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ANALYSIS

THE SOUTH CAUCASUS TRANSPORTATION BATTLE

Sporadic border clashes between Azerbaijani and Armenian troops continue months after a deadly 44-day war in the autumn of 2020 over the Karabakh region which ended with a Russian-brokered truce. Hostilities come amid talks of major construction of the regional transportation links, and an escalation in rhetoric and threats of a renewed war has accompanied violence. At this point, a new conflict between the two countries does not seem very probable because all major foreign powers operating in the turbulent region are interested in peace and stability. However, both Baku and Yerevan could use border incidents as leverage to achieve their own goals ahead of the planned building of roads that could permanently change the geopolitical position of the South Caucasus.

According to the ninth point of the November deal signed between Azerbaijan's President Ilham Aliyev and Armenia's Prime Minister Nikol Pashinyan, regional transportation links shall be unblocked. The document calls for the restoration of the existing infrastructure of the Soviet period linking the Nakhchivan Autonomous Republic with mainland Azerbaijan. Baku has already started [building roads](#) and [railroads](#) on the Azerbaijani territory, while Yerevan does not seem eager to implement the deal. The Nakhchivan corridor, also known as "Zangezur corridor", will allow Azerbaijan to have a direct link not only with its landlocked exclave Nakhchivan region, but will also provide Turkey an additional and shorter link to Azerbaijan. It will also connect Russia through Azerbaijan and Armenia with Turkey and Iran. At the same time, Turkey will access Central Asia by passing through the Caspian Sea.

Once the November deal is fully implemented, and the Nakhchivan corridor is complete, Armenia may lose the last trump-card against Baku that is why the country's leadership will likely postpone the inevitable construction of the corridor. It is worth also noting that Armenia shows more interest in opening the Ijevan-Gazakh route instead of the Zangezur corridor. Indeed, Yerevan is more than interested in a rail link to Russia but not through Azerbaijan. Armenia would prefer a transportation connection with the Russian Federation through Georgia, although such an option does not seem realistic. There are at least, two obstacles that could prevent a construction of such a railroad. First, the Kremlin is interested in reopening the Armenia-Russia railroad through Abkhazia – internationally recognized as part of Georgia but the de-facto independent nation backed by Moscow. However, it is unlikely that Tbilisi would ever allow that. Secondly, it is technically possible to avoid Abkhazia and build a new line through central Georgia and the North Caucasus mountains, but such an option would be very expensive. On the other

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hand, rail route from Armenia to Russia through Azerbaijan represents about 500-kilometer longer trip than through Georgia. However, considering tense relations between Moscow and Tbilisi, it is more likely that the Kremlin will eventually pressure Armenia to accept the cheaper and more feasible solution which is a rail route through Azerbaijan. It means Yerevan will have

to engage in building the Nakhchivan corridor that could be politically seen as another Armenian defeat. But given that the land-locked country lost the 44-day war, and the country is heavily dependent on Russia then it is obvious that Yerevan hardly has many choices. Moreover, Armenia's state railway company is largely [owned by the Russian Southern-Caucasus Railway enterprise](#), which means that any railroad infrastructure projects in the country will heavily depend on the Kremlin's political will.

Quite aware of such an unfavorable position, the Armenian leadership could benefit only if other global players got involved in the South Caucasus transportation battle. The European Union has [reportedly](#) offered Armenia an aid package of over \$3 billion, which is part of a package for the EU's six post-Soviet Eastern Partnership countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It is worth noting that Belarus suspended its participation in the EU's Eastern Partnership initiative in June, following the sanctions Brussels imposed on Minsk, and Azerbaijan will get 140 million euros. Armenia will be able to use 600 million to upgrade major national highways, but the problem is that the EU plans need to be approved by all member states, which could be a long-term process. It is worth noting that the new EU package does not contain usual political conditions. For instance, Brussels was in the past pressuring Yerevan to shut down the Metsamor power plant, which is frequently cited as the most dangerous reactor of its kind in the post-Soviet region as well as an important condition of peace and the respect of territorial integrity. Also, Brussels' offer to Yerevan could be a "consolation prize" for defeated Armenia. Still, the ongoing Yerevan's dialogue with the EU could eventually counterbalance Russia's influence in the country, and provide Armenia an opportunity to modernize its infrastructure. Indeed, the nation's infrastructure requires huge foreign investments which are conditioned with the political stability in Yerevan.

Azerbaijan does not have such problems. [In February](#), President Ilham Aliyev laid the foundation for a new 100-kilometer stretch of railroad across southern Azerbaijan along the Iranian border, and the energy-rich country's infrastructure is not that dependent on foreign loans. Moreover, [Azerbaijan provided loans to other nations](#) to build strategically important highways. Baku is also building new train lines and roads to complete missing links in the International North-South Transport Corridor (INSTC) – a 7,200-km-long multi-mode network of ship, rail, and road routes for moving freight between India, Iran, Afghanistan, Azerbaijan, Russia, Central Asia and Europe. One of the primary goals of the corridor is to increase trade volumes between those countries, and also to reduce costs in terms of time and money. Thus, being involved in this significant regional initiative, Baku is increasing its role in international and regional processes. At this point, Armenia remains far behind Azerbaijan as a transit country but there are indications that Yerevan could attempt to improve its position.

[India and Iran](#) are reportedly encouraging Armenia to play a bridging role connecting the Persian Gulf to the Black Sea. The INSTC is seen as India's counterweight strategy to China's Belt and Road Initiative (BRI), and it is hardly a pure coincidence that India recently [expressed interest](#) in developing Armenia's infrastructure. In addition, the INSTC project would help India strengthens its cooperation with Armenia's ally Russia. Moscow sees India as a partner for balancing power with China, even though Russia and China are formally strategic partners.

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So, what are the positions of Azerbaijan and Armenia in this wider geopolitical game? Nominally, they have the same goal to develop the region's infrastructure, but their priorities are rather different. While Baku pushes for the construction of the Zangezur corridor, Yerevan aims to build the country's main international artery which is the road connecting Yerevan to the country's southern neighbor Iran. However, as long as the two nations remain involved in border clashes, a full realization of any infrastructure projects remains uncertain. Border demarcation between Armenia and Azerbaijan seems to be the first step to get out of the current stalemate in the South Caucasus. After that, all options that are currently unthinkable – namely, normalization of ties between Yerevan and Baku, which would include mutual recognition of territorial integrity or establishment of diplomatic relations between Armenia and Turkey could be on the table.

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