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Azerbaijan: an essential link on the East-West Strategic Corridor

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Abstract

Being located at the crossroads of the major Eurasian transport corridors, with huge resources and an important growth rate, Azerbaijan has now the opportunity of putting in practice his objective of becoming a regional hub between Europe and Asia. Having chosen the Western direction, Azerbaijan is involved in large-scale projects of European interest and the East-West Black Sea Caspian Sea Corridor must not be absent from Baku's plans.

Choosing to be part from the East-West Strategic Corridor linking Central Asia to the Euro-Atlantic Area and implicitly, to collect the economic and strategic advantages that come along with it, Azerbaijan will strengthen its position in the Caucasus and its role of stabilizer in the region.

Key words: The East-West Strategic Corridor, The New Silk Road, Azerbaijan

The East-West Strategic Corridor linking Central Asia to the Euro-Atlantic Area represents at this moment only a strategic concept. Once the required conditions are fulfilled in order this idea to be created in reality, the East-West Black Sea Caspian Sea Corridor would be the background needed to promote a series of projects covering trade, civil and military transportation, energy exports and investments. The development of this corridor could bring benefits to all countries it directly involves (Romania, Georgia, Azerbaijan, Turkmenistan, Uzbekistan, possibly Kazakhstan and Turkey), to their neighbor countries and not ultimately to the EU and USA which are interested in Central Asia's riches and economic potential.

In the next pages, our attention will be directed to one of the pivotal countries in the Eurasia region, Azerbaijan. The aim is to discuss Azerbaijan's foreign and energy policy strategies in the changing geopolitical context as well as the interests that shape its policy toward the Caspian Sea basin. At the same time, this paper highlights the opportunities Azerbaijan would benefit if it properly values its position on the East-West Strategic Corridor from EU-NATO to Central Asia via the Caucasus.

Located at the crossroads of the major trade and energy routes between East and West and maintaining the secularity of a state with a Muslim heritage, Azerbaijan is a natural bridge between Europe and Asia and a gateway to energy and transportation corridors for the entire region in which it is located.¹ As Brzezinski pointed out, Azerbaijan's location makes it a geopolitical pivot². It can be described as the vitally important "cork" controlling access to the "bottle" that contains the riches of the Caspian Sea basin and Central Asia.³

¹ Kamal Makili-Aliyev, "Azerbaijan's Foreign Policy: Between East and West...", *IAI Working Papers 1305*, 25 January 2013, p. 2

<http://www.iai.it/pdf/DocIAI/iaiw1305.pdf>

² Regarding the concept of "pivotal power", we chose to use the definition provided by Oxford Analytica, that is to say, that country that by virtue of its strategic location, economic potential, policy preferences is destined to shape the contours of geopolitics in key regions of the world as well as constitutes important nodes of global economic growth. See "Pivotal Powers. Politics and Prosperity in a Volatile World", *Oxford Analytica*, February 29-March 1 2012, London, p.4

<http://www.oxan.com/About/Media/News/PivotalPowers.aspx>

³ Zbigniew Brzezinski, "The Grand Chessboard: American Primacy and Its Geostrategic Imperatives", p. 129

http://www.takeoverworld.info/Grand_Chessboard.pdf

Since Azerbaijan regained its independence following the breakup of the Soviet Union, the Caspian region, an important transit hub for goods, particularly oil, became a central point to the development of Azerbaijan's energy resources and projects. It is not only the case of Azerbaijan, but also of the other Caucasian states and the non-Caspian Caspian Sea states that gained independence after the collapse of the Soviet Union in 1991. To be more concrete, the development of the Caspian Sea energy resources has become the key element of the long-term commitment to gaining economic and political independence for the regional countries.⁴

Azerbaijan's energy wealth and relative internal stability give it a greater flexibility than many of its neighbors and former Soviet counterparts. However, the region around Azerbaijan is geopolitically complex⁵. Although confronted with such a wider geopolitical neighborhood (being a small state located between three major powers: Russia, Iran and Turkey) Azerbaijan found „a middle way“ of dealing with it revealed in what is called the strategy of maintaining balance towards all of its neighbors. Specifically, Azerbaijan's view of the Caspian region is mainly framed by its relationship with its two large neighbors, Russia and Iran.

Since regaining its independence, Azerbaijan is pursuing its energy policy set up in the 90s which started with opening up Caspian hydrocarbon

resources to the Western oil majors. It wanted to become an important energy exporter country to the European consumers and play a crucial role in European energy security. In this regard, it can be said that all Azerbaijani governments from the outset was to look to West. The Western option was the best one for the sovereignty and the welfare of the country.⁶ As example, we can mention the agreement between The State Oil Company of Azerbaijan (SOCAR) and The Azerbaijan International Operation Company (AIOC) or the “Contract of the Century” signed on 20 September 1994. Thinking strategically, the Azerbaijani and the US governments agreed to build a new pipeline that by-passed the territories of Russia and Iran for exporting large volumes of Caspian oil. However, in order to accommodate Moscow, Russia's Lukoil company also was given a 10% share at the end of the step-by-step negotiations in 1994⁷, a proof of the Azerbaijan's strategy of maintaining balance towards its neighbors, in this case, Russia.

Building the Baku-Tbilisi-Ceyhan (BTC) oil pipeline was an important stage in implementing the Contract of the Century⁸. This oil pipeline crosses Azerbaijan, Georgia and Turkey and

⁴ Zaur Shiriyeu, “Impact of Afghanistan on Energy Security in the Caspian Sea Basin: The Role of Azerbaijan”, *NATO Science for Peace and Security Series- E: Human and Societal Dynamics*, Vol. 106: Afghanistan and Central Asia: NATO's Role in Regional Security since 9/11, February 2013, p.112 <http://ebooks.iospress.nl/publication/32652>

⁵ Azerbaijan's External Constraints, Stratfor, September 4, 2012 <http://www.stratfor.com/countries/azerbaijan/analysis>

⁶ Elnur Soltanov, “The Emerging Patterns of Azerbaijan's International Energy Policy: Continuities and Changes”, *Caucasus International Review, The Caspian Energy Dance: Towards a New Age of Partnership?*, vol. 2, no.2, summer 2012, p. 80.

⁷ Zaur Shiriyeu, Impact of Afghanistan on Energy Security in the Caspian Sea Basin: The Role of Azerbaijan, *NATO Science for Peace and Security Series- E: Human and Societal Dynamics*, Vol. 106: Afghanistan and Central Asia: NATO's Role in Regional Security since 9/11, February 2013, p. 114 <http://ebooks.iospress.nl/publication/32652>

⁸ Aysel Allakhverdieva, The Baku-Tbilisi-Ceyhan Pipeline in the context of human rights http://www.ca-c.org/c-g/2007/journal_eng/c-g-3/09.shtml

transports crude oil from the Azerbaijani sector of the Caspian Sea to the Turkish port of Ceyhan located on the Mediterranean coast. Although Azerbaijan has three export pipelines⁹, most (about 80 percent) of its oil is exported via the BTC.¹⁰

Total export capacity of Azerbaijani oil pipelines is 72,5 million tons. According to the results released in 2012, Azerbaijan will be able to transport only 35 million ton of its oil on the world market. Additionally, 2,5 million ton of Turkmen oil will be transported through Baku-Tbilisi-Ceyhan pipeline. Therefore, the pipeline is used only at half of its capacity which means that Azerbaijan has big opportunities further that can be used maximally. From this point of view, there are experts who consider that taking into consideration the energy resources on the right shore of the Caspian basin, the setting of long-term projects on favorable cooperation and becoming an Energy Center can bring a lot of benefits for Azerbaijani people in the future.¹¹ In this regard, the East-West Corridor Black Sea - Caspian Sea has the potential to become a very big opportunity to Azerbaijan and its objective of becoming a "regional hub" between East and West. It is time for Azerbaijan, the only country from the Caucasus region with a real potential of sustaining such a project, to value its position and assets for increasing its own security and to offer at the same

time a series of solutions for several key world players.

After successfully transporting its oil to the open sea via Georgia and Turkey, Azerbaijan is trying to replicate this success in the natural gas market. The country is already part of the European gas network, through BTE pipeline, which currently transports 6.6 bcm/y of gas from offshore Shah Deniz I field to Turkey. This pipeline is connected to ITG, which can actually supply 3bcm/y of gas to Greece at its maximum level.¹²

The BTC oil pipeline and the BTE natural gas pipeline which are considered part of the East-West Energy Transportation Corridor allowed Azerbaijan to export energy to Western markets independently of Russia and created the opportunity to incorporate potential trans-Caspian pipelines from Kazakhstan and Turkmenistan into this corridor.¹³

The Baku-Tbilisi-Erzurum pipeline or the The South Caucasus (SCP) gas pipeline provides the connecting link between the Caspian littoral and TANAP in Turkey.¹⁴ TANAP or the Azerbaijani-Turkish Trans-Anatolia Pipeline Project emerged in December 2011 due to a MoU signed between Turkey and Azerbaijan. followed by the signature, on 26 June 2012, of an Intergovernmental

⁹ Baku-Tbilisi-Ceyhan (with the capacity of 60 million tons per year), Baku-Supsa) with the capacity of 7.5 million ton per year), Baku-Novorosiysk (with the capacity of 5 million ton per year)

¹⁰ www.eia.doe.gov, Azerbaijan, Last updated January 9, 2012

¹¹ Remark made by Ilham Shaban, Director of Oil Studies Research Center from Azerbaijan at the conference entitled Ensuring Energy Security in the Caspian basin and NATO's role in protecting critical energy infrastructure held in Baku on 22 November, 2012

¹² Mert Bilgin, "Implications of Azerbaijan gas for the Southern Corridor and European energy security" *Caucasus International Review, The Caspian Energy Dance: Towards a New Age of Partnership?*, vol. 2, no.2, summer 2012, p. 134.

¹³ Taleh Ziyadov, "Azerbaijan", Central Asia-Caucasus Institute & Silk Road Studies Program, 2007, p.317 <http://www.silkroadstudies.org/new/docs/publications/GCA/GCAPUB-10.pdf>

¹⁴ Vladimir Socor, Azerbaijan drives the planning on Trans-Anatolian Gas Pipeline Project, EDM, vol: 9 issue:164, september 11, 2012 http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=39827

Agreement (IGA) by Prime Minister Erdogan of Turkey and President Ilham Aliyev of Azerbaijan.

From Azerbaijan's national perspective, the Trans-Anatolia pipeline would organically connect Azerbaijan via Turkey with Europe (a major economic and political goal of Baku) and it would turn Azerbaijan into a significant contributor to energy security in Europe. TANAP would cast Azerbaijan in the new role as natural gas exporter, in addition to oil exporter and it would allow Azerbaijan to become a transit country for Turkmenistani gas via Turkey to Europe.¹⁵ Finally, TANAP enables Azerbaijan to use its own transportation infrastructure for the transit of natural gas from other producers. In other words, the spare pipeline capacity can be hired by other gas producers to supply natural gas to Europe¹⁶. Baku describes this project as a "direct road from Azerbaijan to Europe" and "Azerbaijan's road into the future."¹⁷

The Trans-Anatolia project confirms the sayings of Ilham Aliyev: *it is not possible to realize the new transport corridors from East to West*

without Azerbaijan.¹⁸ In other words, without Azerbaijan, no transit project would be possible between Asia and Europe in the South Caucasus.

Another project that can confirm the above mentioned sayings is the construction of the Baku-Kars-Tbilisi railroad that will directly connect Kars in Turkey, Tbilisi in Georgia and Baku in Azerbaijan. The key objective of the project is to improve trade and economic relations between the three regions, as well as gaining foreign direct investment by connecting Europe and Asia. The project will facilitate transportation of passengers and goods, principally oil¹⁹.

BTK or the New Iron Silk Road which will be fully operational in 2013 is an important part of the East-West transport corridor that will be a guarantor of sustainable development and security in Eurasia as a whole. For Azerbaijan and Georgia, a railway connecting Georgia, Azerbaijan and Turkey as a part of a future Caucasus common market will solidify Baku's importance as a Caspian trade hub and further strengthen its relations with Central Asia. The railway will form the nexus for a regional rail network, transporting cargo from China to European markets, serving as Azerbaijan and Georgia's window into Europe.²⁰

¹⁵ Vladimir Socor, Trans-Anatolia Gas Project: Vast Impact of Azerbaijan's Initiative, EDM, vol: 9, issue: 124, June 29, 2012

http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=39559

¹⁶ Sevinj Mammadova, Natural gas supply to Europe: a new dimension of Azerbaijan's energy policy, http://www.academia.edu/3302870/Azerbaijans_energy_policy_Natural_Gas_supply_to_Europe

¹⁷ Burcu Gültekin Punsmann, „A step ahead towards the stage of maturation in Azerbaijani-Turkish Relations: The Trans-Anatolian Pipeline" Economic Policy Research Foundation of Turkey, June 2012, p. 3
http://www.tepav.org.tr/upload/files/1340182838-9.A_Step_Ahead_Towards_the_Stage_of_Maturation_in_Azerbaijani_Turkish_Relations_The_Trans_Anatolian_Pipeline.pdf

¹⁸ Ilham Aliyev *apud* Zaur Shiriyev, Impact of Afghanistan on Energy Security in the Caspian Sea Basin: The Role of Azerbaijan, NATO Science for Peace and Security Series- E: Human and Societal Dynamics, Vol. 106: Afghanistan and Central Asia: NATO's Role in Regional Security since 9/11, February 2013, p
<http://ebooks.iospress.nl/publication/32652>

¹⁹ <http://www.railway-technology.com/projects/baku-tbilisi-kars/>, accessed on 21th of April 2013

²⁰ Glen E. Howard, "The New Iron Silk Road: The Baku-Tbilisi-Kars Railway" *Caucasus International Review, The Caspian Energy Dance: Towards a New Age of Partnership?*, vol. 2, no.2, summer 2012, p. 38-39

Being a landlocked state means that Azerbaijan is dependent on its neighbors to allow it to transit goods through their territories.²¹ Even if this is not always an easy thing to cope with due to the political and economical pressures that can appear in any moment along the corridor, Azerbaijan knew to keep Georgia a close ally and an important regional partner. The good relations Baku has with one of its neighbor along the East-West corridor represents another added value Azerbaijan has and which can determine the officials to Baku to support the construction of the East-West Corridor Black Sea – Caspian Sea.

Georgia provides the shortest land connection for Azerbaijan to its ally Turkey and because of its sheer geographic location it is the only country that borders all the states and political entities in the region²². Baku is among Georgia's top foreign investors and its most important commercial partner. Even if the remarks made by Georgian Prime Minister Bidzina Ivanishvili during his visit to Armenia²³ caused concern in Baku and raised

questions related to Georgia's support on Baku's strategy of maintaining Armenia isolated from all the regional projects as a consequence of its unconstructive attitude towards the Nagorno-Karabakh conflict²⁴, it seems that the two countries are in good relationships again.

As a transit country, Azerbaijan sought from the beginning to develop its regional energy resources and to open itself to global energy markets, especially the Western ones. The many energy agreements signed lately by Azerbaijan demonstrate the fact that Baku wants to diversify its energy routes in order to get more dividends over the involved regional player. From Azerbaijan's perspective, a successfully implemented diversification of its energy security strategy will increase the country's role as a stabilizer in the region and at the same time its role in both regional and global energy security²⁵. In this respect, the Southern Corridor, the only westward route for exporting hydrocarbons from the Caspian to European markets, is a central part of the country's energy diversification policy.

The currently situation shows that Azerbaijan is going beyond what it has learned

²¹ Brenda Shaffer, „Azerbaijan's foreign policy since independence” in *Caucasus International Review, The Caucasus and its Neighbors: Towards the Future*, Vol.2, No.1, spring 2012, p. 74

²² Vasili Rukhadze, The Shift in Geopolitical Balance of Power in South Caucasus is Underway, Eurasia Daily Monitor, Volume: 10 Issue: 23 February 7, 2013 http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=40434

²³ On January 17, during his visit to Armenia, Georgian Prime Minister Bidzina Ivanishvili stated that “Armenia provides a good example for Georgia, and it can be a source of envy in a positive sense,” for managing to have good relations with Russia and at the same time with the United States and North Atlantic Treaty Organization (NATO) member states Setting Armenia—a country which does not aspire to NATO membership and is widely considered to be Russia's satellite state in the South Caucasus—as an example was quite an alarming statement for Georgia. See Vasili Rukhadze, The Shift in Geopolitical Balance of Power in South Caucasus is

Underway, Eurasia Daily Monitor, Volume: 10 Issue: 23 February 7, 2013 http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=40434

²⁴ Because of the conflict with Armenia regarding Nagorno-Karabakh region, Azerbaijan closed the diplomatic relations with this country. All the projects Azerbaijan is engaged bypass Armenia as a mean of putting pressure on it and determine Erevan to adopt a positive attitude that could unblock the current stage of the negotiations between the two conflicting parties and in this way to make significant steps towards the peaceful resolution of the Nagorno-Karabakh conflict.

²⁵ Gulmira Rzayeva, „Azerbaijan's diversified energy security strategy”, 11/26/2009, published on Central Asia-Caucasus Institute <http://www.cacianalyst.org/?q=node/5222>

with oil. Because Azerbaijan has succeeded in the core goal of its oil export strategy through the development of the ACG resources (Azerbaijan is set to collect 80% of the \$130 billion expected to be produced during the 30 years lifetime of the AIOC contract²⁶, Baku can focus now on its objective of becoming an independent leader. Being the only country in the region developing its promising gas fields based on PSAs, Azerbaijan has been nominated as the *enabler of and contributor* to the Southern Gas Corridor by the EU.²⁷ The rise of natural gas production on Azerbaijan's offshore territory has completely changed the core drivers behind the southern gas corridor by increasing Azerbaijan's strategic significance in the east-west supply chain.²⁸ However, even if the most efforts in the past decade have been practically focused on the Shah Deniz giant gas field of Azerbaijan, what matters, according to the EU Energy Commissioner Günther Oettinger is that *"the 10 bcm annual gas that EU will import from Shah Deniz II is small to the overall needs of the EU. On its own this quantity could not justify all the efforts put forward from the EU, but with the Shah Deniz gas the Southern Corridor will open and future gas supplies from the Caspian can be imported to the European market."*²⁹

²⁶ Gulmira Rzayeva & Theodoros G.R. Tsakiris, "Strategic Imperative: Azerbaijani Gas Strategy and the EU's Southern Corridor", *SAM Review*, no. 5 July 2012, p. 13

²⁷ Remark made by Farhad Mammadov, Director of Center for Strategic Studies of Azerbaijan at the conference entitled Ensuring Energy Security in the Caspian basin and NATO's role in protecting critical energy infrastructure held in Baku on 22 November, 2012

²⁸ Sevinj Mammadova, „Natural gas supply to Europe: a new dimension of Azerbaijan's energy policy" http://www.academia.edu/3302870/Azerbaijans_energy_policy_Natural_Gas_supply_to_Europe

²⁹ Günther Oettinger, Keynote Speech delivered at the First Annual Frankfurt Gas Forum, Frankfurt, Germany, 29 November 2012 *apud* Anthony Livanios, „The Conundrum

It is well known the fact that very significant revenues from oil and gas have been flowing into Azerbaijan in recent years, allowing the state to develop and reform the non-oil sector. The World Bank named Azerbaijan "Top Reformer" in its "Doing Business 2009" report, reflecting the state's significant efforts in simplifying its domestic regulatory requirements.³⁰ From Azerbaijan's perspective, the utilization of its hydrocarbon resources as a means of national empowerment was always at the center of the country's strategic orientation towards the Euro-Atlantic Area. Even though Baku does not aspire to join either NATO or the EU, it does want a closer relationship with these organizations. Closer security cooperation with EU and NATO could become the ideal instrument for balancing the regional influence of Russia and Iran. It is not only about the consolidation of Azerbaijan's geopolitical independence or the big opportunity of this country to become a major gas exporter to Europe, but also about the fact that, in the long term, Azerbaijan can become a prominent supplier and transit state for the export of Central Asian oil and gas revenues to Europe³¹.

The strategic value, connections and cash that are flowing into Azerbaijan due to oil and gas is part of the Baku's strategy of increasing the

of the Southern Gas Corridor: What are the risks for the Europe and Azerbaijan? The viewpoint of an insider", april 2013, *Actuelles de l'Ipri*, p. 3

<http://www.ifri.org/?page=detail-contribution&id=7644>

³⁰ Gulmira Rzayeva, „Azerbaijan's New Energy Act", published on *Journal of energy security*, 15.03.2011 http://www.ensec.org/index.php?option=com_content&view=article&id=280:azerbaijans-energy-balancing-act&catid=114:content0211&Itemid=374

³¹ Gulmira Rzayeva & Theodoros G.R. Tsakiris, "Strategic Imperative: Azerbaijani Gas Strategy and the EU's Southern Corridor", *SAM Review*, no. 5 July 2012, p. 10-25

country's chances to end the Armenian occupation of its territories. One of the most notable changes in Azerbaijan's behavior has been the amount of money allocated for building up the military.³² Azerbaijan increased its military budget by a significant amount over the past few years (the increase from 2010-2011 was 89% or, an impressive 1.187 billion \$. The 2012 proposed budget shows another increase.³³ Baku seeks to use its energy projects as platforms through which to win political support, not only from the states through which Azerbaijani gas is transited, but also countries where Baku has non-oil partnerships.³⁴

Because of ongoing ethno-territorial conflict with Armenia, Azerbaijan has devoted most of its attention in recent years to developing its land and air forces in order to be able to possibly end the Armenian occupation of western regions of Azerbaijan. But with opportunity comes risk and the more Azerbaijan becomes an energy producer and diversification hub away from Russia, the more it will come into conflict with Moscow's interests. Because Russia is still the strongest conventional military force in region and has a substantial military presence in Armenia, Azerbaijan will be careful to consider these realities.³⁵

³² Elnur Soltanov, "The Emerging Patterns of Azerbaijan's International Energy Policy: Continuities and Changes", *Caucasus International Review, The Caspian Energy Dance: Towards a New Age of Partnership?*, vol. 2, no.2, summer 2012, pp. 88-89

³³ Joshua W. Walker, "Eurasia's Hinge: Azerbaijan's Triangular Balancing Act", *Caucasus International Review, The Caspian Energy Dance: Towards a New Age of Partnership?*, vol. 2, no.2, summer 2012, p. 35.

³⁴ Gulmira Rzayeva, "A Complicated Corridor: Gas to Europe – it's not just economics" *Caucasus International Review, The Caspian Energy Dance: Towards a New Age of Partnership?*, vol. 2, no.2, summer 2012, p. 145

³⁵ Reshad Karimov, Eugene Chausovsky, Kamal Makili-Aliyev, "The Caspian Basin: Geopolitics and the Future

As we may see, securing Azerbaijan's future involves continuing to deal with a number of pressing national and regional challenges as the Nagorno-Karabakh conflict, Russia, Iran. The conflict with Armenia over the Karabakh region is the hardest security issue Azerbaijan is facing and one of the impediment of the implementation of the East-West Strategic Corridor if the relation with Armenia gets increasingly more tense. Since the ceasefire agreement signed in 1994, the two former Soviet republics held peace talks, but negotiation over the region's status stalled³⁶ and the both countries have become enveloped in a protracted *status quo*.

A ceasefire can open a window of transforming the conflict and reversing the cycle of violence, but it is not sufficient. Most of the times, the attitudes remain polarized, the contradictions remain unaddressed. In the case of the Nagorno-Karabakh conflict, the ceasefire might have ended the military campaign (a change in behavior happened and stopped the direct violence) but the two conflict parties are practically *at war*, the situation has been deteriorating step by step lately and the possibility that the two parties will sign a *peace agreement* and to make, in this way, the transitions to the next period of normalization is more and more reduced. Practically, in this moment, Armenia and Azerbaijan find themselves in a *no peace, no war*

Balance of Power", *SAM Review*, no. 4 November 2011, pp. 20-21

³⁶ Nagorno-Karabakh reached the stage of a stalemate: the situation in which neither side can win, but neither side wants to back down or accept loss either. In protracted conflicts, individuals have been socialized to the polarized view of self and other which represents a difficult obstacle in transforming the nature of the conflict.
<http://peacestudies.conflictresearch.org>

situation or, by the terminology used by Galtung, in a *negative peace* status.³⁷ What is alarming is that, with the deadlock of the peace process, tensions, frustrations and lack of patience between the conflicting parties is growing day by day. The situation around this conflict, especially in the last period of time, is instable and must be dealt with caution in order to not reach again a status of war, manifest conflict, direct violence, for consuming all the gathered resources, will and frustration during almost twenty years. The possibility of a new war between Armenia and Azerbaijan could disrupt all the new projects in the region, including the East-West Strategic Corridor, and stir up instability. Because of the negative consequences of this scenario, it is necessary that the conflicting parties continue the negotiations for the peaceful resolution of the conflict between them.

The military clashes along the Line of Contact that took place last year in June and coincided with US Secretary of State Hillary Clinton's visit in South Caucasus³⁸ or the presidential pardon of Ramil Safarov who was serving a life sentence for slaying Guren Margaryan, an Armenian soldier in Budapest in 2004³⁹ represent a less likely trigger for the resumption of hostilities between the conflicting parties compared with the recent decision of Armenian authorities to open an airport in Khojaly.

Seen as a political provocation by Azerbaijan, Baku's officials have already blasted the potential move as a clear violation of their country's airspace. According to the international civil aviation code, Azerbaijan has the right to take action to stop flights from this airport⁴⁰. The start of the first flight from Khojaly to Erevan, a scenario that could happen since the Armenian presidential elections are out of way, is a real concern for the escalations of tensions between the conflicting parties and a situation that could put at risk or halt the strategic projects Azerbaijan is involved in.

To all this aspects, there are also another factors that, if not dealt with patience and attention, could lead to regional instability and thus negatively impact the projects in this area. We are referring here to the Azerbaijan's relations with Iran and Russia which lately have experienced more downs than ups. It is sufficient to mention only the recent declaration of Iran regarding the re-annex Azerbaijan⁴¹ or the contradictions around the Gabala radar that lead to the deterioration of Russo-Azerbaijani relations.⁴²

Last but not least, there are also another type of challenges Azerbaijan confronts with, challenges that come up from the economic sector. Specifically, the revenues gained from the oil and gas sector are expected to decrease in the

³⁷ The terms of negative peace/ positive peace were first introduced by Johan Galtung (1964). Negative peace refers to the absence of direct violence, of war and positive peace refers to the absence of direct, structural and cultural violence.

³⁸ Anar Valiyev, Military clashes between Armenia and Azerbaijan threaten stability in region, EDM, vol. 9 issue 112

http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5btt_news%5d=39489&tx_ttnews%5bbackPid%5d=13&cHash=220dfb337c15d4a462722f61cdf32654

³⁹ Azeri killer Ramil Safarov: NATO chief concerned
<http://www.bbc.co.uk/news/world-europe-19499151>

⁴⁰ Zaur Shiryev, The fog of war in the Caucasus: 2 scenarios, 11 december 2012

<http://www.todayszaman.com/columnist-300828-the-fog-of-war-in-the-caucasus-3-scenarios.html>

⁴¹ Ilan Berman, Teheran turns up the heat (on Azerbaijan), 4/10/2013,

<http://www.forbes.com/sites/ilanberman/2013/04/10/tehran-turns-up-the-heat-on-azerbaijan/>

⁴² Emil Souleimanov, Russia ends lease of Gabala radar station in Azerbaijan, 01/09/2013

<http://www.cacianalyst.org/?q=node/5902>

coming years. Thus, the development of the non oil sector is a priority for Azerbaijan to ensure continued economic growth and social stability.⁴³ In this sense, the government adopted the Strategy 2020 in december 2012 which has as a primary task on the agenda *to speed up economic diversification, maintain rapid non-oil sector growth regardless of the level of oil revenues, increase competitiveness and expand export opportunities. It is expected that great economic competitiveness will lead to growth in non-oil exports. Along with the rapid development of the non-oil sector, the promotion of innovation activities will create favorable conditions for the emergence of a knowledge-based economy.*⁴⁴

To become a regional hub, Azerbaijan's strategic geographical position must be effectively used, transit and transport services developed. At the same, an integrated approach⁴⁵ regarding the infrastructure and transportation projects in the region would be of great help and guarantee their successful implementation.

Many Azerbaijani government officials have repeatedly acknowledged that the country is ideally situated to become a regional transportation hub between Europe and Asia. In fact, a number of transportation and infrastructure projects have already been launched to advance this strategy. Among them is the strategic Kars-Akhalkalaki

railway, which will link the Georgian and Turkish rail networks and thus create a rail corridor between China and Europe via Azerbaijan. In addition, the government is investing billions of dollars in modernization of the country's international highways along the East-West and North-South axes. The government plans to establish Free Economic Zones (FEZs) and invest more than \$60 billion in real estate projects in and around Baku, essentially aiming to transform the national capital into the "Dubai of the Caspian."⁴⁶

The East-West Corridor Black Sea - Caspian Sea meaning different tracks from energy, trade, investment, transportation corridor, the military corridor⁴⁷ in an out of Afganistan to the Euro-Atlantic area that could link Europe via Central Asia to the New Silk Road⁴⁸ is a good opportunity for Azerbaijan and its objective of becoming a

⁴⁶ *Idem*, p.8

⁴⁷ Here we can mention another asset Azerbaijan can put on the table: the ensurance of the transit corridor for NATO troops and it's important logistical role in supporting them

⁴⁸ Over the course of several speeches in 2011, US Secretary of State Hilary Clinton committed US foreign policy in Asia to the vision of a New Silk Road. The United States is promoting a "New Silk Road" that would link Afghanistan to Southern and Central Asia via an interconnected web of transit corridors, which could transform the regional trade environment, tearing down commercial barriers and offering economic benefits for all. Speaking in Chennai, India, in July 2011, Secretary Clinton proposed the New Silk Road thus: *Let's work together to create a new Silk Road, an international web and network of economic and transit connections. That means building more rail lines, highways, energy infrastructure. It certainly means removing the bureaucratic barriers and other impediments to the free flow of goods and people. It means casting aside the outdated trade policies that we all still are living with and adopting new rules for the 21st century.* See Graham Lee, The New Silk Road and the Northern Distribution Network: A golden Road to Central Asian Trade Reform? Central Eurasia Project, Occasional Paper Series no.8, October 2012, Open Society Foundations

⁴³ Fariz Ismailzade, „Azerbaijan's security concerns: a view from within", Norwegian peacebuilding resource centre, april 2013, p. 1

http://www.peacebuilding.no/var/ezflow_site/storage/original/application/76baa030b090fcb626927a555726384a.pdf

⁴⁴ Development concept Azerbaijan – 2020: the vision of the future

http://www.undp.org/content/dam/azerbaijan/docs/sustain_development/AZ_Vision2020_government_draft_en.pdf

⁴⁵ Taleh Ziyadov, „Azerbaijan as a regional hub in Central Eurasia", Caspian Strategy Institute Center for economics and development studies, december 2012, p.9

regional transportation hub between Europe and Asia. At the same time, this corridor would strengthen Azerbaijan's position in the region. If correctly assessed, The East-West Corridor Black Sea - Caspian Sea would be at the same time a logic consequence of Azerbaijan's decision to look to Europe and the stability that could result from establishing much stronger connections there.

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