

Why the Zangezur Corridor Matters for Eurasian Interconnectivity...

...and Its Implications for the Armenia- Azerbaijan Peace Process

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On 10 November 2020, Azerbaijan, Armenia, and Russia signed a tripartite statement ending the Second Karabakh War. This agreement fueled optimism in the region and beyond regarding not only prospects for a peace treaty between Azerbaijan and Armenia but also for the development of regional interconnectivity. Today, these hopes have not exactly been extinguished, but they have been tempered: notwithstanding much diplomatic activity and various encouraging statements, one would be hard-pressed to argue convincingly that Armenia and Azerbaijan are now close to signing one or more binding agreements that would enshrine the commitments that have been voiced by both sides. The peace process now appears to be stuck; prospects for “unsticking” it, for lack of a better word, are decidedly cloudy.

This is not to say that, on its own, Azerbaijan has not taken a number of steps in furtherance of its obligations to implement the various tripartite statements, including work on infrastructure projects that derive explicitly from that first tripartite statement.

The reason is simple: the inherent logic of the terms that ended the Second Karabakh War involve the instauration of measures to promote regional economic integration. The flagship project in this regard is the Zangezur Corridor: a road and rail route that would link directly mainland Azerbaijan with its Nakhchivan exclave through a sliver of sovereign Armenian territory. Once this route is restored, it will become the fastest and shortest way to move persons, vehicles, and cargo from China and Central Asia to Türkiye and onwards into the European space. In other words,

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the Zangezur Corridor will become an integral part of the Middle Corridor, which is formally known as Trans-Caspian International Route (TITR).

Crucially, the Middle Corridor has further grown in strategic importance since the onset of the Russia-Ukraine War. As a result of the West-led sanctions regime against the Russian Federation, the European Union, the countries along the Silk Road region, and China have sought (for different reasons) alternative transit corridors to bypass those that make use of Russian territory. And the only game in town is the Middle Corridor. And *the* indispensable country along the Middle Corridor is Azerbaijan.

Regretfully, all of Azerbaijan's efforts to hold constructive discussions with Armenia regarding the Zangezur Corridor have not born fruit. This IDD Analytical Policy Paper assesses the geo-strategic importance of the Zangezur Corridor for enhancing regional and global trade and concludes with an assessment as to the likelihood of its implementation.

Azerbaijan's Vision of the Zangezur Corridor

The outcome of the Second Karabakh War opened a new chapter for the South Caucasus—in fact, for the Silk Road region as a whole. Although the tripartite statement that ended the war was not a final peace document, some of its provisions could be understood to be even more important for the future of the entire region, broadly understood. A case in point is Article 9, which deals specifically with the reopening of all regional transportation and communication links that were blocked in the wake of the First Karabakh War in the early 1990s.

Here is the integral text:

All economic and transport connections in the region shall be unblocked. The Republic of Armenia shall guarantee the security of transport connections between the western regions of the Republic of Azerbaijan and the Nakhchivan Autonomous Republic in order to arrange unobstructed movement of persons, vehicles, and cargo in both directions. The Border Guard Service of the Russian Federal Security Service shall be responsible for overseeing the transport connections.

Subject to agreement between the Parties, the construction of new transport communications to link the Nakhchivan Autonomous Republic with the western regions of Azerbaijan will be ensured.

The general narrative in Azerbaijan is that the Zangezur Corridor will stimulate both regional and national economic development and trade, particularly due to the fact that the envisioned route of the Corridor—understood broadly—would run through the most under-developed regions of Armenia, Azerbaijan, and Türkiye. Also part of the Azerbaijani narrative is that the proposed Corridor represents the most viable option for the swift economic rehabilitation of its liberated territories. Given the political and economic importance of the project, Baku has actively undertaken the necessary

construction work, including building new road and rail connections on both sides (i.e., in the liberated areas and in Nakhchivan) in anticipation of Armenia doing the same along the small strip of land running along the Aras River in its Syunik Province.

Thus, in remarks made during a trilateral summit with his Turkish and Turkmen colleagues in the city of Turkmenbashi on 14 December 2022, President Ilham Aliyev stated that,

today, we are actively engaged in the opening of the Zangezur Corridor. 40 percent of the works on the railway line and 70 percent on the highway have been completed in the section of the Zangazur Corridor on the territory of Azerbaijan. All works are expected to be completed in 2024, leading to the establishment of a new transport corridor.

The last part of his statement is supported by the fact that Azerbaijan has the necessary maritime and railway capabilities to support the full operation of the Zangezur Corridor—including the Port of Baku at Alat, which aims to become the major intermodal logistics hub of the Silk Road region, its neighboring Alat Free Economic Zone, and the Baku-Tbilisi-Kars railway, which stretches from Azerbaijan to Türkiye through Georgia. Moreover, in 2023 Azerbaijan plans to invest an additional \$100 million in the Baku-Tbilisi-Kars railway to increase its handling capacity from one million tons per year to five million tons. Indeed, since 2020 Azerbaijan has launched massive reconstruction works in the liberated Karabakh region. The rail portion of the Zangezur Corridor that requires reconstruction (on Azerbaijani territory) is the Horadiz-Aghband portion, which is 110.4 kilometers in length and should be completed in 2023.

Such geo-economic prospects make the Zangezur Corridor very attractive to the other states of the Silk Road region, particularly the landlocked Central Asian ones, which seek reliable and safe passage to Türkiye and from there into Europe. In addition, the Corridor will boost Ankara's soft power across the Silk Road region while decreasing its own transportation dependence on regional rival Iran: for many years, Türkiye has eyed the opportunity to reach the Turkic states of Central Asia through the territories of friendly countries, bypassing Iran. Thus, the Zangezur Corridor project opens new horizons for Ankara and its economic ambitions.

Notwithstanding its strategic economic benefits, the Zangezur Corridor project has become one of the most contentious issues between Armenia and Azerbaijan since the end of the Second Karabakh War, with Baku and Yerevan accusing each other of shirking their respective obligations to set up the transportation route. Such debates precipitated another round of shooting between Baku and Yerevan in September 2022, causing deaths and injuries on both sides. The hostilities that took place on parts of the non-delineated (although not anywhere near the route of the Zangezur Corridor), together with the subsequent breakdown of the various mediation and facilitation processes, indicate that the peace process has hit a rough patch that will be difficult to overcome—at least in the short term.

Nevertheless, the Azerbaijani authorities are convinced that the implementation of regional transportation projects like the Zangezur Corridor could foster peace, cooperation, and new business opportunities. Because the Corridor passes through its southernmost province of Syunik Province, Armenia sees this project as a potential threat posed by the Azerbaijan-Türkiye tandem. At the same time, Yerevan does not seem to attach sufficient importance to the potentially game-changing geopolitical and geo-economic benefits of opening itself up to the world—something that simply cannot take place without the activation of the Zangezur Corridor. Amongst these, Armenia would benefit significantly by serving as the host of an important missing link in the global supply chain: this would lead not only to the expansion of regional transport networks but also open up a plethora of economic opportunities for that economically impoverished and politically isolated state.

Apart from Azerbaijan and Armenia, major powers like the European Union (EU) and Russia are also interested in the opening up of new transit routes, particularly in the context of the North-South International Transport Corridor project. Russian trains could reach the Zangezur Corridor through the territory of Azerbaijan, and then be directed onwards into Armenia, Türkiye, Iran, and the South Asian countries. For Russia, this network of corridors could become the main route for the transportation of goods to the South Caucasus and surrounding regions—of rising importance given the West-led sanctions regime.

For the EU, the Zangezur Corridor could become a key connectivity node in its ambitious Global Gateway initiative, which is widely seen as a (belated) response to the China-led Belt and Road Initiative. Moreover, the Zangezur Corridor could advance plans to actualize the Middle Corridor project, as discussed above, which would be of strategic benefit to the European Union.

To all the aforementioned countries and regions, Azerbaijan offers safe, secure, and efficient trade passage and logistics services, thanks to already operational and expanding flagship connectivity projects. These include the Port of Baku at Alat on the coast of the Caspian Sea and the Baku-Tbilisi-Kars railway connection. The Alat facility and the Baku-Tbilisi-Kars railway are designed to complement the Zangezur Corridor. However long the Russia-Ukraine War ends up lasting, it seems likely that significant elements of the West-led sanctions regime against Russia will remain in place. It also seems likely that the West-led sanctions regime against Iran will remain in place. Consequently, no other land-based solution to the transportation of goods from Europe to Asia exists other than the Middle Corridor, whose key, optimal connectivity node could become the Zangezur Corridor.

As mentioned above, the rapid modernization of the existing railway connections is vitally important to increasing the cargo capacity that will run through the network of corridors. As Aliyev elucidated in his 10 January 2023 interview with

leading Azerbaijani media outlets, “all the main activities related to the Middle Corridor and the North-South International Transport Corridor crossing through Azerbaijan have been completed. We are only modernizing a part of the railway, especially the Baku-Yalama line and the Alat-Astara line.”

The prospects offered by the Middle Corridor have enabled Azerbaijan to develop bilateral and multilateral cooperation with Central Asian states to deliver goods via its territory, with a further possibility to link the route to the Zangezur Corridor. In this regard, President Kassym-Jomart Tokayev of Kazakhstan paid an official visit to Baku in August 2022, during which he signed two strategic cooperation deals regarding transportation and logistics within the context of the Middle Corridor project. Aliyev emphasized the importance of the corridor project during his speech at the latest summit of the Turkic states held in Samarkand in November 2022. The Middle Corridor project, he said, will be strengthened after the Zangezur Corridor will become fully operational so that all countries from the region will benefit from the opening of the corridor.” Thus, the Middle Corridor project is expected to give momentum to trade ties between Türkiye and the five Central Asian countries, namely Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Once it becomes operational, the Zangezur Corridor will strengthen the Middle Corridor project, making it more attractive for other countries and giving both Armenia and Azerbaijan additional financial dividends. In his 10 January 2023 interview, Aliyev was clear in this regard: “the economic viability of the Zangezur Corridor is beyond doubt. Of course, it is more than just an economic and transport project for us, it is a project of strategic significance.”

Indeed, the inherent logic of the project is to connect the economies of the involved countries and pave the way for their political rapprochement. In the context of Armenia and Azerbaijan, political reconciliation and sustainable economic partnership go hand-in-hand—never more so than in the aftermath of the Second Karabakh War.

Armenia has a choice to make. It can engage with Azerbaijan directly on implementing the terms of Article 9 of the 10 November 2020 tripartite statement. Or it can stand aside and watch as Azerbaijan turns directly to Russia to make it a reality. This is the clear message that Aliyev delivered during his remarks at ADA University on 25 November 2022:

Actually, we have discussions on the Zangezur Corridor with Russia, not with Armenia, because Armenia is a satellite country. It's a dependent country. Its independence is very symbolic, and we will not waste time negotiating with them. We are negotiating with Russia. [...] I don't think Armenia will be able to block this project.

During the aforementioned 10 January 2023 interview session with leading Azerbaijani media outlets, Aliyev appeared to provide further insight into his thinking on this topic:

Azerbaijan has become a serious actor across a very extensive transport market. Of course, the realization of the Zangezur Corridor is a historical necessity. That is why I said it would happen whether Armenia wants it or not. Although they perceive it as another threat in Armenia, I had no such idea. It is simply inevitable. It will happen sooner or later. Of course, we want it to materialize soon.

One more important point needs to be mentioned here. It will not be discussed in detail because a 3 February 2023 IDD Working Paper authored by Ruslan Suleymanov has done so. It will be sufficient here to quote him—the context is the Armenian hope that Iran can torpedo the Zangezur Corridor project:

Objectively, it seems more likely than not that Iran will ultimately have little choice but to (grudgingly) accept the implementation of the Zangezur Corridor project sooner or later—and perhaps even to make the necessary arrangements to benefit from it. Its economic circumstances are dire enough—it can hardly afford to be left out of yet another regional economic integration initiative. Reasonable accommodations could be made to address Tehran’s concerns and interests, but only to a degree. But at the end of the day, Iran is simply not powerful enough to counter Azerbaijan and Russia in implementing the Zangezur Corridor if Baku and Moscow decide to move forward together on the project.

Zangezur and Peace

The bottom line is that the Zangezur Corridor can benefit the entire region and help provide safe and secure connectivity to all countries and blocs, near and far: the EU, Türkiye, Russia, Iran, the Central Asian and South Asian states, and China. Until this happens, Azerbaijan can still provide all these things, using alternative routes (via Georgia) that all traverse its territory whilst bypassing Armenia. The fundamental question in this regard is whether the supra-regional economic integration that is on offer will include or exclude Armenia.

This, in turn, raises another critical matter: that of the prospect for peace between Armenia and Azerbaijan. The two are much more connected than is sometimes understood.

A brief explanation can be proffered by way of a conclusion: Aliyev has made it clear, as noted above, that Azerbaijan plans to complete its works on the Zangezur Corridor in 2024. And this can be put alongside his 10 January 2023 statement that “this year will be the last chance [to achieve peace] for them [i.e., the Armenians]. Because then comes 2024, and then, in 2025, Russia’s peacekeeping mission ends. They [i.e., the Armenians] need to see slightly farther than their noses.” This is the reality, harsh though it may be, with which Armenia needs to contend as it contemplates the strategic opportunities on offer and, conversely, the risks it invites by not grasping them: peace, prosperity, and security all come together at the Zangezur Corridor.