all Armenian artistic heritage over the last twenty years. Around 90 churches and thousands of khachkars, the stone crosses characteristic of Armenian art, have been destroyed in what is probably the most serious example of cultural genocide of our times. This destruction is widely documented, in particular by the Caucasus Heritage Watch research programme, staffed by scholars from the US universities of Cornell and Purdue (https://caucasusheritage.cornell.edu). With the help of aerial photography, these scholars also document that the Armenian monuments of Nagorno-Karabakh, abandoned by Armenians after September 2023, are in grave danger too. Out of 452 sites monitored, 57 have already been destroyed, damaged or threatened. As a matter of fact, the major monasteries of Nagorno-Karabakh may only be saved from material destruction because Azerbaijan attributes to them a non-Armenian origin. According to a reconstruction of history devoid of any scientific value, Baku attributes these monuments to the Caucasian Albanians, considered ancestors of the current Azerbaijanis.

6

Rounds of trilateral meetings between Armenia, Azerbaijan and the EU

The most plausible reason why Yerevan has decided not to invest much political capital in these two issues is that the country is weak and has few political levers. The status of clear "loser" in the war, coupled with the imperative of economic development and the need to diversify away from Moscow – including through opening the border with Turkey – explains Yerevan's flexibility and vulnerability in the peace negotiations.

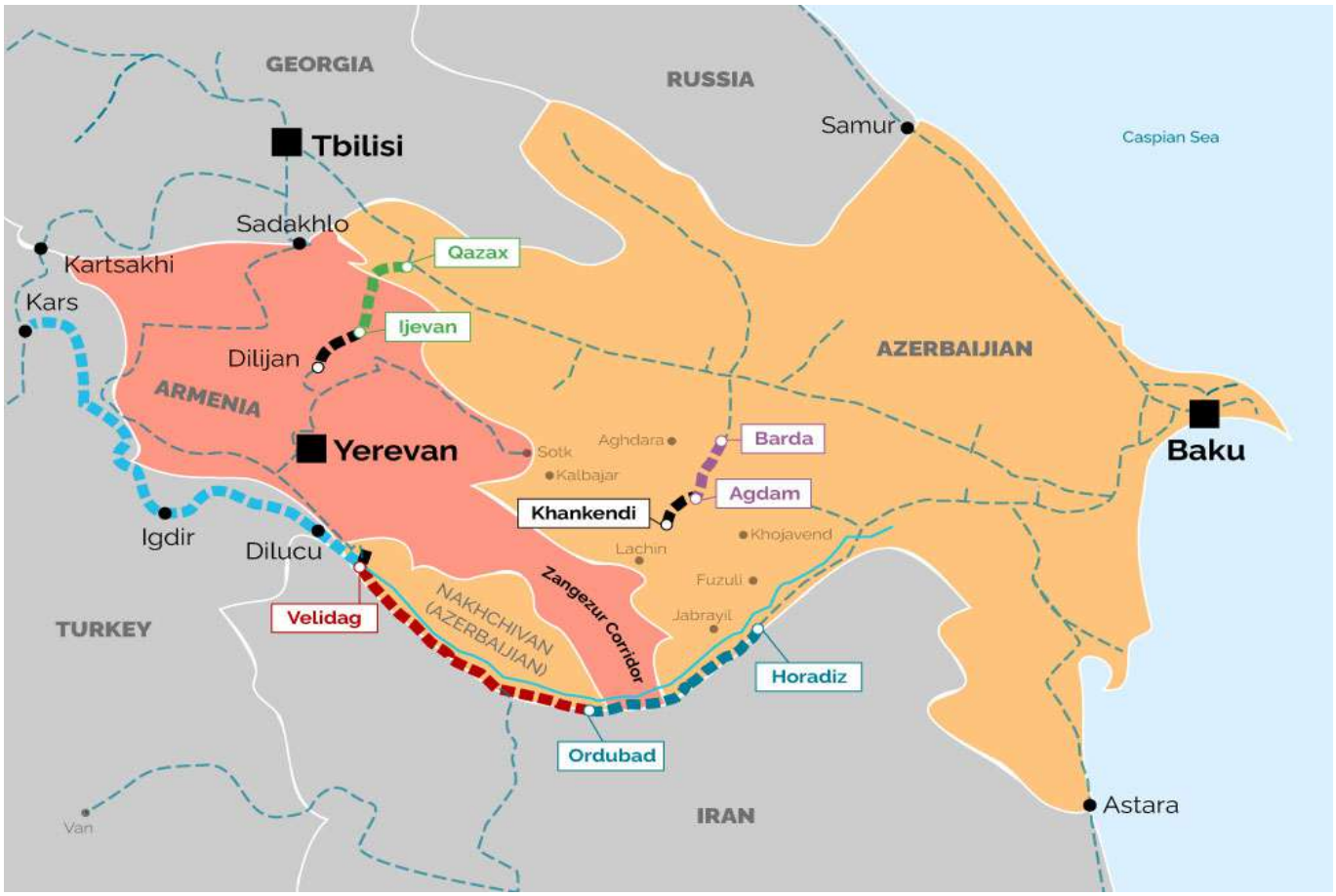
Azerbaijan has considerably more political weight in the talks and less sense of urgency; signing a peace agreement is less politically and economically urgent than it is for Armenia. Baku rather insists on a "comprehensive agreement"[16] that acknowledges most of the interests and security concerns of the Azerbaijani side, while Armenia would

be willing to sign a peace agreement that leaves certain controversial issues open for discussion at a later stage. In a long X post in November,[17] Farid Shafiyev, Chairman of the Baku-based Centre of Analysis of International Relations, suggested that there are three stumbling blocks in the negotiations: Armenia's constitution, the expansion of "diplomatic and legal warfare", and the presence of the EU Monitoring Mission in Armenia. First, the Azerbaijani government requests Armenia to modify its constitution to remove any territorial claims over Azerbaijan that could justify the resort to force in future. While Pashinyan has not ruled out amending Armenia's constitution, the issue is politically sensitive and would require a referendum, but the Azerbaijani government is frustrated with the slow progress in this field.[18] The second stumbling block for Baku is "international legal warfare", i.e. Armenia's alleged use of third countries and the diaspora to engage in a diplomatic and legal war. The third problem concerns the deployment of the EU civilian mission at the Armenian border, which Baku fears could be transformed into a military one in the future. Shafiyev explains the Azerbaijani frustration with these words: "Taking into account that the EU turned a blind eye to the 30 years of Armenian occupation of Azerbaijani territories and was in a rush to deploy the mission without Azerbaijani consent, it is clear that Azerbaijan cannot trust the EU, which is now on the side of the former aggressor state, which pillaged and destroyed Azerbaijani territories. [...] Thus, the only guarantee is the situation on the ground – which means that Armenia should be limited in its military capacity, i.e. demilitarised".[19] This statement looks unfair since the EU has always endorsed Azerbaijan's sovereignty and territorial integrity. Neither does it consider the nature of the EU as a civilian actor striving to build bridges with both Baku and Yerevan. Yet, it is a good reflection of the level of frustration and distrust Azerbaijan has toward Brussels.

The opening of the Zangezur corridor linking Azerbaijan to its exclave in Armenia, the Nakhchivan Autonomous Republic (NAR), used to be a major bone of contention.[20] The corridor holds strategic importance because it shortens the route from Azerbaijan to Turkey, compared to the Georgia route; it is also attractive for Central Asian states, eager to expand connectivity and trade ties between East Asia and Europe.[21] Armenia, backed by Iran, has vigorously protested against such a corridor into its territory as limiting its sovereignty. In a gesture of political goodwill, last August, Azerbaijan dropped the issue from the talks. Yet, the project has not disappeared from the political debate in Azerbaijan and Turkey. Only in November, two Turkish ministers – Minister of Energy and Natural Resources of Turkey Alparslan Bayraktar and Minister of Transport and Infrastructure Abdulkadir Uraloglu – released statements

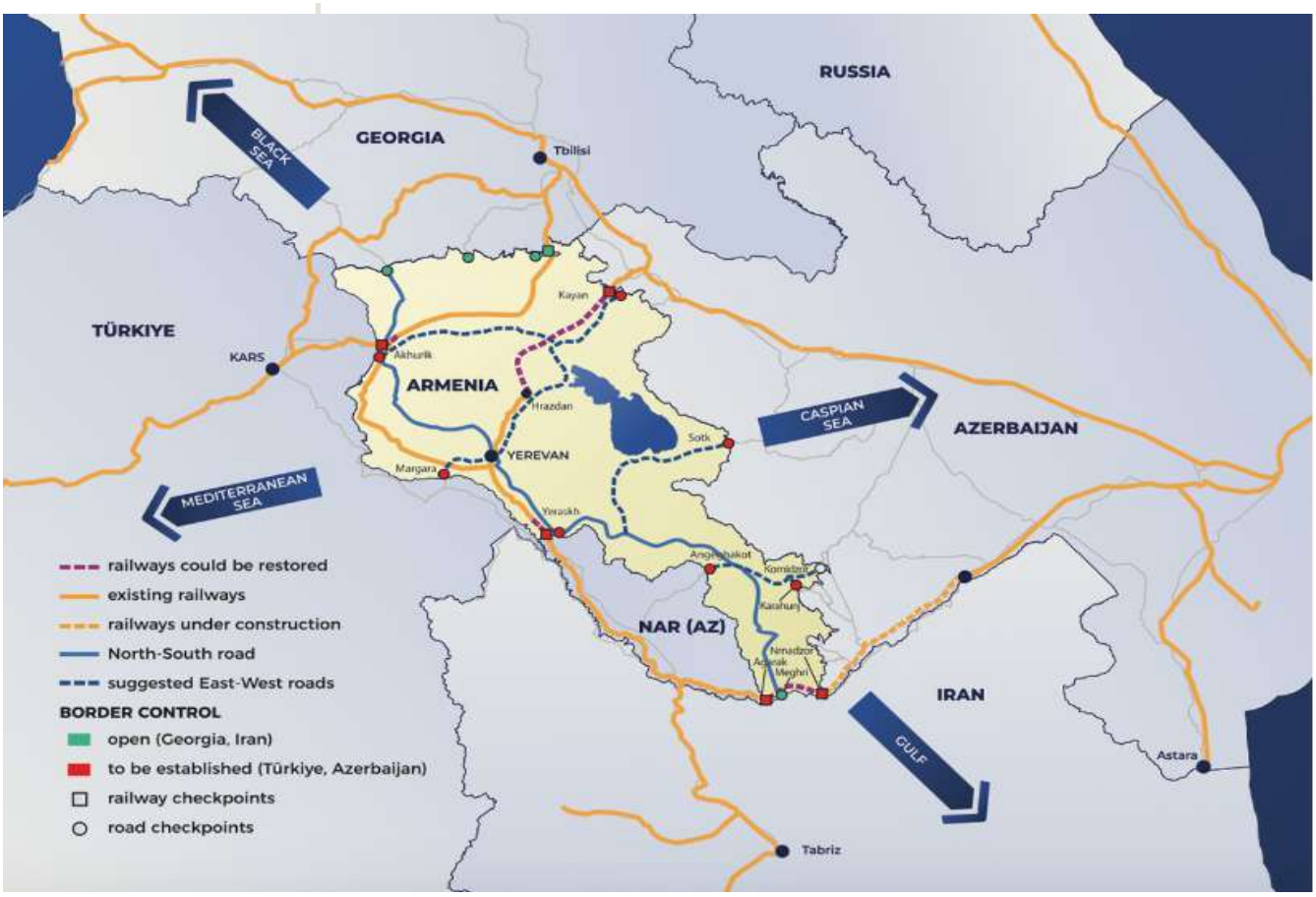
in support of the corridor. Uraloglu went as far as saying "We [i.e. Turkey] are continuing the processes in this direction with the Azerbaijani side in a rapid manner. Our Azerbaijani brothers will decide where the corridor will pass, whether it is the Armenian or Iranian side. Then this corridor will come to Turkey via Nakhichevan".[22] Hence, the project seems only "paused" and Armenia fears that Azerbaijan will not refrain from using force to complete it, even more so given that both Turkey and Russia have expressed strong support for the corridor.[23] Yerevan tried to propose an alternative connectivity project, called "Crossroads of Peace", involving reopening unused regional roads and railways linking the Caspian Sea to the Mediterranean and the Gulf to the Black Sea and the Georgian ports.[24] However, neither Azerbaijan nor Turkey endorsed this proposal, which they describe as elusive and unilateral, since Yerevan did not hold direct consultations with Baku and Ankara beforehand.[25]

Fig. 1 - On the Prospects of the Zangezur Corridor for Central Asia



Source: Caspian Policy Center (CPC)

FIG. 2 - ARMENIA PROPOSES OPENING REGIONAL TRANSPORT LINKS AS PART OF 'CROSSROADS OF PEACE'



SOURCE: ARMENIAN GOVERNMENT

BOX 2

ARMENIAN ECONOMIC DEVELOPMENT: THE DEPENDENCY ON RUSSIA AND THE ROLE OF THE EU

Benyamin Poghosyan

Since 2020, Armenia has faced significant political and economic challenges stemming from the changed status quo in the Nagorno-Karabakh conflict, the Russia-Ukraine War, and significant growth in Armenian-Russian trade, which has exacerbated Armenia's economic dependency on Russia. This paper examines Armenia's evolving economic landscape, highlighting the increasing trade with Russia and the risks of overreliance on a single market. It also discusses the potential benefits and challenges of normalisation with Azerbaijan and Turkey and explores the role of the European Union in supporting Armenia's economic diversification and regional stability. The EU's strategic engagement is essential to help Armenia mitigate its economic dependency on Russia and foster sustainable growth.

Recent trends in Armenia's political and economic development

Since 2020, Armenia has endured great political and economic turbulence. This has been exacerbated by the implications of the Russia–Ukraine War, the deterioration of Armenian–Russian relations, and the Armenian government's efforts to diversify its foreign and security policies by expanding cooperation with the EU, the United States, France, and India in particular.

Armenia's economic ups and downs

The Armenian economy has experienced growth and contraction in parallel with geopolitical turbulence. According to the IMF's December 2023 report on the Armenian economy, real gross domestic product (GDP) contracted by 7.2% in 2020, rebounded by 5.7% in 2021, and accelerated by 12.6% in 2022. According to the Armenian Ministry of Economy, GDP growth for 2023 was 8.7%. The Asian Development Bank has forecast GDP growth for 2024 to be around 6%, and according to the state budget for 2025, GDP growth is projected to be 5.1%. The Russians who arrived in Armenia after the start of the war in Ukraine, have contributed to this growth, playing a significant role especially in the IT sector.

Rising trade with Russia

The economic growth of Armenia in 2022–2024 was partly driven by the significant increase in trade turnover with Russia. In 2021, Armenian–Russian bilateral trade stood at around $2.5 billion. By the end of 2022, the trade volume between Armenia and Russia had more than doubled, reaching $5.3 billion, according to Armenia's state statistics agency. Armenia's exports to Russia nearly tripled, from $850 million in 2021 to $2.4 billion in 2022, while imports from Russia increased 144 %, reaching $2.87 billion in 2022.

Russian-Armenian trade continued to soar, growing by more than 43% to reach $7.3 billion in 2023, while Armenian exports to Russia grew by 39% to $3.4 billion in 2023. This trend continued in 2024. During an October 8, 2024, meeting with Armenian Prime Minister Nikol Pashinyan, Russian President Vladimir Putin stated that in the first six months of 2024, bilateral trade grew 2.5 times, exceeding $8.3 billion, and could reach $16 billion by the end of the year. Armenia's membership of the Eurasian Economic Union contributed to this growth, allowing tariff-free export to Russia.

Economic dependency on Russia

One of the reasons behind the significant growth of Russian–Armenian trade has been the re-export of goods from Armenia to Russia, including consumer electronics and used cars, following the West's sanctions on Russia. While this rise is seen across all the countries in the South Caucasus, it has exacerbated the dependence of Armenia's economy on Russia. Even before the Ukraine War, Russia controlled a significant part of Armenia's energy infrastructure. This includes 100% ownership by Russia's Gazprom of Armenia's domestic gas distribution network and 100% ownership of local electricity grids by the Russia-based Tashir Group. In 2019, the same group bought the Sevan-Hrazdan Cascade, which consists of seven hydroelectric plants built during Soviet times, from the state-run Russian corporation RusHydro.

In 2023, Armenia imported approximately 2.7 billion cubic metres of gas from Russia, accounting for about 87% of the country's total gas imports. According to the Armenia-Russia energy agreements signed in December 2013, Gazprom has exclusive rights to distribute gas across Armenia until 2043. Russian Rosatom is also modernising Armenia's nuclear power plant to extend its lifespan until 2036.

Russia is also the primary source of other vital imports, such as wheat and petroleum. Wheat imports meet roughly 70% of Armenia's domestic demand. All these imports, totalling almost 344,000 tons in 2023, came from Russia. In 2022, Armenia imported $494 million in refined petroleum, primarily from Russia ($374 million). Russia is also the major destination for Armenian exports. According to the Fitch rating agency, Russia accounted for 51% of Armenia's exports from January to September 2023, though the United Arab Emirates replaced Russia as the top destination for Armenian exports from January to August 2024, with more than $4.3 billion. This shift was the result of the reprocessing and export of goods designated as precious metals and gems, which are imported from Russia and then exported to other countries, particularly the UAE.

Potential effects of Armenia–Azerbaijan and Armenia–Turkey normalisation on the Armenian economy

Signing an Armenia-Azerbaijan peace agreement and normalising Armenia-Turkey relations may significantly impact the Armenian economy. Opening the borders with Turkey and Azerbaijan may ease export and import operations, reducing transport costs to Europe via Turkey and Russia via Azerbaijan. Armenia may also benefit from exporting to Turkey's eastern provinces, which lag in economic development. According to 2022 estimates of the German Economic Team, opening the Armenia–Turkey border may significantly increase Turkey's portion of overall Armenian trade, from less than 1% (2021) to more than 10% of total trade. Simultaneously, according to some estimates, opening the Armenian economy to Turkey could also pose challenges for Armenia's domestic production and service sectors, as they may face tougher competition from more developed Turkish companies. Armenia should prepare to tackle both the potential positive and negative implications of opening its borders to multiply benefits and reduce negative consequences.

Meanwhile, should the peace agreement be signed and enforced, this will not result in significant trade between Armenia and Azerbaijan. Baku is struggling to meet its obligation to increase its natural gas exports to the EU to 20

billion cubic metres by 2027 and probably will not be able to sell 2.7 billion cubic metres of gas annually to Armenia. Armenia lacks oil refineries to import crude oil from Azerbaijan and produce petrol or diesel fuels. Armenia and Azerbaijan are both increasing their agricultural product exports and do not need to import from each other.

The restoration of communications in the region may bring economic benefits to Armenia and Azerbaijan, but the sides have agreed to remove the contentious topic of transport links from the peace agreement. The Armenian Deputy Prime Minister Mher Grigoryan recently stated that the Armenian-Russian-Azerbaijani commission set up to unblock communications between Armenia and Azerbaijan is not working due to lack of consensus on fundamental issues, which means that the sides are still far away from reaching an agreement on this issue. After Prime Minister Pashinyan met with President Aliyev in Kazan at the sidelines of the BRICS summit in October 2024, Armenia submitted new suggestions to Azerbaijan regarding the restoration of communications.

Role of the EU

EU–Armenia relations are grounded in the EU–Armenia Comprehensive and Enhanced Partnership Agreement (CEPA), which fully entered into force on March 1, 2021. Armenia and the EU have significantly increased their cooperation in the past two years. In February 2023, the EU deployed a two-year observer mission in Armenia at the request of the Armenian government. The two sides launched a political and security dialogue in January 2023 and began work to sign a new partnership agenda in February 2024. The EU also launched visa liberalisation negotiations with Armenia and allocated €10 million from the European Peace Facility to Armenia.

The EU adopted a resilience and growth plan for Armenia, which envisages the allocation of €270 million in 2024-2027, focusing on strengthening Armenian institutions, developing transport infrastructure, and supporting Armenian businesses. The EU and Armenia launched an investment coordination platform in November 2023, which brought together the EU, the government of Armenia, and international financial institutions. This platform will help further step up EU investment in Armenia. As of February 2024, the EU has mobilised €550 million of investment in Armenia within its Economic and Investment Plan.

However, the EU can and should do more to help Armenia decrease its economic dependency on Russia. Brussels should actively support regional connectivity projects, including following up on ensuring Armenia's participation in the Black Sea Energy Submarine Cable Project to help Armenia break out of its isolation and further support Armenia's economic reforms under the CEPA, particularly with regard to reaching EU market standards.

On a broader level, the EU should drop its reactive approach, which APRI Armenia called "a lack of strategic vision". The absence of a cohesive approach to the region undermines the EU's policy objectives of being recognised as a "geopolitical weight and influence on the global stage," as set out in Ursula von der Leyen's political guidelines for the 2024–2029 European Commission. The EU should shape its strategic vision for the South Caucasus by initiating and engaging in Track 1.5 dialogues involving both government representatives and non-governmental experts. This would help the EU better understand the South Caucasus region and its potential. The EU should also engage more with Turkey in the South Caucasus. Opening the Armenia–Turkey border would bring stability to the region and increase Armenia's flexibility in its foreign and economic policies.

The EU could consider creating a high-level EU–South Caucasus platform, where investments in regional infrastructure projects that support connectivity, and political peace could play a central role.

Benyamin Poghosyan, Senior Research Fellow at the Applied Policy Research Institute of Armenia (APRI Armenia)

THE STAKES FOR BRUSSELS

The EU has high stakes in maintaining regional stability and fostering cooperation with Yerevan and Baku. Both countries are members of the EU regional integration programme's Eastern Partnership, although Baku has always kept its participation in the scheme to a minimum. While Armenia is actively engaged in integration with the EU within the framework of the Comprehensive and Enhanced Partnership Agreement (CEPA) and is trying to deepen cooperation with Brussels even further (see Box 3), Azerbaijan has also been broadening and deepening its economic cooperation with the EU, especially after the Russian invasion of Ukraine. This is true mainly for the oil and gas sector, which makes up roughly half of Baku's GDP, half of its national budget revenues, and more than 90% of its export profits. The largest share of these exports goes to the EU: "With an annual production total of 48.7 billion cubic meters (bcm) of natural gas and 30.2 million tons of crude oil (2023 figures), Azerbaijan may be a smaller-sized producer in global comparison, but its importance for the EU has been growing".[26] It is now the fourth-largest supplier of piped gas to the EU, with a share of 8.6% of total EU gas imports, reflecting a 4.6% increase compared to 2023.[27] While there have been allegations that "Russian gas is being laundered through Azerbaijan and Turkey to meet continued high European demands",[28] both President Aliyev and EU officials have vigorously denied these claims.[29] Azerbaijan is also a major oil source for several EU countries. In its efforts to cut energy dependence on Russia, the EU signed an agreement with Aliyev in 2022, with a view to doubling the bloc's gas imports from Baku by 2027.

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Personnel involved in the EU Mission in Armenia (EUMA)

Given the high stakes for regional stability and bilateral relations with the two Caucasian countries, the EU has actively tried to ramp up its role in the peace negotiations over the last four years. While Russia has traditionally been considered the main powerbroker in this domain, Western attempts to pacify the region are nothing new. Since the beginning of the conflict, Western diplomats have tried to mediate between Armenia and Azerbaijan. However, the Minsk Group, co-chaired by France, Russia, and the United States, has struggled to find a peaceful solution to the Nagorno-Karabakh conflict. President Ilham Aliyev has repeatedly criticised the Group for its alleged partiality, given the presence of Russia and France – largely seen as Armenia's allies – and is now vocally asking for its elimination.[30]

In 2021 the EU started to hold trilateral meetings involving Armenia, Azerbaijan and the EU itself, where issues such a Joint Border Commission and the restoration of connectivity infrastructure between

the two countries were discussed at the highest level. These meetings have become more regular and sparked hopes for a comprehensive and sustainable peace agreement.[31]

However, growing friction between the two countries, the blockade of the Lachin corridor and Azerbaijan's criticism of France's role in support of Armenia contributes to explaining Baku's scepticism toward European mediation attempts and, eventually, their failure. According to the prominent Caucasus expert Thomas De Waal, "The EU has not mediated directly between the parties since the summer of 2023, in large part because Azerbaijan accused France of interfering on the Armenian side".[32] Nevertheless, the EU has continued to promote the continuation of peace talks to reach an agreement, speaking out against political repression in Azerbaijan[33] and calling for the release of the Armenian PoWs.[34] As an EU official remarked, "Even if at this stage we are not directly involved in the negotiations because the two countries want to proceed bilaterally, we can offer support/facilitation for the process. We intend to put the emphasis on elements such as infrastructure, trade, commercial links, so that both sides may get the dividends of the peace process. The EU mission in Armenia also helps monitor the situation alongside the border between the two countries while also making the local populations more sensitive to the peace process".[35]

BOX 3

ARMENIA'S EU INTEGRATION: NEW IMPETUS, MAJOR CHALLENGES

Laure Delcour

Since the 2020 war, and especially following Azerbaijan's forcible takeover of Nagorno-Karabakh in September 2023, Armenia's cooperation with the EU has significantly deepened. Beyond an unprecedented level of security engagement, EU-Armenia relations have reached a new high in terms of political dialogue, economic cooperation, and assistance. Armenia's growing integration with the EU was vividly illustrated by the informal exchange of views between Ararat Mirzoyan (Armenia's Minister of Foreign Affairs) and his EU counterparts in the margins of the December 2023 Foreign Affairs Council meeting.

Closer ties have already translated into a substantial expansion of EU-Armenia relations, including in the sensitive area of foreign and security policy as part of a new high-level political and security dialogue launched in January 2023. Based on progress achieved in the implementation of the Comprehensive Enhanced Partnership Agreement (CEPA), in force since 2021, concrete steps were announced in late 2023-early 2024 to give further impetus to EU-Armenia partnership. The forthcoming EU-Armenia Partnership Agenda is set to establish more ambitious joint priorities across all sectors of cooperation. The long-awaited launch of a visa liberalisation dialogue, which will result in stepping up cooperation with EU agencies (primarily Eurojust, Europol and Frontex), is perhaps the most notable milestone and symbol of the new dynamics in EU-Armenia relations.

Crucially, for the first time, the objective of EU-Armenia relations seems to extend beyond the Eastern Partnership framework. Since 2023, the Armenian authorities have become increasingly vocal in expressing their aspirations for deeper ties with the EU. The EU has long been regarded as a desirable political and economic model in Armenia, especially since the 2018 Velvet Revolution. However, in sharp contrast to Moldova, Ukraine, or neighbouring Georgia, successive Armenian governments never hinted at EU membership aspirations as long as they viewed Russia as their primary security guarantor. Nonetheless, Armenian elites and society were bitterly disillusioned by Russia and its laissez-faire approach to Azerbaijan's actions in 2021-23, ranging from the repeated encroachments on Armenia's sovereign territory, and the 9-month blockade of the Lachin corridor, to full takeover of Nagorno-Karabakh. The loss of a territory, deeply tied toto Armenia's identity, prompted a fundamental re-examination of the country's diplomacy, starting by moving away from Russia and seeking new partnerships, foremost with the EU.

In an October 2023 speech before the European Parliament, Armenian authorities implicitly

alluded to EU membership aspirations for the first time. Nikol Pashinyan indicated that Armenia 'is ready to be closer to the European Union, as much as the European Union considers it possible'. This was followed by a number of explicit references to applications for EU membership or even accession throughout 2024, initiated both by the country's Prime Minister, who encouraged public discussions on the topic, and by top diplomats. While Armenia's European aspirations received strong support from members of the European Parliament, the European Commission emphasized Armenia's right to decide on its own future.

Nonetheless, Armenia's path to deeper integration with the EU is fraught with a number of challenges, stemming from its regional environment and differing preferences of EU actors.

First of all, Armenia's membership in the Eurasian Economic Union (EAEU), a Russia-driven international organisation launched in 2015, is a major hurdle in its quest for economic integration with the EU, as Armenia lost sovereignty over its trade policy upon joining the EAEU. Leaving the EAEU would therefore be a prerequisite to any trade agreement with the EU, whether a simple free-trade deal or a deep and comprehensive free-trade agreements similar to those signed by Georgia, Moldova and Ukraine. This is easier said than done, though, given Russia's de facto domination over Eurasian integration.

In fact, Russia is unlikely to accept Armenia's closer ties to the EU without seeking to counterbalance its integration efforts. If it chooses to retaliate, Russia has numerous economic levers at its disposal, in addition to security. It may readily exploit the deeply-rooted and multifaceted dependences that bind Armenia to its economy. Russia has never shied away from threats and coercion in the past, first and foremost in 2013 when it pressured Armenia to backtrack from signing an Association Agreement with the EU.

More recently, Russia has increasingly turned to trade as a retaliatory tool in response to Armenia's growing alignment with the EU. As Armenia moved towards ratifying the Rome Statute establishing the International Criminal Court (ICC), Russia banned Armenian dairy products on alleged food safety grounds. Similarly, in response to Armenia's increasing disengagement from the Collective Security Treaty Organisation (CSTO), Russia introduced further bans on 15 Armenian fruits and vegetables. Russia's retaliatory measures harshly affect Armenian agriculture, as 90% of fruit and vegetables' exports are destined for Russia. The recent growth in Armenia-Russia trade not only exposes a clear disconnect (also reflected in public opinion surveys) between the country's political shift toward the EU and its economic proximity to Russia; but also highlights the challenges Armenia faces in attempting to move away from Russia.

Economic diversification – essential for increasing the country's competitiveness and reducing its vulnerability to Russia's pressure – is indeed bound to be a long and difficult process for Armenia, much more so than for any other Eastern Partnership countries that have sought to reorient their economies away from Russia, like Georgia or Moldova. This is first of all because of Armenia's landlocked situation, as closed borders with Azerbaijan and Turkey hamper trade diversification. In addition, (geo-) political turmoil in and around Armenia's two other neighbouring countries, Georgia and Iran – the country's gates to the world – makes it difficult to envisage them as alternative trade routes. Given the country's geostrategic position, Georgia's democratic backsliding and distancing from the EU may also affect Armenia's own prospects for deeper integration.

Last but not least, in seeking closer ties with the EU, Armenia has to overcome the differing, and at times divergent preferences of EU actors. While the European Parliament has repeatedly called for stronger EU-Armenia relations, it

plays a limited role in the bloc's foreign policy-making, which remains shaped by member states. Among these, France is Armenia's staunchest supporter. Until 2023, the country backed EU mediation efforts in the conflict between Armenia and Azerbaijan, paying specific attention to Armenia's security and territorial integrity, as well as the security of ethnic Armenians in Nagorno-Karabakh. In 2022, president Macron was involved in the quadrilateral meeting gathering the leaders of the two countries, as well as the president of the European Council.

After Azerbaijan took over Nagorno-Karabakh in September 2023, France not only increased humanitarian aid for refugees, but also stepped up military cooperation with Armenia and supported the delivery of EU assistance through the European Peace Facility (EPF), as was offered earlier to Ukraine, Moldova and Georgia. However, Hungary – a country with close ties to Azerbaijan - blocked the process for several months before lifting its veto, demanding that a similar assistance be offered to Azerbaijan. Ultimately, the limited amount of EPF assistance in support of the Armenian forces (€ 10 million) reflects the difference in priorities of EU member states, which may also affect any further attempts at EU-Armenia rapprochement.

Considering the challenges on the EU's side, and the Armenia's security and economic vulnerabilities, closer integration with the EU – whatever final form it may take – cannot exclude complementary partnerships with other actors. In addition to massive EU engagement, it will require skilful navigation through regional realities.

Laure Delcour, Associate professor, Université Sorbonne Nouvelle and Visiting Professor, College of Europe

Exploring Options

2024 was meant to be a crucial year for prospects of peace between Armenia and Azerbaijan. Both the Azerbaijani presidential elections in February and Baku's COP29 Presidency seemed to offer two excellent opportunities to achieve a peace deal and present it as a foreign policy success for the two countries. Yet, as the year draws to a close, this has yet to happen; at the moment of writing, there is still uncertainty as to whether such a scenario will materialise soon.

While it is not easy to predict what 2025 has in store for the region, three scenarios could unfold. This scenario-building exercise is speculative and has very limited scientific ambitions, but it can help us reflect upon the different actors and factors at play.

The first scenario entails the achievement of a broad and sustainable peace agreement. This is the most optimistic option and the preferred one for Brussels. Not only would it see the normalisation of Armenia's relationship with Azerbaijan, but also with Turkey; it would also see growing regional economic cooperation. Armenia and Azerbaijan would cooperate on a connectivity plan, ending the current competition between two alternative visions for developing regional transport infrastructure. Russia would maintain a relevant economic role, but its influence would decrease in the context of improved relations between Baku and Yerevan. While the former would continue expanding its trade ties with the EU, the latter would continue its path towards greater EU integration despite its membership in the Eurasian Economic Union.

The inertial scenario sees an indefinite continuation of the peace talks with no clear timeline for a peace deal. Even without a formal agreement, Armenia and Azerbaijan would keep talking and achieve less ambitious objectives. A military solution to old problems would not be on the cards for either of the two states, which would continue to prefer a complex but peaceful diplomatic path. Russia would continue to leverage its interests and carry out a divide-and-rule policy at times but would not actively support the return to military conflict. The normalisation process between Turkey and Armenia would proceed, though at a slower pace.

The third, most pessimistic scenario sees a dangerous status quo, with the resumption of military action from the Azerbaijani side as a concrete

possibility. Peace talks would collapse, and Yerevan and Baku would once again start provoking one another politically and militarily. The whole region – suffering from the resumption of hostilities between Armenia and Azerbaijan and fallout from the Russian war against Ukraine – could become "more fragmented, serving as a battleground for great and middle powers, with no prospects for stability, development, or prosperity".36 This is, without a doubt, the worst-case scenario for the EU and one that Brussels should try to discourage.

OUR TAKE

While it is clear that the EU cannot maintain a high-profile mediator role between Armenia and Azerbaijan at this point, Brussels can still do much to facilitate the process and contribute to the region's stability.

Here are a few policy recommendations for concrete actions that the EU should take:

Discourage the use of force

The EU should use all the instruments at its disposal to stop Azerbaijan and Armenia from recurring to force to solve current and future disputes. Brussels should use its economic leverage fully, including through the imposition of sanctions and other trade limitations.

Demand accountability

The EU should hold Baku accountable for growing domestic political repression and human rights violations. Arguments for not speaking up against these violations include the increasing importance of Baku as an energy provider and the need to prevent the country from drifting away even further from the EU and ending up in the orbit of Russia and China. Yet, there are equally compelling arguments in favour of a tougher EU stance on this: the EU must consistently apply its democratic standards to be a credible player in the region and internationally. The EU should also insist Baku creates the conditions for the safe return of Karabakh Armenians.

Push normalisation with Turkey

The EU should continue promoting the normalisation process between Turkey and Armenia. It is true that the EU does not have as much political capital and weight vis-à-vis Ankara as in the days of the 2009 normalisation attempt. However, despite the sorry state of Turkey's EU membership process and the regional crises demanding immediate attention, the issue should not slip from the EU-Turkey agenda. Brussels

should continue demanding that Turkey honour its July 2022 commitment to open its border with Armenia to foreign nationals; it should also keep financing civil society associations like the Hrant Dink Foundation and resume programmes that facilitate people-to-people exchanges along the lines of the Turkey-Armenia Fellowship Scheme,37 which was launched by the Hrant Dink Foundation in 2014 with EU support, but ceased to function in 2021.

Keep EUMA until necessary

The EU Mission in Armenia (EUMA), tasked with observing and reporting on the situation on the ground, is a crucial tool in the EU's efforts to contribute to human security and support confidence-building between Armenia and Azerbaijan. This civilian mission was launched in February 2023, with a two-year mandate. The EU should consider extending the mandate if necessary, even if a peace agreement is reached. At the same time, the EU should reach out to Baku to improve its assessment of the mission – Azerbaijan has consistently opposed Brussels' mission, arguing that it is biased and increases the risk of conflict. The EU should also increase its efforts alongside Baku to demine the retaken territories.

Responsible engagement

The EU should avoid turning Armenia into a new geopolitical battleground with Russia. The EU adopted a sensible approach in the years following the 2013 announcement by former President Serzh Sargsyan that his country would join the Eurasian Economic Union instead of signing the Association Agreement with the EU. Brussels offered an alternative integration scheme (CEPA) that did allow Armenia to remain on the EU integration path without antagonising Moscow, on which Yerevan depends economically and energetically. The EU and Armenia should keep capitalising on engagement opportunities while frankly

BOX 4

HEGEMONIC AMBITIONS AND GEOPOLITICAL DEPENDENCY: AZERBAIJAN'S CLAIM TO STRATEGIC SPACES

Sevinj Samadzade

Azerbaijan's foreign policy is often presented as a model of multi-vector diplomacy, skilfully balancing relationships with a range of global and regional powers, including the EU, Russia, Turkey, and Israel, while maintaining neutrality between competing blocs. This narrative of strategic balancing is frequently upheld as a sign of diplomatic acumen and geopolitical pragmatism. However, a more nuanced analysis of Azerbaijan's foreign policy, informed by critical geopolitics, reveals that this "multi-vector" approach serves not as a path to true autonomy but as a mechanism for reinforcing authoritarian governance, deepening militarisation, and integrating into the so-called global war governance.

It is, therefore, crucial to acknowledge that today's wars, including the ongoing Armenian-Azerbaijani conflict and the invasion of Ukraine and Gaza, among many others, are interconnected. This lens helps to assess how these global dynamics shape Azerbaijan's foreign policy directions.

To begin, a look at Azerbaijan's history in the 1990s reveals that when Heydar Aliyev opened the oil sector to neoliberal markets, he simultaneously centralised the economy around oil revenues. This hybrid neoliberalism laid the groundwork for Azerbaijan's transformation into a fully dependent rentier state, with its economic stability deeply tied to oil revenue. This tendency aggressively continued during the leadership of his son Ilham Aliyev, who realised that the best way to expand capital was to secure his leadership at any cost. Militarisation, has been a crucial aspect of this insurance, and has led not only to the war and victory in Nagorno-Karabakh, but also to the continuous securitisation of the everyday life of ordinary Azerbaijani citizens.

This deep integration of oil-driven economic policies and authoritarian control forms the backbone of Azerbaijan's regional strategy, as well as its relationships with major global powers. As seen in its entanglement with the USA, EU, UK, Russia, China, Turkey, and Israel, Azerbaijan's geopolitical strategy mirrors the global trends of reinforcing state power through economic (inter)dependency while maintaining regional dominance through militarised approaches. Therefore, far from being balanced, Azerbaijan's foreign policy aligns itself with those structures, ensuring its geopolitical and geoeconomic significance through infrastructure projects, energy and military cooperations. While avoiding deep political ties with the EU, Azerbaijan has exploited economic and logistical collaborations, particularly after the invasion of Ukraine, with gas imports to the EU doubling, maintaining Azerbaijan's regional hegemony in the South Caucasus without disrupting the authoritarian

order at home. Its cooperation with powers like the UK through oil and mining, China through the Belt and Road Initiative (BRI) or Russia via the North-South corridor, as well as Turkey's Middle Corridor Initiative, highlights Azerbaijan's strategic entanglement in global networks of capital, where economic infrastructure also serves military and national security agendas.

Moreover, the limitations of this so-called balancing act become evident when examined through the lens of internal repression. Azerbaijan's alliances are not neutral or purely economic; they are deeply embedded in a global trend of militarised governance. By securing strategic partnerships that bolster its authoritarian rule, Azerbaijan strengthens its control over both domestic and regional spaces while marginalising critical, feminist, and democratic voices.

Civil society in Azerbaijan, much like in other Post-Soviet spaces, is regularly accused of attempting "colour revolutions". This fear of losing power comes whenever oil prices fall, or a wave of regime changes happens in the geographical neighbourhood. However, since September 2023, when Azerbaijan attacked Nagorno-Karabakh, resulting in the death of the de-facto state and the exodus of Karabakh Armenians, Azerbaijan has faced a new wave of sanctions by the US as well as international pressure. This has triggered Azerbaijan to suppress dissent internally as an instrument of foreign policy contestations, particularly targeting scholars, journalists, queer and feminist voices.

This militarised and securitised strategy is also present in the ongoing peace talks with Armenia. Azerbaijan fits into the larger picture of the so-called "competing multipolar world order," by leveraging its military power as a constant threat in order to extract political and territorial concessions. This reflects the militarisation of diplomacy – Azerbaijan's negotiations are conducted under the shadow of war, with President Ilham Aliyev periodically invoking the possibility of renewed military action to pressure Armenia into compliance.

For Armenia, the options are grimly constrained – either face the reality of perpetual conflict or accept an authoritarian peace dictated on Azerbaijan's terms. This duality underscores the limitations of Armenia's sovereignty and exposes the contradictions at the heart of Azerbaijan's geopolitical strategy, where peace itself becomes a weapon of coercion. The region is left with no real choice but to navigate between these extremes, with neither genuine reconciliation nor a pathway to lasting stability in sight.

Another evident example of going beyond neutrality can be explored in Azerbaijan's recent attempt to join BRICS. One of the critical fallacies in the argument of the government is the suggestion that BRICS represents a cohesive, unified platform of like-minded states with shared visions of sovereignty and non-interference. BRICS is less a "club of like-minded countries" and more of a strategic grouping of states and their mostly authoritarian ruling elites, each with distinct national and personal interests that often compete. Azerbaijan's interests, framed as being aligned with these global actors, fail to acknowledge the fundamental contradictions inherent in its foreign policy – especially if we consider Azerbaijan's partnerships with this new emerging authoritarian bloc and with other liberal-hegemonic powers as a temporary equilibrium supported by an inherently fragile structure, though it works perfectly for its own interests at times. However, this continuous navigation of diverging expectations from its allies as a peripheral rentier state, risks increased instrumentalisation by both sides when concessions to one contradict commitments to the other.

Azerbaijan is also promoting its foreign policy as not only neutral but mutually beneficial. In the case of joining BRICS, it is being repeatedly highlighted that Azerbaijan can "offer something" to trade giants like China, Russia, and Brazil. In reality, aside from its geographical position as a transit hub, which is indeed a valuable asset, this offer means the deepening of personal

business ties and inter-dependencies by the ruling elites while promoting only transactional diplomacy. In this case, the growing dependency of the Azerbaijani state on this strategic camp is facilitated by Aliyev's and his cronies' business ties, which are personalising state trade and interests.

In this light, Azerbaijan's recent interest in BRICS, triggered by Putin's visit to Baku, should be viewed as part of the broader strategy of survival of the Aliyev regime. Yet this strategy is being implemented quite cautiously, as we see from the developments of the recent BRICS Summit in Kazan, where Azerbaijan still refrained from becoming a full-fledged member. However, its active promotion of BRICS and rearrangement of the peace talks with Armenia within the summit shows that despite strong economic ties with the EU, Aliyev chooses a less ambiguous and more familiar "ideological camp" to promote his regime's survival and achieve his ambitions in negotiations. By aligning with Russia, therefore, Azerbaijan obtains a form of geopolitical insurance, as Russia's tacit approval helps legitimise Azerbaijan's military and diplomatic victories.

Israel and Turkey were the two most notable contributors to Azerbaijan's military victories. Rooted primarily in shared security interests, Azerbaijan has long been a vital partner for Israel in the region, providing access to energy resources and geographic proximity to Iran, a common regional adversary. In exchange, Israel has supplied Azerbaijan with advanced military technology, including drones and air defence systems, significantly enhancing Azerbaijan's military capabilities, especially during the 2020 Nagorno-Karabakh war. Beyond military cooperation, this partnership also extends into both knowledge-based and fossil fuel trading with Azerbaijan serving as a key supplier of oil to Israel, fortifying economic ties alongside security interests.

On the other hand, Azerbaijan's alliance with Turkey, often described as a "one nation, two states" relationship, underscores the deep cultural, economic, and military ties between the two countries. This connection has historically provided Azerbaijan with strategic advantages in the South Caucasus, including strong military support during the 2020 war and mutual investments in infrastructure projects in the region. Yet, this unity is being tested as Turkey's vocal support for Palestine amid Israel's ongoing war in Gaza highlights a schism in the two nations' foreign policy approaches. Azerbaijan faces mounting pressure to reconcile its alliance with Turkey while upholding its strategic partnerships with Israel.

The trend of controlling geopolitical and geoeconomic spaces is further illustrated by Azerbaijan's hosting of COP29, positioning itself at the forefront of green capitalism. While the country presents an image of commitment to sustainable practices, this is an attempt to divert attention from the ongoing challenges of diversifying the economy and the authoritarian governance model that suppressed dissent, particularly right before COP29.

In conclusion, Azerbaijan's foreign policy, often lauded for its "multi-vector" approach, is not a sign of genuine autonomy but a reflection of deeper dependencies. The country's geopolitical strategy is a tightrope walk – balancing conflicting alliances while reinforcing an authoritarian model at home. Rather than achieving true neutrality or autonomy, Azerbaijan's entanglements with global powers reveal a strategy rooted in militarised governance and transactional diplomacy. This not only compromises the country's sovereignty but also binds it to a global system where strategic dominance is always mediated by dependence on stronger actors. Azerbaijan's multi-vector diplomacy is more a testament to the constraints faced by a peripheral state operating within a neoliberal and increasingly authoritarian global order, where sovereignty is constantly negotiated, fragile, and always at risk of collapsing under its own contradictions.

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