

# BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

Vol. 7 | No. 4 | Summer 2024

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**The Significance of COP29 and the Role of Azerbaijan**

Baroness Patricia Scotland KC

## Perspectives on Climate Finance and Technological Sovereignty Preparing for COP29

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## A Transforming Silk Road Region Two Views

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# The Significance of COP29 and the Role of Azerbaijan

*Patricia Scotland KC*

## *Baku Dialogues:*

Good afternoon, Lady Scotland. On 11 May 2024, the Institute for Development and Diplomacy at ADA University was honored to host you as part of our Global Perspectives Lecture Series. This was done at the initiative of one of Azerbaijan's leading businessmen, Tahir Gözel, with many students, faculty, and alumni in attendance. And the idea of conducting this conversation for *Baku Dialogues* is an outcome of that event.

We hope to talk with you about the significance of COP29, the role you think the Azerbaijani COP29 presidency can play, the many concrete contributions of the Commonwealth to the climate debate and the COP process—including the importance of engaging with young people—and so on.

But before we get into any of these topics, we would like to ask you to say something more about yourself—about your journey—because we genuinely feel it's a story worth retelling, because it's frankly inspiring, and because you come from a part of the world that is largely unknown to much of our audience. And we're hoping you will agree to do this, notwithstanding the fact that we understand this is not exactly your favorite subject. And our excuse is that you have inscribed on your X account that

*The Rt Hon Patricia Scotland KC is the Secretary-General of the Commonwealth. A lawyer by training, she is the first black woman to be appointed a Queen's Counsel (QC), the youngest woman ever to be made a QC, and the first woman ever to hold the post of Attorney General. She joined the House of Lords in 1997 as Baroness Scotland of Asthal and went on to serve as a Minister in the Foreign Office, Home Office, and the Lord Chancellor's Department. The interview was conducted in stages between May and August 2024 by Damjan Krnjević Mišković and Fariz Ismailzade. The views expressed in this conversation are solely those of the participants.*

you're a “proud child of Dominica, the UK, and the Commonwealth.” So, we'd like you to tell us a bit about this journey of yours.

## *Baroness Scotland:*

Yes, you're right: I absolutely hate talking about myself, but it seems as if you give me no way out.

Well, I was born in one of the most beautiful islands in the Caribbean: The Commonwealth of Dominica. There are only about 70,000 people on my island, and therefore, it is said that if you have one Dominican in the room, then you have a large percentage of my population.

I was the tenth of 12 children and the last child to be born in Dominica. And I often say, in jest, that my brothers and sisters have not forgiven me because my parents had nine children and had decided that they could probably afford—with the greatest degree of difficulty—to send each of those children to the United Kingdom to university. And being educated abroad—back then, and perhaps even more so today—is quite expensive.

But my father was born in 1912, and my mother, who was born in 1919, were both feminists. And so, they did not want to do for their seven sons what they could not do for each of their daughters. And so, when it got to me, they realized that there was no way they could afford to educate ten children by sending them from Dominica to the United Kingdom. So, the decision was made to emigrate, and my other nine siblings have not forgiven me because they say—all in jest, of course—it's all my fault that we went to the United Kingdom in the 1950s.

Now, my mother and father were very much part of the Windrush generation—this is a term that applies those who arrived in the UK from Caribbean countries between 1948 and 1973. The name ‘Windrush’ derives from the HMT Empire Windrush ship, which brought one of the first large

groups of Caribbean people to the UK in 1948. And there was a labor shortage in the UK at the time, and as we were part of the Commonwealth, we could live and work permanently in the UK.

This was obviously a wonderful opportunity, but it wasn't an easy time to be a black Caribbean family in the late 1950s and 1960s—and particularly not when there were ten of you. And there were another two children who were born in the United Kingdom after we came over.

When I was growing up in the UK, I was always asked if I was an only child. And I always said, “Yes, I'm one of my parents' twelve *only* children,” because they'd say they *only* had one of each of us.

By the age of 20, I had undertaken my degree as a lawyer, and at the age of 21, I had qualified as a barrister, which means, basically, that I'm an advocate, and I go to court and represent people.

Then, at the age of 35, I became the youngest woman ever to be appointed Her Majesty's Queen's Counsel, and I was the youngest person ever to be made QC—save for William Pitt the Younger, who became Prime Minister at 21 and became an honorary silk, as we say. As a result, he got there before me, but I reckon he cheated because he didn't actually do the exams.

In any event, I became the first black woman to become a silk—a QC—and also the first black woman to become an assistant judge, the first black woman to become a deputy High Court judge, the first black woman to become a Master of the Bench of the Middle Temple, the first black woman to become a Baroness in the House of Lords, and the first black woman to become a minister in the government.

I then became the deputy to the first lead to the Foreign Office—we call this post the Parliamentary Under Secretary of State—then, I became number two to the Lord Chancellor,

and then I spent four years as Deputy Home Secretary. I then became the first woman ever to be appointed as Her Majesty's Attorney General for England, Wales, and Northern Ireland—this is an office which has existed since 1315.

And now, I am the first woman to be the Commonwealth Secretary-General, and I'm the sixth person to hold this office in the 75-year history of the modern Commonwealth.

### *Baku Dialogues:*

This is all evidently quite impressive. It would be impressive even without all the firsts, but it is even more impressive because of all the firsts. It illustrates this incredible and oftentimes underappreciated meritocratic thread of British life. It also demonstrates your extraordinary drive.

### *Baroness Scotland:*

My brothers say that I'm too stupid to do anything slowly—that I always seem to get there first, and that anyone with any sense wouldn't get there at all.

### *Baku Dialogues:*

Well, but you have gotten all the way there, and perhaps there may be more road yet to travel. So, what drives you?

### *Baroness Scotland:*

What drives me? I have always been driven by an intense feeling for justice—the things that are fair. I remember that I was about six years old when I had my first serious conversation about what was fair, and I was looking at the television, at what was happening in Soweto, South Africa. And I remember having a conversation with my father—I remember telling him that I

thought that what I was seeing on the screen was utterly unfair and wrong, and asking him why were people beating and killing children who looked just like me. And I was thrilled that my father said that he agreed with me—you know, I was six, and I thought that my father agreeing with me was really cool. And I said to him “this is wrong.” And he then asked me, “What are *you* going to do about it?”

And I thought, Me? Me? I’m six years old—what can I do? I was this quite short person with pigtails and still wore long socks. What could I do? And he said, “And your point *is*? It starts with you.”

And for the rest of my life, I’ve heard my father’s voice in my head saying, “So, what are *you* going to do about it? It starts with you.”

That is something that I have never been able to forget, and it has driven me. Also, what has driven me—and I have never hesitated about it—is a profound belief in God. I believe that God is the driver, and that through His Grace all things are possible, and when I can’t do things, He can.

So, if you ask, “Can *I* move a mountain?” I will say “Absolutely not.” But if you ask a different question, “Can *He* move that mountain?” the answer is, “Absolutely, He can.” So, my life has been a series of *Him* moving *my* mountains.

And there used to be a joke when I was at the bar as a lawyer—because I was very fortunate and I very rarely lost a case—and when I came back from what was at that point my latest victory, some of my colleagues would laugh, and they would tease me by asking, “Have you won a case again?” And I’d say, “Well, yes,” and they would interrupt and say, “No, no, stop. *Patricia* doesn’t win her cases, *God* does.” And I would say, “I’m glad you understand.”

So that’s what’s driven me, and this drive has taken me to places I never thought I’d go. It’s really a combination of hard

work and being determined to follow what my parents told me, which was that every single one of us is given a gift from God, and it’s our job to find it, to hone it, and then to use it for the benefit of other people. And those two things—plus this constant voice that asks me, “So, what are *you* going to do about it?”—have got me into a lot of trouble. But I have tried to answer those things, and to answer, “*This* is what I’m going to do about it.”

And when I speak to young people, especially, I say, “Don’t be frightened of being the first, don’t be frightened of starting something—even if no one else seems to see what you see: step out, do what you believe is right, and when you look around the corner, to your utter surprise, you will find that there are so many other people who are willing to walk with you.” I say to them, “Ask yourselves constantly ‘what am *I* going to do about it?’ and you’ll be surprised at what you can do and what you will achieve, but also don’t be surprised if you end up like me: being *extremely* surprised by what you’ve ended up achieving.”

### *Baku Dialogues:*

This drive to do better, to be a driver for change, is—perhaps you will be surprised to hear—reminiscent of how this part of the world sees itself. It no longer wishes to accept the perception that it’s some sort of metaphorical chessboard, that the countries that belong to the region are pieces or objects on a board to be moved around according to the calculations, strategies, and ambitions of others; and they are seeking to overcome all this by taking the steps that they believe are necessary to become—or at least to having a chance to become—subjects of international order.

And in some way, this speaks to the editorial premise of *Baku Dialogues*. Perhaps we can bring this a bit more to the surface by referring to our journal’s subtitle—“Policy Perspectives on the Silk Road Region”—and by drawing out the implications of what this implies. Three of these rise to the mind.

First, we cover—in the broadest sense possible—topics of geopolitical and geoeconomic relevance to the overlapping set of regions to which Azerbaijan and its neighbors belong. We have defined the Silk Road region loosely—if you can picture a map of this part of the world—as looking west past Anatolia to the warm seas beyond; north across the Caspian towards the Great Plain and the Great Steppe; east to the peaks of the Altai and the arid sands of the Taklamakan; and south towards the Hindu Kush and the Indus valley, looping down around in the direction of the Persian Gulf and across the Fertile Crescent.

### *Baroness Scotland:*

May I interrupt for a moment? The Commonwealth does not have any members in this part of the world, but we work with a number of countries, including Azerbaijan. And we're delighted to work with Azerbaijan and others in the region, when we're invited—and we've been invited to work with Azerbaijan in preparation for COP 29, because we tend to say, "It's the Commonwealth *and friends*." So, if you're not a member, you're definitely a friend, and we can work together. But please go on.

### *Baku Dialogues:*

Yes, there is a definite sense of friendship here, both with respect to the core countries of the Silk Road region, and to these countries and the Commonwealth. This is a very important point to make. And to this point, the Commonwealth and the COP29 Presidency have signed a landmark joint declaration to enhance climate action in SIDS—in Small Developing Island States—and other vulnerable countries. This historic agreement was recently signed in Tonga, a Commonwealth member, at the Pacific Islands Forum Leaders Meeting by you and the COP29 President-Designate.

This is a good segway into the second implication of the editorial premise of *Baku Dialogues*—of our journal's subtitle, "Policy Perspectives on the Silk Road Region." It has to do with our focus on contemporary cross-cutting issues that have an impact on the international position of what we view as

one of the few keystone regions of global affairs. These range from energy politics and infrastructure security to economic development and cultural heritage. Obviously, climate change is another such issue—this has become even more important given Azerbaijan's presidency of COP29, which will take place in November 2024 in Baku. And we will obviously get into this during our conversation.

Third, we like to think that our choice of subtitle is an indication of our deep-seated conviction that the comprehensive rejuvenation of a vast region—which had stood for centuries at the fulcrum of trade, innovation, and refinement—requires both a healthy respect for frontiers as sovereign markers of territorial integrity and a farsighted predisposition to ensure that the region can continue to grow as a strategic center of attraction for capital, goods, talent, technologies, and innovation. The increasingly important role the region plays in various strategic connectivity projects, like the Middle Corridor, is evidently part of this. The incredible potential for the supply of renewable or green or clean energy, which is an integral component of the connectivity conversation—and this has direct bearing on the climate issue, obviously—is a part of that.

That's why we think of the editorial premise of *Baku Dialogues* in the following manner: the Silk Road region is and will remain an important seam of international relations, continuing to serve as, one, a significant political and economic crossroads between various geographies; two, an important intercessor between major powers; and three, an unavoidable gateway between different blocks of states, regional associations, and civilizational groupings.

And what's particularly interesting is that the Silk Road region does not really have a "go-to" geopolitical or geoeconomic hub that is an exclusive and integral part of the region. Here, it seems to us, the predominant reality is something else: a combination of formal treaties and informal understandings. Now, of course, there's also some tension, obviously; and frozen conflicts occasionally flare up into skirmishes and even open conflict—like the Second Karabakh War. And these sometimes end up altering the weight of one or more variables in the regional equation, if we may put it that way. But the trend is clear: in the Silk Road region, no one power dominates, equilibrium is maintained, and a general balance is kept. This is the operating rule of thumb, one could say. And we think that, over time,



the core countries of the Silk Road region will further bind themselves to one another through various arrangements, some of which may take institutional form; and we also think that the drive towards this situation will be led by the region's three keystone states—Azerbaijan, Kazakhstan, and Uzbekistan—acting in concert with one another.

It is useful, in this context, to recall the conversations that led to the development of ASEAN, or to the original European *Economic* Community. One could also think of what ended up becoming the Hanseatic League centuries ago. Maybe one could even uncover elements of the way in which the Commonwealth came about—and how it functions today, under your stewardship.

In any event, all these are major reasons why we remain rather bullish on the future prospects of the Silk Road region. And all this helps to paint a general picture of what we at *Baku Dialogues* focus on.

And this sort of thinking ought to resonate with the way that you in the Commonwealth see things, because of the way your membership is structured—because of the variety of geopolitical and geoeconomic postures and perspectives represented by the various states that are part of the Commonwealth family. And we know you spend much of your time with audiences made up of young people in many of those countries, because, as we have heard you point out, young people—people under the age of 30—represent about 60 percent of the total population of the countries that are part of the Commonwealth.

### *Baroness Scotland:*

That's right. As the Secretary-General of the Commonwealth, I am tasked with caring for and delivering the mandates given to me by 56 countries in our world. Those 56 countries represent more than 2.7 billion people. That's about one-third of humanity; and 60 per cent of that 2.7 billion is under the age of 30. So, the majority of the Commonwealth is under 30 years old.

When I speak to an audience of young people, I say to them, "Many will tell you that you are the leaders of tomorrow, but I

want to tell you that you are not the leaders of tomorrow: you are the leaders of today, because the choices that you make and the choices that you do not make will determine the shape of the world—not just tomorrow, but today."

And the reason I say this is because our generation—those of us alive today—are the first generation to suffer the aberrant consequences of climate change.

### *Baku Dialogues:*

You are passionate about countering the effects of climate change, and you have made this issue—in all its complexity—an integral part of your mission as Secretary-General of the Commonwealth. Why is that?

### *Baroness Scotland:*

The acts and omissions that were undertaken as a result of the Industrial Revolution were taken at a time when people did not understand the full impact of that which was being undertaken. But we do now, and both the tragedy and opportunity for us is that we may be the first generation to suffer the apparent consequences of climate change, but, in fact, we are the last generation to be able to do anything about it.

And what we know is that those who are suffering the most from climate change have committed the least towards its creation, and the pain and suffering that is visited on some of our smallest and most vulnerable countries are totally disproportionate in terms of their contribution to this disaster. Most of those small and developing countries made little or no contribution to it.

And that's why it is of such critical importance to our family of nations: the 56 countries that make up the Commonwealth. We have representation in the following regions of the world: Africa, Asia, the Caribbean, Europe, the Pacific, and the

Americas, and we cover the six basins of the great ocean which surrounds our whole planet.

### *Baku Dialogues:*

This vast geographical diversity points to the socio-economic diversity of your members, which goes a long way in explaining why the Commonwealth was one of the first inter-state organizations in the world to substantively address the issue of climate change.

### *Baroness Scotland:*

Yes, that's right. Thirty-three of our member states are small states, 15 of them are what are called Least Developed Countries. We have some of the richest and biggest countries in our family and some of the poorest, some of the largest populations and some of the smallest, some of the most developed cities, and some of the most endangered indigenous communities.

So, look back to 1989, when the Commonwealth came together in Langkawi in Malaysia, we said that if we didn't do something about climate, then it would pose an existential threat. If you look back at the Langkawi Declaration on the Environment, you will see that virtually everything that has happened in the past 30 or 40 years was written in that document, which in some sense was the first of its kind. Yes, the Inter-governmental Panel on Climate Change (IPCC) was established a year earlier, and the UN General Assembly endorsed its establishment a few months after that, but the IPCC issued what is known as its First Assessment Report only in 1990. So, after the Langkawi Declaration.

Also, the assembled Heads of Government of the Commonwealth at Langkawi—the conference that agreed on the text of that Declaration—came together three years before the first COP. So, in some sense, the Langkawi Commonwealth

meeting can be understood to be the first COP. Then, the United Nations Framework Convention on Climate Change (UNFCCC) was adopted in 1992, and the first COP took place in Berlin in 1995.

### *Baku Dialogues:*

And now the next COP—COP29—will take place in Baku later this year, in November 2024. And so, we come to the importance of Azerbaijan and its presidency of COP29. Why is this COP so *extraordinarily* important, as you have put it?

### *Baroness Scotland:*

The countries that are suffering the most have the least ability to respond and the least amount of money. And, in 2009, as far back as COP15, the world accepted that reality—they accepted that those who polluted were not the most affected and those who had not were and that we globally had to redress that balance.

And this year, at Azerbaijan's COP, the whole issue of climate financing is going to become the focus. It's the Azerbaijani COP29 presidency's top negotiating priority. Azerbaijan should be proud—especially its young people—because the country is stepping forward to lead at a time when the world has never needed this issue to be addressed more.

From having had the privilege of talking to a number of people in Azerbaijan during my recent trip—including young people who came to hear me speak at ADA University on the day before the Spring exam period began. As you remember—I came to understand that Azerbaijan intends to be the voice of those who are not usually heard: the small, the damaged, those who have almost given up hope that anyone is listening. For the first time, a number of the small states are coming here to Azerbaijan to speak directly to a COP Presidency so that they can better understand what we now need to do.

*Baku Dialogues:*

You drew quite a crowd at ADA University, you know.

*Baroness Scotland:*

Yes, and I felt greatly honored by their choice to join the conversation. And I said to them, “Your support as individuals is really important: so often, when we think that we’re too small, we’re too insignificant, our voice doesn’t matter, there’s nothing we can do,” and my message was, “your voice matters—every single one of you. Your voice matters and what your government is trying to do at COP29 really matters, and that you need to be proud of them, you need to be supporting through your energy, your acuity, your knowledge.”

Too often young people think that the subjects they are studying are not attached to climate. But everything is now attached to climate. Most subjects they study are pivotally important to taking climate action—finding the solutions to many of the problems that we now face. A university’s leadership is critical, and ADA’s leaders should be congratulated. They set the tone for professors to encourage students under their care to harness their abilities and hone their skills. This will be the difference that, perhaps, will ensure that we come up with the right solutions. Most subjects students study are pivotally important to taking climate action—finding the solutions to many of the problems that we now face. A university’s leadership is critical, and ADA’s leaders should be congratulated. They set the tone for professors to encourage students under their care to harness their abilities and hone their skills.

Again, most subjects are now attached to climate. If it’s health, we know that our health is being materially impacted by the change in zoonotic diseases—that is, diseases transmitted from animals to humans. We also know our health is being materially impacted by the fact that the rate of non-communicable

diseases are going up, and they are also affected by what is happening on climate.

So is education, so is architecture, so is farming, so is food. Generally, everything you can think about is now fundamentally affected by climate, so whatever discipline students are undertaking at university, one part of it has to be asking, “How do I use this discipline to address the issue of climate?”

This is because climate is the world’s most pressing issue, and the stakes have never been higher than now. The need for decisive action on climate change has never been more acute. The March 2024 Intergovernmental Panel on Climate Change report has sounded the alarm louder than ever before because the strapline, as we say in Britain—the tagline, as the Americans say—used to be enforceability to prevent the 2 degrees increase. Then it was 1.5 degrees to stay alive, and it wasn’t just a strapline for many countries: it was their reality even then, and we are at 1.5 now.

So, the clock has been ticking, and time is almost running out, and the impacts of climate change are being felt in floods, in fires, in storms and heat, in drought, and in rising sea levels all across the Commonwealth family of nations—but everywhere else as well. And, it is also being counted in lives lost and in the impact on livelihood, and in the decline in our gross domestic product. And the issue of debt is really rising swiftly, so Azerbaijan’s entry into this debate, at this moment in time, is an extraordinarily bold one.

We have all heard many people saying that to try and put on a COP in less than a year is bordering on madness, but Azerbaijan has never failed to rise to a challenge and overcome that challenge. And, the good thing is that Azerbaijan doesn’t have to do it on its own because it has the whole of the UN, the whole of the global community standing with it, encouraging it and showing concretely that it’s willing to help. Azerbaijan’s success at COP29 is the world’s success. We have all heard many people saying that to try and put on a COP in less than a

year is bordering on madness, but Azerbaijan has never failed to rise to a challenge and overcome that challenge. Azerbaijan's success at COP29 is the world's success.

### *Baku Dialogues:*

Including the Commonwealth countries?

### *Baroness Scotland:*

Certainly. All our Commonwealth countries are determined to give 110 per cent of support to make this happen, including my country, the United Kingdom. I say this not only because of the bilateral relationship—the extremely comprehensive investment the UK has had in Azerbaijan—but also because the UK has been one of the champions for climate change for many years. And so, if we look forward to where we're going next, then we have to be clear that we can't afford any more delay: there can be no more excuses. We have to act with urgency, unity, and determination to limit global warming and protect the most vulnerable amongst us.

### *Baku Dialogues:*

This brings us to what in the world of COP is formally called the Fund for Responding to Loss and Damage, an issue on which there was some progress at COP28 in Dubai, after there had been an agreement in principle at COP27 in Egypt—and the momentum for this had something integral to do with the Commonwealth, I believe.

### *Baroness Scotland:*

Yes, COP28 was a significant milestone for our journey, which, as I said, for us in the Commonwealth, began 27 years ago. Now, back in June 2022, at the Commonwealth Heads

of Government meeting in Kigali, the 56 countries of the Commonwealth made a pledge: we said that we had to have a Loss and Damage Fund when we went to Sharm el Sheikh in Egypt for COP27 in November of that same year. We were told for decades that “You will never, ever get a Loss and Damage Fund.” I was told, “You are howling at the moon.”

Well, it looks as if howling at the moon works, because we got the agreement. It got established. And the world agreed last year when we went to Dubai for COP28—this is where the Fund received commitments of around \$700 million U.S. dollars—this is in no way enough, but it was a beginning.

So, at COP29 in Azerbaijan, we will be looking to see how we fill those gaps, and we will be looking to the practical response to the harsh reality that for so many communities, climate change has created damage which cannot be undone. The losses that we have suffered in part are irreversible—but there are others that we can fix.

### *Baku Dialogues:*

This is all part of the broader climate finance conversation, which will be the negotiations centerpiece of COP29, as the Azerbaijani presidency has announced. What has the Commonwealth done to prepare its member states for talks on this critically important issue?

### *Baroness Scotland:*

We've talked and talked about climate finance and now the real issue is how do we deliver it. No more talk, but delivery. And that burden therefore is heavy on Azerbaijan's shoulders, and it'll only be lifted if the whole world helps it to be lifted up, and that's going to take a lot of advocacy—a lot of push.

One of the things we're doing across the Commonwealth is that we are helping our countries to prepare for negotiations on

climate finance: we're helping to give them the ammunition—the data—that they're going to need. And we also have just developed and delivered an analysis of the performance of all the Commonwealth countries on the SDGs and on digital integration. So, in these two reports we can look for what works and what doesn't work. Because, I think what we have to do is target our efforts in a way that will maximize their support.

And because of the diversity of our membership—I said something about this earlier—you can look at the Commonwealth, and you will find someone who looks like you. If you're a European, and you're a big economy, you can look at the UK; if you're a European and you're a smaller economy, look at Malta or Cyprus. If you're from Africa you can know that the biggest country in Africa, which is Nigeria, is a part of the Commonwealth, but so is the smallest in Africa, and the richest countries in Africa—and not just in Africa—are there, but so are the poorest.

And if we can get an agreement with the rich the poor, the small, the indigenous—if our Commonwealth family can agree—then it usually means the world can agree. We did this with the Sustainable Development Goals. If you look at the SDGs, and you compare them to the Charter of the Commonwealth from 2012, you see that our 16 core beliefs, as enumerated in that document from 12 years ago. Those 16 became more or less SDG1 through SDG16—and then there was SDG17, which is all about partnership, and partnership is the Commonwealth's *raison d'être*. It's really at the core of our family, and that's why it's in our Charter's preamble.

Or look at what happened in Malta in late November 2015 at the Commonwealth Heads of Government meeting. This was just a few days before the Paris COP. We came up with enforceability—the language we used was “mobilising global and national efforts to hold the increase in global average temperature below 2 or 1.5 degrees Celsius above

pre-industrial levels, to adapt to the adverse impacts of climate change and to achieve sustainable economic and technological transformation, both in mitigation and adaptation.” And look at what happened in Paris just a few days later: we got enforceability at 2.0 and 1.5. Another example involves comparing the outcome of our Kigali meeting in June 2022 and COP27 at Sharm el Sheikh in November regarding the Loss and Damage Fund—I talked about this earlier.

Again, the point is that every time the Commonwealth has been able to agree—and some people say it's like herding cats, okay, but once we get everyone to agree, it can happen at the global level. The whole world can then choose a pathway, because people can say, “Look there's someone in the Commonwealth who looks like me.” So, I'm determined.

### *Baku Dialogues:*

And under your leadership, the Commonwealth has taken a number of concrete steps—it has launched a number of initiatives in this regard. We can mention the Blue Charter, CommonSensing, the Finance Access Hub, the Living Lands Charter, and so on. The logic behind all these is now part of the climate finance conversation, but also part of the conversation about sustainable development. The common thread here is a holistic approach—finding holistic, cross-cutting answers.

### *Baroness Scotland:*

Yes, the Commonwealth has been working steadily and devotedly to come up with some of those answers. For instance, in 2018 we created, as you mentioned, the Commonwealth Blue Charter to deal with oceans—this works through ten Action Groups, each devoted to a particular ocean issue. And if you look at what has been done between 2018 and now, there is demonstrable empirical evidence that what we have done has made a difference.

For example, we have trained more than 640 government officials from over 50 Commonwealth countries and overseas territories. We have conducted coastal climate and blue economy rapid readiness assessments in seven countries, and, most notably, we've seen demonstrable progress in countries defining, planning, protecting, managing and developing their ocean spaces.

In one example, the Seychelles—a co-chair of our Marine Protected Areas Action Group, has launched an ambitious effort to protect the marine environment, resulting in the protection of 30 per cent of its marine area in 2020. So, we know that working together works.

Another example—this one is also from 2018: we created the CommonSensing project, which involves taking the geospatial data from the UK Space Agency ourselves, and with the help of a satellite services entity called Catapult, we're sharing it with small states. So that they could improve evidence-based decisionmaking in disaster preparedness and response, and they can gain greater access to climate change adaptation and mitigation finance.

The Commonwealth provided technical assistance to support Fiji, Vanuatu, and the Solomon Islands to use the CommonSensing platform, and they have used it for enhanced access to international climate finance as well as decisionmaking in areas like increased food security and disaster risk mitigation.

We also created the Commonwealth Climate Finance Access Hub to help small and developing countries make better applications, because many of the applications were not succeeding because they didn't have the data—they didn't have the empirical evidence; they knew what they needed, but how could they prove it? And what we've done with the Climate Finance Access Hub is that we put advisers to work, shoulder-to-shoulder with governments in our small states, and with just

about \$8 million of initial capital, we have already delivered more than \$360 million into the hands of our small states, and we've got \$500 million more in the pipeline.

And it's sustainable: we have trained close to 3,000 government officials and they are now better able to write these proposals and to manage those projects. Just recently, we helped the Kingdom of Tonga to receive \$23 million in funding for a coastal resilience project, in Solomon Islands we helped to secure funding for a set of electric buses that will help reduce greenhouse gas emissions and in Zambia, farmers are going to benefit from a solar-powered water supply system to help them combat drought. That's just a few of the ways the Commonwealth is working with countries to make a difference.

So, we're thinking now, in the context of COP29, what if we could put a climate finance advisor in every country that needed it? What if we could continue to share that data about what works and what doesn't work with each other? What if at COP29 we could find the money to deliver that advisory service at no cost to the countries that need it, because we know it would make a real difference?

And, like I said, we have a track record of success, because we had dealt with oceans, which had been neglected, with our Blue Charter, and then we turned to CommonSensing, which was atmosphere. Right? But what were we doing about land?

Remember, we have the three Rio conventions—everybody has signed up to those three Rio conventions: the Convention on Biological Diversity (CBD), the UN Convention to Combat Desertification (UNCCD), and the UNFCCC. But what were we actually doing to come together? And, therefore, in 2022 we created—with the support of three UN agencies—we created the Commonwealth Living Lands Charter to turn rhetoric into action.

I want to get into this in a little more detail. Water is one of the major issues that we're looking at in the context of the

Living Lands Charter, because water will become the new gold; how we use water—how we can serve it, how we develop appropriate measures in relation to it—is critical.

We're bringing Action Groups together to understand not just what we should and must do, but actually also what we should *not* do, because there are a number of things that we need to never do again; and we need to share that data to enable it to work. The issue in relation to water, but also in relation to sustainable urban planning—sustainable *urbanization*, which is something that His Majesty the King has been moving on—and smart villages reflects this: we have to make sure that urban development is symbiotically attuned to rural development.

At the moment, you have like a gaping chasm between the two of them, and yet we have to have a holistic approach, as you mentioned. So, the Commonwealth has been advocating a regenerative approach to sustainable development, which enables us to really look holistically at how we deliver change, because one of the worrying things is that we tend to look at it on a silo basis. So, you can't actually look at urban development unless you really understand the impact it will have on rural development. So, urban and rural have to go hand in hand.

### *Baku Dialogues:*

But it's more than adopting a holistic approach, isn't it? You have to have the right people in the right seats, don't you?

### *Baroness Scotland:*

That's right. And we have been doing quite a lot of that sort of thing—this is very important. Let me give you an example. One of the first things I did within the first one hundred days of becoming Secretary-General was that we brought together everyone—because what I discovered was that oceanologists only seemed to talk to oceanologists, climatologists only talked to

climatologists, and then there were those who were doing circular economy and symbiotic economy and urban development and rural development. But nobody was talking together.

So, we brought everybody together—under one umbrella—for three days, and we locked the doors—in effect—and we had some of the brightest and best people in the world on these subjects reasoning together. And instead of talking *at* each other, they talked *with* each other to come up with solutions. At the end of that, we came to the view that we needed this regenerative approach to sustainable development in order to reverse climate change.

Regenerative development and a holistic approach. And within that holistic approach, we have water and urbanization as part of the solution; but these cannot be separated from the other bits because if we develop in silos, we won't get the solutions that we need. This is a new multidisciplinary approach, and I think we need a new form of education.

Before the Industrial Revolution, there was a real concentration on developing polymaths: people who are multifaceted, multi-skilled, and multidisciplinary. And you can think of some of the greatest polymaths like Michelangelo and all the other greats: they were not single-issue experts. And then we had the onset of the Industrial Revolution, which made us focus on separate specializations that were targeted to deliver on a mechanized-specific era.

Our world has now changed radically, and we are back in an era where we need polymaths again. And we need to understand the interdisciplinary nature of everything we're doing, and yet our universities and our schools are still educating our young people as if the Industrial Revolution is still the paradigm in which we live. The way we teach our young people has to change, because we have to teach them that collaboration and partnership in whatever they do is a fundamental part of what they need to undertake if they want to have successful conclusions.

So, yes, to come back full circle to what you asked me: Blue Charter, CommonSensing, Climate Finance Access Hub, Living Lands Charter, regenerative development—all these should be part of a holistic approach. But that's not all. Because then we thought, what if we can fund those Action Groups now—with the money that comes out and which is identified and raised at COP29 in Azerbaijan? Think about the difference we can make.

### *Baku Dialogues:*

Yes, and making sure this is reflected in educating young people in a holistic way, which is something we are trying to do at ADA University—and this is something that we see more and more in universities around the world. But there is another issue that the Commonwealth has also played an increasingly important role in bringing more into the mainstream of the global conversation, and that's debt reduction. You touched briefly on this earlier, but let's get into it a bit more. Might the Commonwealth's experience also be taken into account in the COP29 discussions, in the context of climate finance?

### *Baroness Scotland:*

Yes, we're also looking at debt. We have something called Commonwealth Meridian, which is our debt recording and management system. The Meridian system is managing more than \$2.5 trillion of debt, which is really a burden for some of the least developed and most dangerously affected people. This software is used in 39 countries and allows government officials a powerful tool to monitor liabilities closely, make evidence-based decisions, and ensure that national financing requirements are met effectively and balanced with acceptable risk levels.

So, all those things I mentioned are things that we have done, but they're also things that we can continue to do together on a larger scale, not just in the context of the Commonwealth.

And it helps us, I think, to build the confidence that the COP process can continue to yield a genuine meaningful process and progress.

Many of our small states are, frankly, tired of coming to annual COP meetings and fighting and talking and not being heard. The hope for them is if they come to Baku for COP29 they will be heard there will be hope, and that this hope will be justified, and we will together be able to change things.

Some of these countries have already travelled to Baku to meet with the COP29 presidency, or have had meetings with the COP29 presidency in Bonn and elsewhere. And so that's why I am unreserved in my applause for what Azerbaijan is trying to do, and I applaud the stewardship that Azerbaijan has demonstrated—on topics ranging from adaptation to mitigation, and now through the Loss and Damage Fund and so on, that address the unavoidable impacts of climate change.

### *Baku Dialogues:*

You seem to be suggesting an “all-of the-above” approach to climate finance and, more, broadly, to combatting climate change.

### *Baroness Scotland:*

We must leave no stone unturned in this quest for sustainability. It's actually our quest for life on our planet. If we don't do this—if our generation doesn't do this—then the next generation won't have that opportunity. And they will ask us, “What did you do?” Because they will know that we knew what the future held: the generation before ours can say “I didn't understand, I didn't know.” But we cannot say this, because, well, we *do* know.

So, the question we're all having to ask each other—and ourselves first—is “What am *I* going to do?” This applies to



one and all, including young people—I keep coming back to this point. It’s not just “What is the ambassador going to do?” and “What is my government going to do” and “What are others going to do?” It really is “What am *I* going to do?”

This is what I know. I know it starts with each of us.

### *Baku Dialogues:*

And it also involves working together—all of us, like you’ve said, on a whole host of issues. One that’s on the minds of many Azerbaijanis is smart villages and smart cities. Azerbaijan has pledged to achieve net-zero carbon emissions in its liberated areas by 2050, as outlined in its latest national climate action plan—the NDC. Building smart villages and smart cities is integral to this endeavor. The country’s leadership has pledged to transform Karabakh into a Green Energy Zone—the vanguard region in this respect for the country. In other parts of the world, the Commonwealth has done a lot of work on this, hasn’t it?

### *Baroness Scotland:*

There’s no reason why we can’t work together on smart cities and smart villages, because they’re really, really important: we see that having a regenerative approach to development—I mentioned this earlier: a regenerative approach to development will really have a massive impact in reducing greenhouse gases. A few months ago, we published UC Berkeley Professor Solomon Darwin’s toolkit, which was devised with us on how you create a smart village.

A smart village prioritizes local knowledge and sustainable skills, but harnesses technology to improve lives and livelihoods. Professor Darwin’s toolkit demonstrates how artificial intelligence can be used to improve the livelihoods of rural villages and communities and provides practical opportunities for about 3.4 billion citizens globally who live in these areas.

Now, many smart villages in India are the size of cities in other countries; and some of them are the size of whole countries that belong to the Commonwealth, because we’ve got countries such as Nauru, which has only about 10,000 people.

Building these kinds of toolkits to enable people to help people to do it better is really, really important. So, there are huge opportunities, I think, to work together.

Artificial Intelligence is another critically important area. It’s anticipated that AI and digital creativity will add about \$15.7 trillion to the world’s economy by 2030—that’s exponential growth. AI has the ability to transform almost every single aspect of the work we do. So, we’ll be able to collate data more easily aggregated and are able to also disaggregate it. We will be able to bring together disciplines that are now disparate—merging those datasets—and we will be able to formulate solutions much more quickly.

In health, for example, they think that the computations—some of which would take about 100 years without AI—now could be distilled and be undertaken in a matter of months. Some other calculations, powered by AI, could be done in a matter of weeks, others in days, others in seconds.

My point is that AI is a real technological revolution—and it’s one unlike any we’ve seen before. And we in the Commonwealth understood that earlier than most, and we have been working on digitalization and development since about 2018.

Now, for some strange and quite extraordinary reason, in 2023 I was—to my surprise—given a Global Leadership award by UC Berkeley. The award, they said, was in recognition of my exceptional championing of innovation and use of technology to expand markets around the world and empower people at the bottom of the pyramid.

While there, I went to Silicon Valley and was able to speak to all of the big tech companies, including NVIDIA, Ericsson,

Intel, and so on. What we have done together is that the Commonwealth has launched an AI consortium, which brought all the big tech companies together to see how we can craft a bridge across the digital divide between the global north and the global south.

### *Baku Dialogues:*

Yes, this question of the technological divide. It's akin in some ways to the climate finance debate, in the sense that the 'have nots' say, in effect, "we must not be left behind. And we need help, because we can't afford to do it ourselves."

### *Baroness Scotland:*

That's right: if nothing is done—if we don't bridge that technological divide—there will be many countries who will be left behind. For AI really to do that which it can do, everyone has to have access to it—as opposed to only some of us having access. So, with Intel, for example, we've created an open-source learning platform for leaders so they can better understand the good things about AI. Now, obviously, there are also bad things about AI—which is why we need to imbue AI with our values: the valueless application of AI could actually be very detrimental to our world.

And we've just launched this open-source data learning platform—the Commonwealth AI Academy—in which there are six different courses that young people can take. I'm absolutely determined that young people—there are more than 1.5 billion young people in our Commonwealth, as I've mentioned—and everyone, really, has access to AI, and I want people not to be afraid of AI, but to see AI just like another tool, albeit a very powerful one.

I sometimes think AI is like a scalpel: if you put a scalpel in the hands of a thoracic surgeon, he or she will save many lives; if

you put the same scalpel in the hands of a thug, then he or she can take lives. Either way, it's not the scalpel's fault. It's the fault of the one who wields it. And so, we have to create the rules that will mandate it to be wielded with care, with devotion, and, I would say, with love.

Sure, AI is going to radically change our lives, and the lives of young people more than anyone else's. But also, I think we need to be the creators of AI, as opposed to being just the consumers of AI. If we master this new technology—if we retain mastery over this new technology—then our world could be a much safer place.

### *Baku Dialogues:*

There is so much more we could talk about, but it's time to bring this conversation to a close. Thank you—truly—for this wide-ranging interview. We're grateful for your time and your engagement. We look forward to welcoming you back to ADA University—to Baku. We hope to see you again soon.

### *Baroness Scotland:*

Thank you very much, indeed. I hope to be back soon. BD

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# COP29 and Azerbaijan's Green Finance Capacity

*Shamil Muzaffarli and Sheyda Karimova*

As the international campaign to address climate change intensifies, countries around the world are seeking innovative financing mechanisms to “contribute [...], in a nationally determined manner, taking into account the Paris Agreement and their different national circumstances, pathways and approaches [to transition] away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science”—to quote from the COP28 decision text. The question of climate finance, which the Azerbaijani Presidency of COP29 has indicated will be its “top negotiating priority” has become paramount, with the \$100 billion per

annum amount now understood by everyone as being far too low: on 27 July 2024, U.S. Treasury Secretary Jannet Yellin stated in Bélem, Brazil (the host city of COP30), that “no less than \$3 trillion in new capital from many sources” will be required “each year between now and 2050” to combat change—or, as she put it, to “transition to a lower-carbon global economy.”

It is within this global context that we enter into the topic of green bonds as one possible new financing mechanism for advancing the adaptation and mitigation strategies of climate action. We will focus on Azerbaijan, because this is the country we know best.

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In Azerbaijan, a country rich in natural resources but facing the challenges of carbon emissions and energy sustainability, the concept of green bonds has emerged as a promising avenue for mobilizing investment towards sustainable practices, environmental projects, and other forms of climate action. This article explores in depth the potential of green bonds in Azerbaijan, their role in driving the “transition away from fossil fuels,” and the challenges and opportunities they present.

## *Understanding Green Bonds*

Climate and environmental changes pose significant mid- and long-term risks to all economic sectors. The current conventional scientific wisdom is that continuous greenhouse gas (GHG) emissions contribute to global warming, which may have catastrophic economic, financial, and social consequences. Therefore, implementing comprehensive actions to mitigate these risks is essential for sustainable development.

One mitigative action that has been gaining traction globally has been the issuance of what are called “green bonds,” which are *financial instruments specifically*

*designed to raise capital for projects with environmental benefits.* These projects encompass a wide range of initiatives, including renewable energy infrastructure, energy efficiency improvements, sustainable land use practices, and clean transportation systems. The defining feature of green bonds is in their targeted use of proceeds, which must be allocated exclusively to environmentally friendly projects and verified through a set of demanding standards and certifications such as the Climate Bonds Initiative (CBI) or the International Capital Market Association (ICMA) Green Bond Principles.

The global green bond market has seen significant growth since its inception, with cumulative issuance surpassing \$1 trillion by the end of 2020. In 2021, green bond issuance reached approximately \$500 billion, up from \$297 billion in 2020. Current estimates suggest that annual issuance exceeded \$1 trillion in 2023. Comparatively, the global bond market, including all types of bonds, was valued at around \$128.3 trillion in 2020. Green bonds represent, in other words, but a few drops in the global bond market bucket; on the other hand, the number of drops seems to be compounding.

Green bonds typically have lower interest rates compared to traditional bonds, known as the “greenium” (green premium), where yields can be up to 10 basis points lower. This is because investors are willing to accept lower returns in exchange for the potential positive environmental impact of their investment. Traditional bonds, without this environmental incentive, usually offer higher yields.

Investor demand for green bonds is driven by the focus on what is called Environmental, Social, and Governance (ESG) criteria. In 2021, more than 60 percent of green bond investors were dedicated green funds or funds with significant ESG mandates. Traditional bonds attract a broader investor base but do not specifically cater to ESG-focused investors.

Green bond proceeds are earmarked for projects with clear environmental benefits, such as renewable energy and energy efficiency. Traditional bond proceeds, however, can be used for a wide range of purposes without specific environmental or social focus.

Issuers of green bonds must adhere to standards and frameworks like the aforementioned Green Bond Principles by the ICMA, ensuring transparency and accountability in

reporting environmental impact. Traditional bonds follow standard financial regulations without these specific mandates.

Studies show green bonds can perform comparably to traditional bonds in terms of price stability and default rates. For instance, a study by Barclays found green bonds had slightly lower volatility, making them attractive to risk-averse investors. Traditional bonds provide stable returns and are becoming a staple in some investment portfolios.

Green bonds have rapidly increased in issuance and market size, reflecting growing investor interest in sustainable investments. Traditional bonds continue to dominate due to their long-standing presence and versatility. Green bonds attract ESG-focused investors willing to accept lower yields for environmental benefits, whereas traditional bonds attract a broader range of investors focused on returns. Green bonds require adherence to environmental standards, enhancing transparency, while traditional bonds follow general financial regulations.

Traditional bonds remain a cornerstone of the global bond market, but green bonds are gaining traction due to their alignment with

sustainable development goals, increasing investor demand for ESG-compliant investments, and climate action financing imperatives. The green bond market's significant growth is solidifying its role in financing environmentally sustainable projects and adaptation and mitigation strategies dealing with climate change.

### *The Context in Azerbaijan*

Azerbaijan, having substantial oil and gas reserves, has historically relied heavily on fossil fuels for its energy needs. However, the government of Azerbaijan recognizes the importance of diversifying its economic streams and reducing greenhouse gas emissions in alignment with global climate goals. This is reflected in the country's sustainable development strategies, such as “Azerbaijan 2030: National Priorities of Socio-Economic Development” and the “Socio-Economic Development Strategy of 2022-2026,” aligned with the 17 Sustainable Development Goals (SDGs). Azerbaijan has been part of the United Nations Framework

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*Green bonds are gaining traction due to their alignment with sustainable development goals, increasing investor demand for ESG-compliant investments, and climate action financing imperatives.*

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Convention on Climate Change (UNFCCC) since 1995 and aims to reduce GHG emissions by 35 percent by 2030 compared to 1990 levels and by 40 percent by 2050. On top of that, the government of Azerbaijan

has set a target to create a “zero emission zone” in the liberated territories and increase renewable energy share in total energy production to 30 percent by 2030 throughout the whole country. A stronger light is being shined on the country given its Presidency of COP29, the annual Conference of the Parties to the UNFCCC that will take place in November 2024 in Baku.

The global trend towards greening and decarbonization presents opportunities for Azerbaijan's financial sector, particularly in funding green projects and promoting sustainable financial products, hence making its role particularly important in supporting the transition to a sustainable economy and the global fight against climate change. However, opportunities must be considered along with physical and transition risks, such as those posed by extreme weather events and the

shift to a low-carbon economy. This is especially vital as according to the Central Bank of Azerbaijan (CBA), approximately 55 percent of the banking sector's loan portfolio is exposed to climate-related economic risks.

### *Sustainable Practices*

In the past two years, Azerbaijan has undertaken several initiatives towards sustainable practices, focusing on various sectors including energy, environment, and economic development.

In the energy sector, a feasibility study is currently underway under the curation of the Ministry of Energy on the Caspian-Black Sea-Europe green energy corridor. A Memorandum of Understanding (MoU) has already been signed with the Governments of Georgia, Hungary, and Romania to build a subsea cable under the Black Sea. Another MoU has been signed by WindEurope and the Azerbaijan Renewable Energy Agency to accelerate the deployment of on-shore and offshore wind energy. Furthermore, large-scale solar and wind power plants, such as the 230 MW Garadagh Solar Power Plant and the 240 MW Khizi-Absheron Wind Power

Plant, have also been developed in collaboration with international partners.

The establishment of SOCAR Green LLC by the country's state oil and gas company SOCAR solidifies the commitment of the energy sector to increase the country's capacity for sustainable energy. SOCAR Green LLC focuses specifically on renewable energy projects, signifying a strategic move not only to diversify SOCAR's portfolio but also to contribute directly to Azerbaijan's broader energy transition objectives by promoting renewable energy sources.

In the transport sector, the Ministry of Digital Development and Transport (MDDT) has developed an ambitious mobility program that aims to completely transform urban transportation in Baku. This program has introduced bike-sharing schemes in urban areas to promote cycling as a sustainable mode of transportation and developed pedestrian zones and walkways to encourage walking and reduce reliance on motor vehicles. Public transportation is planned to be further greenified as 3,000 electric buses are set to be deployed in Baku to electrify the bus fleet. This announcement goes in line with a statement by BYD, a leading Chinese manufacturer of

electric vehicles, to invest \$34 million in the establishment of localized production of electric vehicles in Azerbaijan.

However, it is not only public transportation that is getting greenified: the private Electric Vehicles (EVs) market continues to expand in the country, with around 4,000 EVs already on the road supported by nearly 90 charging stations around the country. It has also been reported that the customs duty on certain types of hybrid and electric motorcycles and bicycles has been reduced to 15 percent in order to expand the usage of EVs.

### *The Central Bank's Role*

Following the strategic direction provided by the Azerbaijani government, the Central Bank of Azerbaijan (CBA) has integrated sustainable finance into its strategic priorities to ensure financial sector alignment with the SDGs and climate action goals. The Sustainable Finance Roadmap (SFR) outlined by the CBA in 2023 underscores the promotion of green finance instruments, including the issuance of green bonds, as integral to the country's sustainable development and climate action agenda.

This roadmap sets a multifaceted agenda aimed at transitioning Azerbaijan's financial sector to align with national and global sustainable development and climate action goals, emphasizing the need for regulatory support, capacity building, and international cooperation to achieve these aims. The CBA aims to integrate climate-related and ESG factors into financial regulation and market standards.

According to the CBA's 2024 Sustainable Finance Report, initiatives have already been undertaken to enhance the capacity of financial institutions in sustainable finance, including training sessions with IFC experts. Efforts include developing standards for climate-related and ESG risk assessments and ensuring market transparency to prevent greenwashing.

The Report provides four pillars of the sustainable finance roadmap. One, *Raising Awareness and Capacity Building* focuses on educating both financial intermediaries and the public about climate-related and ESG risks. This includes internal capacity building within CBA and external awareness-raising initiatives. Two, *Enabling Environment for Sustainable Finance Flows* involves developing sustainable finance guidance, establishing a taxonomy,

fostering green finance ecosystems, and exploring green sovereign bonds. Three, *Integrating Climate-Related and ESG Factors into Risk Management* incorporates climate and ESG risks into the CBA's supervisory framework, financial intermediaries' strategies, governance, and risk management. And four, *Ensuring Market Transparency and Discipline* enhances transparency through climate-related risk disclosures, publishing progress on the roadmap, and setting regulatory expectations for financial intermediaries.

While these initiatives showcase a governmental commitment to transition towards sustainable and climate-friendly practices, in order to meet the ambitious targets and remain in alignment with the SDGs, more efforts will be required, spanning regulatory and policy issues, business incentives and initiatives, as well as garnering public support through targeted awareness campaigns and community engagement.

Green bonds can play an instrumental role in enhancing efforts to

achieve these targets; however, the approach must be calculated and holistic as the green bonds market in Azerbaijan is still in its early stages, which poses a number of opportunities and challenges.

### Opportunities

Green bonds have significant potential to attract both domestic and international investors interested in supporting sustainable projects. For example, the Dutch government issued a €6 billion green bond in 2019, which financed offshore wind farms generating 3.5 GW of electricity. Similarly, France's €7 billion green bond issued in 2017 was used to expand the Paris Metro, reducing urban emissions, and improving public transportation. These examples illustrate how Azerbaijan can leverage green bonds to fund renewable energy projects, energy-efficient buildings, and other sustainable initiatives, thereby attracting substantial investment.

Furthermore, green bonds offer favorable financing terms, such

as lower interest rates and longer tenures, compared to traditional bonds. California's \$600 million green bond issuance in 2019, which funded the construction of a high-speed rail line, exemplifies the cost-effectiveness of green bonds. This approach could make green bonds an attractive financing option for Azerbaijan's sustainable projects.

Issuers of green bonds are required to provide detailed information about the use of proceeds and the environmental impact of funded projects, fostering investor trust and promoting accountability. For instance, Apple issued \$4.7 billion in green bonds between 2016 and 2020, funding energy-efficient upgrades and renewable energy projects, and showcasing the positive impact of such transparency.

Participating in the green bond market also positions Azerbaijan as a proactive player in global efforts to combat climate change. Nigeria's issuance of its first green bond worth ₦10.69 billion (\$30 million) in 2017 positioned the country as a leader in sustainable finance in Africa. Similarly, by aligning with international trends, Azerbaijan can enhance its reputation and attract sustainable investors.

Green bonds also integrate Azerbaijan into the global sustainable finance market, improving the country's international financial standing and opening up additional funding opportunities from global institutions. This financial integration can lead to increased investment and collaboration with international partners.

Collaboration between the public and private sectors is essential for the effectiveness of green bonds. Governments can establish favorable regulatory frameworks and incentives, while private enterprises can bring innovation and efficiency to project implementation. Public-private partnerships (PPPs) can leverage the strengths of both sectors, ensuring that green projects are financially viable and effectively managed.

Green bonds can also fund the development of sustainable infrastructure projects such as electric vehicle (EV) charging stations, energy-efficient public buildings, and smart grids. Mexico City's issuance of \$50 million in green bonds in 2017, which financed energy efficiency projects in public buildings and reduced energy consumption by 20 percent, thereby demonstrating the potential impact of green bonds on infrastructure development.

Investing in green projects through green bonds can spur job creation and stimulate economic growth. Renewable energy installations, sustainable agriculture, and clean technology innovations generate employment and foster economic resilience. For example, Morocco's \$100 million green bond issuance for solar and wind projects has created numerous job opportunities while advancing the country's renewable energy goals.

Green bonds support projects that provide long-term environmental benefits, such as reduced carbon emissions, improved air quality, and enhanced biodiversity. These projects contribute to the global effort to combat climate change and preserve natural resources, aligning with Azerbaijan's environmental objectives.

## Challenges

Developing the green bond market in Azerbaijan also presents several challenges. The market is in its nascent stages,

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*Developing the green bond market in Azerbaijan also presents several challenges. The market is in its nascent stages, requiring efforts to raise awareness, build capacity, and develop regulatory frameworks.*

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requiring efforts to raise awareness, build capacity, and develop regulatory frameworks. In 2023, the CBA conducted its Sustainable Finance Survey, revealing significant barriers: 73 percent of respondents were unaware of sustainable finance activities, 48 percent cited an insufficient regulatory framework, 52 percent pointed to a lack of human capacity, and 23 percent identified a lack of regulatory requirements. These findings highlight the need for comprehensive education and capacity-building initiatives.

Ensuring a robust pipeline of eligible green projects is critical for sustaining investor interest. Targeted investments in research and development are necessary to identify and prioritize viable projects that align with Azerbaijan's environmental and energy objectives.

Green bonds require cross-sectoral collaboration and accurate, transparent data flow. Technologies like blockchain can ensure transparency and accountability in the use of green bond proceeds. Enhanced data governance

and digitalization efforts are also needed to ensure investor confidence. For example, implementing blockchain technology can provide real-time tracking of how funds are allocated and spent, ensuring that projects meet their environmental goals.

Moreover, developing a comprehensive regulatory framework that supports green bond issuance is crucial. Azerbaijan must establish clear guidelines and standards for green bond issuance to align with international best practices. The lack of a robust regulatory framework can hinder market development and investor confidence. Adopting frameworks like the aforementioned Green Bond Principles by the ICMA can provide the necessary regulatory support.

Building local expertise in sustainable finance is also essential for the growth of the green bond market. Financial institutions, regulators, and market participants in Azerbaijan may lack the necessary knowledge and skills to effectively manage and issue green bonds.

Capacity-building initiatives and training programs are needed to address this gap.

Moreover, green projects often involve high upfront costs, which can be a barrier for issuers and investors. Developing innovative financing mechanisms and leveraging international support can help mitigate these costs and make green projects more attractive.

In addition, building investor trust in the green bond market is crucial. Investors may be skeptical about the environmental impact and financial returns of green projects. Transparent reporting, third-party verification, and adherence to international standards can help address these concerns and build

confidence. For example, Apple's issuance of green bonds included detailed reporting on the environmental impact of funded projects, setting a standard for transparency.

Furthermore, ensuring market liquidity is essential for the success of green bonds. Developing platforms for trading and tracking

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*Engaging stakeholders across the public and private sectors, including financial institutions, regulatory bodies, and environmental and climate action experts, is key to fostering a thriving green bond market ecosystem in Azerbaijan.*

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green bonds can enhance market liquidity and transparency, making green bonds a more attractive investment option. For instance, the establishment of green bond segments on stock exchanges, such as the London Stock Exchange's dedicated green bond segment, has improved market liquidity and investor access.

Achieving substantial environmental and climate benefits requires a long-term commitment from all stakeholders. Continuous monitoring, evaluation, and adaptation of strategies are necessary to ensure the sustained impact of green projects. This long-term perspective may be challenging to maintain, especially in the face of short-term economic pressures. Implementing robust monitoring and evaluation frameworks, as demonstrated by the World Bank's climate finance initiatives, can ensure ongoing project success and impact.

Strides have been made in the fields of data governance and digitalization in the public sector, particularly through the efforts of the Innovation and Digital Development Agency, under the curation of the MDDT. However, more efforts are needed to streamline and cascade good data governance models that ensure

transparency, traceability, verifiability, and accuracy of data related to green bonds-funded projects to ensure investor confidence and simplify collaboration between multiple stakeholders.

Engaging stakeholders across the public and private sectors, including financial institutions, regulatory bodies, and environmental and climate action experts, is key to fostering a thriving green bond market ecosystem in Azerbaijan. Collaboration can lead to knowledge sharing, innovative financing structures, and enhanced market transparency.

### *Next Steps*

To build a successful green finance capacity, Azerbaijan must adopt a systematic approach, addressing regulatory, strategic, and operational dimensions. There are a number of measures that, when taken concurrently, could bring Azerbaijan into the global green bond mainstream. Each will be briefly outlined below.

Developing a comprehensive regulatory framework that integrates environmental and financial policies is essential. Starting with voluntary guidelines for green bonds and progressing towards

mandatory regulations informed by international best practices, such as the Green Bond Principles by the ICMA, will provide the necessary regulatory support.

Collaboration among government bodies, financial institutions, the private sector, and international partners is crucial. Leveraging expertise and resources from international organizations like the World Bank and the International Finance Corporation (IFC) can enhance local capacities and improve access to global markets. For instance, Morocco's collaboration with the World Bank to develop its green bond market has resulted in successful issuances and increased investor interest.

Implementing stringent and transparent reporting standards for green projects will ensure that investors are well-informed about the use and impact of their investments. Introducing third-party verification and auditing for independent assurance of compliance with green standards can build investor trust. For example, Chile's green bond issuance included third-party verification to ensure transparency and accountability.

Developing standardized criteria for what qualifies as a green project, aligned with international

classifications such as the EU Taxonomy for sustainable activities, will simplify the identification and approval process for green bonds. Introducing a certification scheme for green projects can further enhance this process. South Africa's Green Finance Taxonomy, aligned with the EU Taxonomy, provides a useful reference.

Training programs for government officials, financial institutions, and project developers are necessary to enhance understanding of green bonds and sustainable finance. Public awareness campaigns should also be conducted to highlight the benefits of green bonds and sustainable investments.

Developing the necessary market infrastructure, including platforms for trading and tracking green bonds, will enhance market liquidity and transparency. Launching pilot projects to demonstrate the viability and benefits of green bonds can create case studies that attract future investments. The Asian Development Bank's support for pilot green bond projects in Vietnam illustrates the potential impact of such initiatives.

Conducting thorough social and environmental impact assessments for all green projects will ensure they deliver substantial

environmental and climate benefits without negative social consequences. Implementing robust monitoring and evaluation frameworks to track the performance and impact of green projects over time is essential. The World Bank's comprehensive impact assessment frameworks provide valuable guidance.

By adopting these systematic and comprehensive recommendations along with the implementation of the CBA's Roadmap, Azerbaijan can build a robust green bond market that attracts sustained investor interest, promotes sustainable development, and aligns with global environmental and climate goals.

### Strategic Tool

In conclusion, green bonds represent a strategic tool for accelerating Azerbaijan's energy transition and fostering sustainable development. By leveraging the principles of green finance, fostering collaboration among

stakeholders, and embracing international best practices, Azerbaijan can unlock significant investment opportunities, reduce carbon emissions, and contribute meaningfully to global climate action.

Green bonds offer Azerbaijan a promising avenue to fund its ambitious sustainability projects, particularly in critical sectors such as energy and transportation. Coupled with digitalization, these financial instruments can significantly accelerate the nation's transition to a greener economy.

By attracting environmentally and climate-conscious investors and leveraging cutting-edge technologies, Azerbaijan can pave the way for a sustainable future, setting an example for other resource-rich nations aiming to balance economic growth with environmental and climate responsibility. The strategic use of green bonds can ensure that Azerbaijan not only meets its environmental and climate goals but also enhances its economic resilience and global competitiveness in a rapidly changing world. **BD**

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# Empowering Nations through COP29

## Sovereign Cloud Platforms and Technological Sovereignty for Critical Industries

*Miloš Jovanović and Stefan Jančić*

One of COP29's thematic days, as chosen by Azerbaijan's Presidency, is titled "Science, Technology and Innovation / Digitalization." Like all other parts of the Conference's thematic program, this one is designed to advance the Presidency's overarching vision, which consists of two mutually-reinforcing, parallel pillars—"enhance ambition" and "enable action"—at the heart

of which stands climate finance. To quote from the COP29 President-Designate's 17 July 2024 Letter to Parties and Constituencies:

The COP29 Presidency's top negotiating priority is to agree [on] a fair and ambitious NCQG [New Collective Quantified Goal], taking into account the needs and priorities of developing country Parties. [...] But this is not just our priority. The COP29 Presidency has heard

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the voices of so many Parties and communities that are counting on all of us to take this step at COP29. We must all go the extra mile together to deliver this historic milestone. [...] Both adaptation and mitigation financing require a substantial increase. [...] Our work on climate finance should represent progression beyond previous efforts, delivering multiples, adequate to the scale and urgency of the problem. Transparency and accessibility will also be key facilitating conditions that will require effort from multiple stakeholders.

We intend this essay to serve as a contribution to the ongoing conversation on this theme, but also to the broader global debate about the utility of sovereign cloud platforms and technological sovereignty for critical industries. Enhanced cooperation at the inter-state level to save the planet is one thing; ensuring it does not infringe on the prerogatives of national sovereignty, including security considerations, is quite another.

Our objective is to describe the role of sovereign cloud platforms in

different core sectors and to stress the necessity of having strong technology infrastructure, data management, and AI regulation. We believe that each nation has a responsibility to work out for itself a proper balance between these and related concerns, which requires having a proper unbiased grasp of the issues involved. Azerbaijan is no different. We thus conclude this essay with a brief consideration of how our findings can be applied to the technological independence and economic development of the Alat Free Economic Zone (AFEZ).

Technological sovereignty is a term that has emerged in today's world, characterized by a high rate of development of information technologies, as a vital factor for countries that want to keep their data and key industries under their own control and preserve their own security. The concept of sovereign cloud platforms should be seen as a game-changing opportunity for such countries to upgrade their data processing capacities, improve cooperation between ministries and other state entities,

*This essay can contribute to COP29's thematic day on Science, Technology and Innovation / Digitalization, but also to the broader global debate about the utility of sovereign cloud platforms and technological sovereignty for critical industries.*

and optimize governmental and private sector activity.

Through the establishment and management of a nation's digital architecture, it is possible to protect its information, establish an environment for innovation, and spur sustainable economic growth. Sovereign cloud platforms not only contribute to improving business processes and their security, but can also create a lot of additional economic value. When data is centralized in a secure cloud system, along with the help of AI and IoT, nations can both use resources and manage data costs efficiently, as well as enhance their decisionmaking processes.

This economic benefit spans different areas such as healthcare, energy, and manufacturing, where data optimization and the improvement of security leads to improved services, reduced costs, and, therefore, greater competitiveness.

### *New Cloud Platforms Needed*

Worldwide experience with the application of cloud platforms demonstrates their high potential for engendering changes in data processing and

inter-ministerial cooperation, especially in such sensitive spheres as medicine and energy. Hence, through sovereign cloud platforms, nations can address bureaucratic inefficiencies, as important information will henceforth be stored in a central place, easily retrievable by other end-users in the administrative apparatus.

Take healthcare. Having all of a patient's records safely stored in a single, cloud-based system means that these can be accessed by any healthcare provider. This, in turn, can reduce errors in treatment processes. We know, for instance, that patients rarely provide doctors with a fully accurate history, which can have a negative impact on treatment, including drug prescriptions. Not only does single-system storage enhance the accuracy and efficiency of medical measures, but it also helps to shape the entire healthcare system. Centralized, cloud-based recordkeeping in the medical field ensures convenient access to all patient information and reduces the chances of errors in treatments.

In the energy sector, a centralized cloud platform can contain every single aspect of the consumption cycle. More and more accurate data results in better analysis, which in turn can optimize distribution (particularly in the context of

electricity sector liberalization and the introduction of two-way communication and power transmission through the building of smart grids and micro-grids), detect all sorts of grid and distribution inefficiencies (e.g., leakages), modernize billing procedures (e.g., dynamic pricing in real-time), and enhance overall efficiency. It can also ensure problems are detected swiftly, including corruption and payment clearance issues. Lastly, a centralized cloud-based energy platform can enable the detection of network attacks and other forms of security breaches, thus making energy infrastructure safer and more secure.

Cloud platforms can also be extremely useful in other contexts. Using cloud-based management platforms, for instance, can be beneficial in industrial parks in various ways. Thus, any organization can easily utilize the flexible technologies that are part of the cloud computing universe.

In the same manner, a cloud-based smart gateway platform may also be able to ensure that all smart home devices are aware of each other and collect data to alter the device's connectivity and functionality.

To improve the sovereign cloud platform, cloud platforms should

be connected to other modern technologies such as artificial intelligence (AI) and the Internet of Things (IoT). Thus, cloud data centers should be smarter and more efficient with the help of AI solutions and should be a part of the green cloud data center concept, characterized by optimized energy intake and effectiveness. Also, the integration of IoT cloud systems can be useful in identifying performance parameters as well as in the monitoring and controlling of attached devices in real time for enhancing productivity in various sectors.

Moreover, cloud platforms can be helpful for energy management since the consumption of energy is very important. For example, in active distribution grids, cloud platforms for service restoration can involve an optimization algorithm to improve the response time in emergencies and thereby reduce the grid's reliability. Similarly, the cloud platforms to supervise the battery conditions in the energy storage systems can also enhance the efficiency and reliability of large-scale energy storage systems and solutions in energy management.

In addition, cloud platforms enable fast assessments and confirmations of energy efficiency, as has

been shown in studies on the energy consumption of washing machines and other similar appliances. If these platforms are developed based on cloud computing techniques, combined with measurement and verification methodologies, it is valuable to assess the energy-saving performance and to make decisions in energy management.

Overall, sovereign cloud platforms may benefit countries by enhancing the operations of governments, industries, and end-users because of the advantages of giant data analytics, communication, and the elimination of bureaucratic inefficiencies.

Regarding the purpose of cloud platforms, it is possible to mention the following: combining the centralization of information, developing advanced technologies, and optimizing the usage of energy in different fields ultimately increases the transparency and effectiveness of industries and sectors for the sustainable development of states.

All such platforms, employed in a strategic context, can also enhance a country's capacity

to manage and leverage resources to strengthen the governmental apparatus for closer cooperation.

### *Technological Sovereignty and Critical Industries*

Organizations want to maintain control over cloud platforms that are deployed in sensitive sectors like health, power, and other ministries. Control over platforms ensures that data is secure and shielded from various intrusions—especially so where the data is sensitive (e.g., patient or energy records).

Thus, countries possessing cloud infrastructure can design secure protection systems that correspond to the needed level of protection and legal requirements to prevent hacking or stealing of vital information. Such and similar threats indicate that

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*Full sovereignty must be achieved over the technology domain. Only in such a case can a state ensure that no outside influence can penetrate into the sanctity of a country's critical systems.*

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full sovereignty must be achieved over the technology domain. Only in such a case can a state ensure that no outside influence can penetrate into the sanctity of a country's critical systems.

Technological sovereignty also enables nations to modify cloud platforms to suit the requirements of their main economic sectors. For example, in the healthcare industry, tailored solutions powered by 5G networks, AI, and cloud computing can be customized to meet the unique health requirements of a given country's population, thereby raising the standard of care provided and the condition of the patient.

Customization is also essential for developing tools tailored to the energy ministries to improve energy management in individual countries and also assess energy usage, billing procedures, and so on.

Furthermore, maintaining control over cloud platforms can spur national technological innovation and development. Thus, by guiding cloud infrastructure, states can support research and development projects, enhance talent development, and foster the implementation of innovative technologies such as AI, IoT, and big data analytics in the fields related to a country's strategic interests. This not only helps

to build up a competitive edge for domestic industries, but it also fosters economic development and national capability in the context of disruptive technologies.

Promoting technological development at the domestic level is thus critical to minimizing technological importation and fostering the eventual development of sustainable national technologies and non-off-the-self technological solutions.

Moreover, sovereign cloud platforms allow countries to design their rules, regulations, and governance systems in ways that are fully compatible with their interests and cultures. This way, states can keep control over cloud infrastructure and impose data localization policies, ensure compliance regarding industry-specific requirements, and minimize the risks of unauthorized data transfers across borders.

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*It is crucial to establish indigenous technological capabilities to minimize reliance on foreign technologies, which is always dangerous for a country's security and technological independence.*

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Such a level of control is crucial for maintaining a country's digital sovereignty, safeguarding its critical infrastructure, and ensuring the confidentiality of sensitive data. It is crucial to establish

indigenous technological capabilities to minimize reliance on foreign technologies, which is always dangerous for a country's security and technological independence. This point of view is in line with the general aim of retaining sovereignty over cloud platforms to keep vital national information and processes within a country's jurisdiction.

With technological sovereignty, countries would be in a position to have maximum benefits from cloud computing while at the same time reducing risks and increasing the full potential that a country has to go through this digital transformation in key sectors. This represents an integrated approach to controlling technological infrastructure and underscores the importance of sovereignty in safeguarding national interests whilst driving both climate action and sustainable development in an increasingly connected digital world.

### *Efficiency in Manufacturing*

Cloud platforms of a centralized nature enhance the efficiency of bureaucracies and do away with critical errors in manufacturing. They make workflow and decisionmaking processes smooth

and efficient by consolidating data and streamlining communications.

In manufacturing industries, the cloud platform plays the role of automating production lines, inventories, and supply chains. The integration of cloud solutions with IoT devices and data analytics tools enables one to get a deeper understanding of the operation, proper utilization of resources, and enhanced productivity.

Cloud-based industrial automation systems are used in the management of industrial processes from remote areas, and thus the efficiency of the processes is improved, with minimal interruptions. These systems allow changes to be made conveniently on production lines and prevent the formation of complications in the process.

In the interest of ensuring that centralized cloud platforms enhance bureaucratic efficiency, adequate measures must be taken to secure the data. Measures include the use of blockchain, encryption of data, and control of access—all these provide data and ensure its privacy in cloud-based systems.

Moreover, the implementation of edge and fog computing also helps in reducing delay and enhancing the processing of data, especially in

applications that require real-time decisionmaking. Therefore, these advanced security and computing mechanisms, when implemented together, can assure the nations regarding the security and efficiency of cloud structures.

### *Technological Ecosystems and Internet Sovereignty*

If a country wants to be independent on the internet and control the data generated within its borders, then it needs to ensure that technologies, governments, and innovations support each other. Therefore, through policy and regulation, cooperation and partnership, technology and invention, a state could put in place a solid foundation for data protection, sovereignty, and control of its digital assets.

Among the necessary conditions for a country to establish technological conditions that would enable it to establish internet sovereignty, a proper legislative framework—one that guarantees adequate protection of data and its conformity to

international standards—is foremost. Data protection, cybersecurity, and possession and ownership of data constitute the context of the invention of sovereignty and self-rule of digital property. Such frameworks have to be robust enough to address the constantly growing threat landscape and cyber events that seek to penetrate digital systems.

The formation of public-private and academic partnerships must become the foundation for the establishment of long-lasting technological solutions in governmental organizations. By establishing and encouraging a culture of innovation, knowledge transfer, and interdisciplinary cooperation, a state can get the best skills and financial support to improve its domestic technological process and maintain its digital sovereignty.

Thus, there is a requirement for continuous support of present and future research initiatives relating to the IoT, AI, and cloud computing technologies to improve technological systems. This implies

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that support from stakeholders including innovation hubs, incubators, and parks can go a long way in shaping the right environment for inventions that support the industries and economy of the regions.

This also contributes to the development of new technologies and establishes the basis for a country's technological independence and therefore minimizes the risks and threats associated with the use of foreign technologies.

It becomes crucial to develop indigenization of technological capabilities because this represents real independence on the technological side. Therefore, it becomes easier to focus more on the domestic processes and avoid dependencies and domination by foreign actors in the sphere of digitalization.

This involves supporting domestic IT firms, investing in domestic research and development, and creating the right conditions for technology development. Indigenous innovation refers to the attempt to make technological improvements and to persuade

people to change from learning and imitation into actual creation: Indigenous, sovereign technological advancement should fit into the country's goals and principles.

Thus, enhancing awareness and skills application among the working population is essential for the continuation and effectiveness of technological settings. Education

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*Internet sovereignty and data control technological ecosystems can be described as an environment that is made up of the following four components: regulation, collaboration, technology, and talent.*

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and training to increase people's knowledge of digital technology increase the potential that a skilled workforce can bring into reality such ideas and cope with change. This refers not only to the formal academic qualifications of staff, but also to the retraining of knowledge and skills, as the rate of technological development is rather high.

Good governance to support internet sovereignty and data control is very important in the functioning of a state's internet governance mechanisms. When there is policy coordination with all relevant stakeholders (e.g., government, industry, academia, and civil society), policy diversification and optimization results. These

structures have to be future-proof and yet keep the core elements of data protection (from both outside and inside threats) and data protection sovereignty.

Internet sovereignty and data control technological ecosystems can be described as an environment that is made up of the following four components: regulation, collaboration, technology, and talent. Thus, it is possible to provide the development of stable technological environments that are built on sovereignty and independence in the context of the digital world, protect data, encourage innovations, and give people the possibility to manage the technologies. Such an approach, properly executed, can enable a country to get the best out of the digital age without undermining its national interests and, at the same time enhance its international position.

As will be discussed in greater detail below, the experience of the Alat Free Economic Zone AFEZ) can be a useful example to illustrate how geographical advantages, optimal legislative arrangements, and the use of proper tech solutions can be used to stimulate economic growth and the development of high technologies whilst enhancing Azerbaijan's technological sovereignty.

## Data Control and Security

In modern cloud platform development, governments need to establish rules, laws, and regulations with technical support in data control and security enhancement. Among these is the introduction of appropriately tight data protection laws that force cloud service providers to guarantee data security through the use of cryptography, limit access to data, and conduct regular data checks to ensure that data meets the laid down security standards.

Such laws and policies also assist governments in ensuring that people adhere to data management and storage systems laws so that it becomes mandatory to protect the data from hackers and other nefarious factors.

It is critical to have many laws that guard data owing to the frailty of cloud platforms. All these laws should ensure that serious encryption solutions, like the Advanced Encryption Standard (AES), are used—especially when data is both stored and when it is in motion.

In layman's terms, encryption can be illustrated as follows: even if someone tries to take this data, they



will not understand it since a code is used to encrypt the data. Hence, through the adoption of encryption technologies in storage systems in the cloud, the state can protect its data from hackers and any other persons who may wish to gain access to it.

The relevant laws should also include regular and spot security audits and vulnerability assessments, which can be performed according to what are called Content Security Policies (CSPs). To enhance the security of identity management in cloud environments, governments can influence user identification and authorization to adhere to enhanced authentication mechanisms like the Multi-Factor Authentication (MFA) solution. MFA requires passwords, biometrics, or tokens and thus enhances the security of the cloud environments and reduces the chances of important data being accessed without authorization.

To reduce the risks of what is called “digital leakage” in cloud computing platforms, governments can use Data Loss Prevention (DLP) solutions that

consist of monitoring, detection, and prevention. DLP tools function by analyzing all the data traffic and isolating risks and breaches that contain sensitive data, thus preventing data leakage.

Through the implementation of such solutions, governments will be in an optimal position to observe the activities of data both in and outside the cloud to prevent the leakage of sensitive data. Thus, the goal of enhancing the quality of protection should be pursued by enhancing the activity of cloud service providers—that is, by ensuring that they increase their level of responsibility and transparency.

In addition to ensuring that security checks and scans occur more often and that cloud platforms meet certain standards set by the relevant security regulator or overseer, other preventive measures can be developed by policymakers to enhance the security of cloud environments from various security threats. This incorporates the formulation of national cybersecurity policies that determine the responsibilities of the different players in protecting cyber assets.

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*Technological sovereignty, particularly in the context of AI, cannot be maintained without reference to societal values.*

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All told, a state can prevent data leaks and cyber-crimes emanating from new cloud platforms by applying regulatory, technological, and preventive standards. Thus, by improving measures such as data protection, encryption, secure authentication, and transparency, a state may strengthen its control and security over a cloud environment and protect valuable information and negating threats in the cybersecurity sphere. Such an all-inclusive, strategic approach should ensure that a country’s national digital framework is well-safeguarded and sustainable enough to undertake the important responsibilities of today’s government and business operations.

### *AI Governance in Cloud Platforms*

A state will also need to establish an effective governance structure for the use of AI-based solutions in cloud platforms, particularly for critical industries. AI governance frameworks are beneficial for government agencies as they reduce risks, increase transparency, and encourage accountability in the use of AI in sensitive domains.

There are several ways for AI governance to be applied in cloud

platforms. One is to define the rules for the ethical usage of AI following whatever principles and requirements are set by the state. There is no good reason why any country should simply, blindly, enable an AI company—usually based outside its jurisdiction—to operate freely within its borders: the stakes are simply too high and potentially too dangerous. Thus, issues of bias, interpretation, and data privacy also need to be addressed. Technological sovereignty, particularly in the context of AI, cannot be maintained without reference to societal values.

A state should thus develop AI governance by empowering its regulatory authorities to oversee AI and the way it functions. This will help build confidence in the use of AI systems and prevent potential negative effects associated with implementing AI integration. It will also ensure that other technologies that could be used in conjunction with AI governance in cloud platforms are fully interoperable.

There are several approaches to defining AI in ways that increase interpretability, and thus make the decision process easier to understand and less mysterious. Preventive models, for example, can be used to establish and counter the biases that are built-in to a given AI system by its creators cannot

affect its decisionmaking processes. Such technical tools are useful in making an AI system more accurate and credible, particularly for applications associated with vital assets or services: the ramifications of an improper or prejudiced AI determination can be costly.

Positive AI governing guidelines contribute to ensuring that a given AI system is secure, effective, and morally and ethically compatible with a state's interests. Such guidelines, properly written and enforced, increase the likelihood that AI will be adopted by a state's user community. AI governance is also a great help when it comes to the proper usage of AI in cloud platforms, especially for sensitive industries.

To be clear: technological sovereignty in the case of AI means that a state should be able to control the processes of AI technologies' development and use according to its priorities—not those of the AI creator. By implementing the best available AI governance practices, a state can ensure that this revolutionary technology—which is here to stay—substantially benefits the major sectors of the economy without sacrificing its development and stability. Proper AI governance can thus contribute to a state's technological sovereignty.

## Hardware and Software Sovereignty

The final element we explore in this essay on securing a state's technological sovereignty involves regulating the backbone of its technological infrastructure, namely the hardware (HW) and software (SW) that is used in its various systems, including the cloud. This is especially relevant for states that are, or aspire to be, leaders in critical industries. We are talking about microchips, here.

The need to secure and maintain technological independence and drive innovation is now spurring a growing number of states to seek ways to ensure the local manufacturing of microchips. It is also advantageous that some major industrial areas such as healthcare, energy, and defense receive the particular technological requirements that they need while at the same time protecting themselves from oscillations and disturbances driven by outside and foreign action.

Measures a state can take to address such and similar concerns and thereby improve control over microchips include developing domestic capacity in semiconductors, engaging key stakeholders in the industry, and developing policies on

secure and reliable supply chains. Investment in domestic research and development (R&D) can result in the design and manufacturing of microchips that are unique to a state's specific needs and, in addition, go a long way towards eliminating the various types of disparities impeding technological development.

All in all, a state's continuing dependence on foreign-made and foreign-supplied critical technologies, including microchips, is incompatible with the pursuit of a strategy of total technological sovereignty. The emphasis here is on "total." It is not necessarily geopolitically and geoeconomically realistic for most states to pursue such a strategy, but the more control they can gain over the various technologies discussed in this essay, including on the microchip issue, the closer they will come to assuring a reasonable level of technological sovereignty. The point,

however, is that a state should work to ensure that it does not allow foreign interests to impose their own preferences and standards of what constitutes this "reasonable level."

## AFEZ as the Key to the Silk Road Region's Technological Sovereignty

In some ways, Azerbaijan is uniquely well-placed to attempt technological sovereignty—what skeptics would claim is effectually a "moonshot" endeavor. This applies particularly to the Alat Free Economic Zone (AFEZ).

AFEZ provides the gold standard in investment incentives, including exemptions on all relevant taxes and customs duties. In addition, it also has at least three strategic advantages. *One*, its legal basis, which could be described as "more

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*A state's continuing dependence on foreign-made and foreign-supplied critical technologies, including microchips, is incompatible with the pursuit of a strategy of total technological sovereignty.*

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than autonomy, less than independence"—effectually, a state within a state (we are overstating here, but conceptually, this makes sense); *two*, its ready-to-use industrial land plots pre-equipped with direct connections to infrastructure and utilities, in-

cluding plentiful and cheap power sources; and *three*, its strategic geographical location. AFEZ is located at the literal intersection of the Silk Road region's two most

important strategic road and rail corridors (i.e., the Middle Corridor and the International North-South Transport Corridor) and right next to first-in-its-class Baku International Sea Trade Port, the region's Ökeystone five-star transport hub, as its director put it in the Fall 2020 edition of *Baku Dialogues*. AFEZ is even building its own cargo airport.

Businesses engaged in high value-added and export-oriented manufacturing and internationally traded services that use innovative technologies and approaches, including the latest environmental standards, are welcome to set up shop on the territory of AFEZ. It is, therefore, perfectly suited to serve as the location for the establishment of not only Azerbaijan's but the entire Silk Road region's center for achieving digital technological sovereignty.

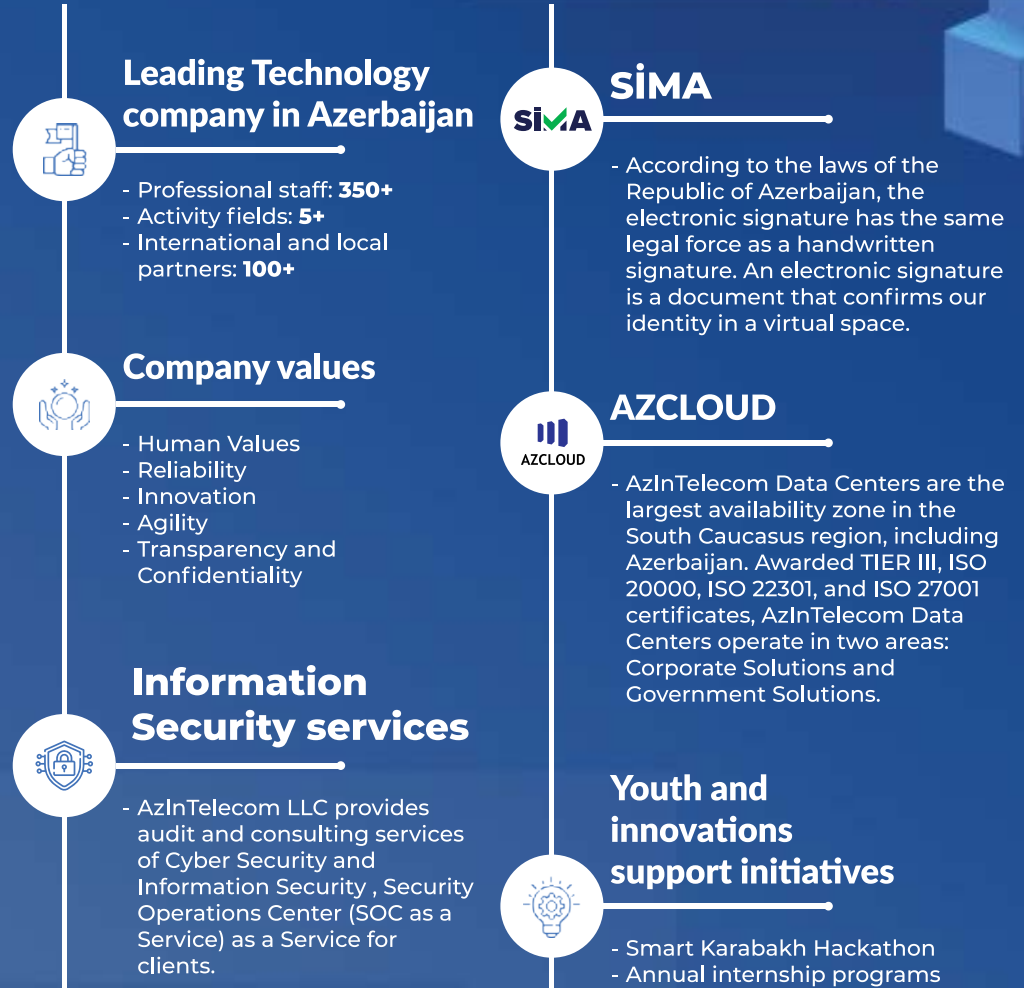
Azerbaijan's independent foreign policy posture and ideal geographic location, coupled with its

membership in the Organization of Turkic States, interest in joining BRICS, and growing engagement with the Shanghai Cooperation Organization, illustrate AFEZ's underlying geopolitical and geoeconomic advantages. To put it directly, AFEZ can and should become the home of big data centers providing cloud-based platforms and solutions, host AI systems, provide space for the production of HW and SW, including microchips and other vital components, and so on.

For the countries that make up the core of the Silk Road region—which in all cases that matter, also belong to the Turkic world—making AFEZ the strategic center of a drive to acquire and maintain technological sovereignty should become an imperative. Without such a concerted venture, the quest to successfully transform this part of the globe into a “worldwide power center”—as Azerbaijani President Ilham Aliyev put it at the Shusha Global Media Forum on 20 July 2024—would be much harder to accomplish. **BD**

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# Russian Grand Strategy

## Evolving Towards a G-Zero/Silk Road Paradigm

*Nikolas K. Gvosdev*

The contours of Russian grand strategy have remained remarkably stable over time. Russian global engagement is first meant to ensure that Moscow remains one of the agenda-setting countries of the international system (or, at minimum, that it is able to prevent other major powers from imposing domestic and foreign policy agendas on Russia). The second is to guarantee that Russia has access to the financial and technological resources necessary to maintain the sources of Russian power. How Moscow pursues those objectives, however, can vary depending on the international context.

Two decades ago, the Kremlin believed that the United States and

the major states of Europe would be inclined to create a global concert of major powers that would regulate the international system—with Russia as one of its key members. Russia would also enhance its capacity to sustain its great power position by pursuing a degree of integration with Europe that would connect Russia's bounty of commodities and raw materials to Europe's industrial base while ensuring access to technological and financial investment.

Under the rubric of the “Common Spaces” (including a common economic space and a common external security space) Russia, in the understanding of then President of the European Commission Romano Prodi, would share

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“everything with the [European] Union except institutions,” as he put it in a speech he delivered on 6 December 2002. In turn, both Presidents Vladimir Putin and Dmitry Medvedev hoped that closer integration would encourage a greater degree of EU autonomy from the United States,

which would facilitate a more truly multipolar order that they saw as being in the interest of their country. In short, Russia followed a C/E (concert/Europe) approach—promoting a concert approach to international affairs while prioritizing Europe as its main economic and strategic partner.

But the pursuit of these objectives—and the methods by which the Kremlin sought to re-establish Russia's international position—clashed with Western preferences as understood on both sides of the Atlantic. This, in turn, called into question whether Russia's objectives could be achieved via a strategic partnership with the United States and closer economic interdependence with the European Union

*Many of the countries The Economist has dubbed the “Transactional 25” are located in whole or in part within the loose geographical parameters defined as the “Silk Road region.” It is absolutely essential for Russia to have one of the main critical economic regions of the world remain open and accessible.*

and its member states. Already in November 2012, retired foreign minister Igor Ivanov was warning that the Kremlin elite was considering whether Russian goals would be better met by forming “partnerships with more dynamic countries”—i.e., the rising powers of the Global South

and East (Ivanov, of course, argued for a continued Russian-European entente to ensure that both sides would not be “left behind” in the changed geopolitical and geoeconomic conditions of the twenty-first century).

Then, two years later, after the first direct clashes occurred in Ukraine in 2014, which led to the first major disruptions of the relationship between Russia and the West, the Russian government and business establishment began to consider raising the importance of Russia's “southern strategy.” The idea was to provide Moscow with new access points for projecting power and to reach the main engines of the global economy as well as to forge new business and financial relationships

that could help mitigate the impact of Western sanctions.

### *Accelerated Decoupling*

Putin's decision to restart full-scale military operations in Ukraine in February 2022 accelerated and deepened a process of decoupling between Russia and the West, as did the Western decision to impose an economic sanctions and export restrictions regime on his country. Russia's efforts to pursue integration with Europe, especially under the rubric of the "Common Spaces," have ended as the financial, economic, infrastructure, and business ties have ruptured over the past two years—quite literally, in the case of the Nord Stream pipelines.

In turn, the Russian government believes that the United States not only believes that no constructive partnership for managing global security is possible with Russia under its current management, but that the United States is actively seeking to degrade Russian tools of statecraft to reduce its overall levels of national power. As the 2023 Concept of the Foreign Policy of the Russian Federation makes clear, these developments are leading to a profound shift in how the Kremlin seeks to achieve overall Russian grand strategic objectives and are

driving a major reorientation of Russian priorities

*First*, the Kremlin is coming to terms with the realization that Russia will never be part of the Euro-Atlantic world in any shape or form, whether as a full member or via an ongoing association. There is no longer any question as to whether there will again be a line between Russia and the West—the only two questions that remain unanswered at present are, one, where that line will be drawn and, two, how formidable a barrier it will represent.

There simply will be no place for Russia in its current configuration within the decisionmaking institutions of the Western world. Moreover, the United States and its European partners will continue their efforts to bypass or even exclude Russia from any substantive role in setting the agenda for international affairs. On 13 June 2024, Russian Deputy Foreign Minister Aleksandr Grushko bluntly declared that "today, there is no perspective for the restoration of a substantive dialogue" between Russia and the West.

The *second* concern flows from the threat that the Western powers will be able to isolate Russia from the main sinews of the globalized

system and cut Russia off from the mainstream of the global economy. Concerted U.S., EU, and G7 actions have negatively impacted Russia's economy and its ability to generate power. Manifestations of this include having assets frozen in Western jurisdictions, domestic budget cuts for social welfare programs, and having to put major new economic projects, especially in the Arctic, on hold.

In particular, recent events have shown that Russia's ambitious Arctic development strategy—which Putin believes is critical to renewing Russia's base as a great power—over-relied on European finance, investment, and technology transfers. The latest round of Western sanctions announced in advance of the June 2024 "Leaders' Summit" of the G7 explicitly targets entities "engaged in the development of Russia's future energy, metals, and mining production and export capacity" in the hopes of retarding Russia's ability to secure its role and influence in the global economy of the mid-21st century.

The related ideas that Moscow, one, could serve as the vice chair of a U.S.-led international order and that, two, a common economic, financial, and technological space with Europe could be formed, are no longer seen as

feasible. Thus, these two closely related policy ambitions are no longer being pursued by the Kremlin in its quest to implement Russia's grand strategic objectives. To respond to the challenges that have resulted from the foregoing, Moscow has strengthened and solidified its entente with the People's Republic of China.

This should not have been particularly surprising, at least for those who were paying attention. For instance, right after the West's Kosovo gambit in February 2008 but before Russia's response in Georgia in August of that same year, Peter A. Wilson, Lowell Schwartz, and Howard J. Shatz predicted in the pages of *The National Interest* how a Russia-China entente might evolve if Russia's relations with the West began to worsen. They even explained how Moscow and Beijing would be able to institutionalize their collaboration in a variety of fields like business, energy, and military cooperation.

### *Concert/China Strategy*

Based on diplomatic readouts released after a series of summit meetings over the last several years between Putin and Chinese president Xi Jinping, it

would seem that Moscow is now counting on achieving a concert not via partnership with the United States, but by co-directing with China the emergence of a countering system to the Euro-Atlantic world. Further, it would seem that the Kremlin has decided that China will replace Europe as Russia's principal economic partner. Think of it as a C/C (Concert/China) approach to replace the C/E (Concert/Europe) model of the 2000s.

Yet Moscow is well aware of the risks of a "from the frying pan into the fire" dilemma, whereby Russia becomes overdependent on Beijing and loses its freedom of maneuver on the world stage. While Chinese needs are currently served by its partnership with Russia, Beijing can envision a future in which Russia, as an independent pole of power, conflicts with Chinese interests.

Already, Moscow has begun to experience a situation in which China draws and enforces limits in its "no limits" partnership with Russia. The Chinese government is not prepared to bankroll major projects to replace those suspended by the Europeans, for example. And Chinese firms are cautious in risking more lucrative connections with the West in order to assist their Russian counterparts.

However unlikely or improbable it may seem in 2024, given the rising tensions between China and the United States, there is always the risk that China could form a new concert with the United States, and the West in general, that would bypass Russia and be able to dictate terms to Moscow. We may have forgotten, but the Russians certainly have not, how there was talk in the 2000s about the possibility of a U.S.-China convergence that, in turn, would mean Beijing would be much less interested in supporting Russia's regional and global position.

### *G-Zero/Silk Road Approach*

To hedge against Beijing's possible unreliability, Moscow is also simultaneously pursuing a hedging strategy—a G-Zero/Silk Road (G-0/SR) approach alongside its C/C (China/Concert) strategy.

Building on the concept described by Ian Bremmer and Nouriel Roubini (in an article published in *Foreign Affairs* in 2011), who describe a "G-Zero world" as one in which no one country or bloc of states can set and execute an international agenda, a G-Zero (G-0) approach is one that gives greater

leeway to middle and rising powers to negotiate with the major international players. In a G-0 environment, as opposed to a unipolar world or a G-2, G-3 or even G-8 world, middle and rising powers will have "much more agency [...] in acquiring their own influence

in international affairs," to quote from a policy brief published by the European Council on Foreign Relations in October 2023. Those powers, that paper argues, will seek to maximize their sovereignty as opposed to having to accept the ideological and geopolitical preferences of one of the major powers. They will also ground their approach to international relations in a transactional manner. Azerbaijan, Kazakhstan, and Uzbekistan are all good examples of such a posture.

Russia, which must consider the reality that its current trajectory is leading towards an exit from "great power" to "middle power" status, therefore also has considerable incentives to strengthen and deepen this much more transactional approach to world affairs. But for the Russian foreign policy

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establishment, the profound change in mindset such a profound shift would require is challenging, to say the least. Moscow traditionally divided the countries of the world into agenda-setting and agenda-accepting powers. Russian policymakers must accept that states

Russia previously categorized as agenda-accepters are now in a much stronger position to set the terms for interaction with Russia—especially the price for having these states be able to leverage U.S./West versus China competition as a way for Moscow to prevent the emergence of a concert system from which Russia would be excluded.

As it so happens, many of the countries *The Economist* has dubbed the "Transactional 25" are located in whole or in part within the loose geographical parameters defined as the "Silk Road region," which the Editorial Statement of this journal defines as roughly comprising "the world that looks west past Anatolia to the warm seas beyond; north across the Caspian towards the Great Steppe; east to the peaks of the Altai and the arid sands

of the Taklamakan; south towards the Hindu Kush and the Indus valley; and then looping around down to the Persian Gulf and back up across the Fertile Crescent and onward to the Black Sea littoral.” This conception of the Silk Road region embraces an emergent rising great power like India, major regional powers including Türkiye, Iran, Saudi Arabia, and Indonesia, and the emerging regional grouping of keystone states Azerbaijan, Kazakhstan, and Uzbekistan—with the addition, in my view, of the ASEAN geography bringing in a maritime extension to the Silk Road region beyond the definition provided by the editors of *Baku Dialogues*. In short, this strategic area interconnects the Euro-Atlantic and Indo-Pacific basins and ties together the Eurasian space, the Middle East, and South Asia. It is the geographic focal point (the SR) of a G-Zero (G-0) strategy from the Russian perspective.

Futurist Parag Khanna argues in a May 2024 *Noema* article that this reorientation by the Kremlin—both towards China but also the G-0/SR approach—makes overarching

geopolitical and geoeconomic sense, noting that “conventional analysis has become so accustomed to viewing Russia as an Eastern European power with an incidental Eurasian geography that it has missed the fact that Russia’s geopolitical orientation is (perhaps permanently) realigning with its true geography.”

Because of direct Western sanctions on the one hand, and the very conditional nature of the Chinese lifeline on the other, it is absolutely

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*As Russia decouples from Europe, and as China weighs cooperation with Russia against its core interests with the West, Moscow needs its southern Silk Road region partners for two critical reasons.*

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essential for Russia to have one of the main critical economic regions of the world remain open and accessible. Thus, Russian firms are reorienting some trade flows from European customers to Central Asia states, accepting a diminishment of income in order to retain or increase market share. The terms of natural gas shipments and new nuclear power agreements between Russia and Uzbekistan are good examples of this development. It is also a vital interest for Moscow to strengthen the capacity of the countries of the greater Silk Road region to be able to bargain with, or even

outright refuse, the United States, the EU, and China.

As Russia decouples from Europe, and as China weighs cooperation with Russia against its core interests with the West, Moscow needs its southern Silk Road region partners for two critical reasons. The first is to ensure the adequate functioning of what is sometimes referred to as the “Eurasian roundabout”—the use of the core states of the Silk Road region like Armenia and Kyrgyzstan as third-party intermediaries to broker trade between Russia and Europe, and also to conceal aspects of the Russia-China economic relationship. These roundabouts are increasingly critical as Russia loses direct infrastructure linkages, either through sanctions or other actions that interrupt commerce, in order to transport commodities and goods to intermediate third-party staging sites. Examples include making use of energy depots in Türkiye or using the existing Central Asian pipeline grid to divert energy previously exported to Europe to reach China and other Asian markets.

Given that Russia’s Soviet and immediate post-Soviet infrastructure plans emphasized connectivity with Europe, there is also an imperative now to link Russia to the

Middle Corridor and build out the north-south linkages that allow Russia to interact with the markets of the Global South. Deputy Prime Minister Alexei Overchuk noted, “we have already discussed the infrastructure projects, including creating the North-South corridor. [...] We are working closely with Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan [...] on both rail and road transportation [...] to ensure the transport and logistics connectivity of Greater Eurasia.” Increasingly, it is Russia’s access to the Silk Road, not its traditional Baltic ports, that will serve as its “window to the world.”

The second reason Moscow needs its southern Silk Road region partners is that by forging stronger yet non-hegemonic ties with them, Russia can do its part to ensure it emerges as a “center of non-alignment,” to use the description provided by Damjan Krnjevic Miskovic in the Summer 2023 edition of *Orbis*.

This means finding ways to promote infrastructure connectivity, develop new industries and transport corridors, and find mechanisms for banking, insurance, and payment services that define the region and can bypass the dollar and euro financial and



legal ecosystems. At the 2024 St. Petersburg International Economic Forum, Sergei Glazyev, the Commissioner for Integration and Macroeconomics within the Eurasian Economic Commission, discussed how progress could be made in promoting a common payments mechanism and how to better harmonize regulations between Russia, the Eurasian Economic Union, and other Silk Road region states and associations like ASEAN—especially in the areas of energy, food security, transportation, logistics, and finance.

Russian Prime Minister Mikhail Mishustin, echoing Khanna, argued earlier this year that “reorienting Eurasian trade flows towards the most promising markets and friendly states” (most of which fall within the extended Silk Road region, as he identified countries such as Iran, the United Arab Emirates, Mongolia, and Indonesia) is “especially important.”

The Russian pitch to the broader Silk Road region to engage in these efforts—especially because the success of these projects will require considerable buy-in from these countries themselves—is not that building out these networks is a favor to Russia, but that the development of the area as an effective “center of non-alignment”

gives these countries a hedge if the United States or, more broadly, the West applies similar sanctions measures directed against them, or if there are concerns about Chinese pressure.

These concerns are on display, for instance, in India’s decision to develop the Shahid-Behesti terminal at the Iranian port of Chabahar—itsself meant to be connected to Russia via Azerbaijan as part of the International North-South Transport Corridor (Overchuk referred to this infrastructure project in his speech, as noted above. India risks running afoul of U.S. sanctions, yet it wants to develop this complex as a way to balance Chinese Belt and Road infrastructure investments and to ensure access, over time, to Russian and Eurasian commodities that are vital to its economic growth and development.

### *Mindset Shift*

The success of the G-0/SR approach, however, will require a fundamental shift in mindset in the Russian foreign policy establishment. It will require, in other words, a recognition by Moscow that maintaining any degree of Russian autonomy and agenda-setting power in the international

system now rests not on the projection of Russian compelling power, but on the goodwill of China and of a set of rising and middle powers in the core Silk Road region (i.e., the countries of the South Caucasus and Central Asia) and Türkiye (and, to a lesser extent Iran and Afghanistan).

Much of the core of the Silk Road region (particularly its three keystone states) together with Türkiye represents the backbone of the emerging Middle Corridor—a network of connectivity and infrastructure nodes that now offer the shortest and, given ongoing problems in the Red Sea, the safest linkage between the markets of the Indo-Pacific and Euro-Atlantic basins. As Russia’s own direct linkages with Europe are interrupted, this route is now becoming the preferred method of interconnecting East Asia with Europe and, as such, gives the relevant states of the Silk Road region options for their own economic development and security that do not run through or depend on Moscow.

At the same time, access to the Middle Corridor is a paramount national interest for Russia. Not only is it absolutely necessary for the operation of Russia’s Eurasian roundabout lifelines to the global economy, but Moscow’s own plans

for deepening the interconnection between Russia and the greater Silk Road region require the active cooperation and participation of the Middle Corridor states to facilitate those proposals. This applies particularly to the three keystone states of the Silk Road region—and also Türkiye. Consider, in this context, the comment made by Kazakhstan’s president, Kassym-Jomart Tokayev, in December 2023 on proposed new data networks that would connect Russia to Kazakhstan, and via those connections enable Russia to then have new points of access to global networks.

With all the states of the Silk Road region, but notably with its three keystone states, the Russian government (and society as a whole) will have to evolve from seeing these countries not as “junior siblings” but as near-peer states. It appears that, at least in some sense, this is already beginning to take place, as evidenced by shifts in both the tone and substance of the public speeches and statements made during recent meetings between Putin and his Azerbaijani, Kazakh, and Uzbek counterparts.

Russia also must transition its thinking away from the “concert” emphasis on distinct “spheres of influence” allotted to each major power in favor of accepting the

reality that the South Caucasus-Central Asian core of the Silk Road region, as well as the greater Silk Road region overall (including its maritime extension into the ASEAN geographic space, as noted above), will have a diversity of geopolitical and geoeconomic options. Rather than insisting on or trying to force exclusivity, the Russian approach must be to encourage the Silk Road region to pursue economic, diplomatic, military, and technological ties with all of the major power centers—concentrating its efforts on ensuring that Russia’s own access is not compromised. (A similar approach by Türkiye can be ascertained by reflecting on the recent steps taken by Ankara to balance its own alliance commitments to the West, especially the United States, its outreach to China, and the development of its strategic partnership with Russia.)

A more realistic approach for Russia, and one that aligns with its actual power potentials, is to make it worth the while for core Silk Road region states not to completely ignore or oppose Russian interests, and not to join the United States and the EU in working to ensure Russia is completely circumvented within the regional and global political and economic system.

### *Transactional Neutrality*

A G-0/SR strategy for Russia will increasingly come to rest on the deft execution of the concept of “transactional neutrality” as the foundation for how Moscow interacts with the individual countries and the regional associations of the Silk Road region. As I have explained elsewhere, even prior to the dramatic developments of 2022, Russia was beginning to reformulate its outreach—particularly towards Azerbaijan and Türkiye—on the basis of the “transactional neutrality” concept.

“Transactional neutrality,” on Russia’s part, reluctantly accepts the reality that the core states of the Silk Road region can take advantage of “multipolarity,” and that Moscow cannot prevent this. This means that these countries will have economic, political, and even security relationships with other major power centers, including China, the EU, and the United States. Rather than trying to force a country like Azerbaijan to limit, much less sever those ties, the Russian approach focuses on managing those interactions so that Moscow’s fundamental equities are not threatened.

In practice, “transactional neutrality” looks something like this.

The core states of the Silk Road region have their own linkages, corridors, and export routes that bypass Russia—but they also commit to continuing to utilize Russia as one of their options and partners. Most critically, they do commit not to join any effort to contain Moscow or to use their geography to block Russia’s access to the Middle Corridor or the southern North-South vector that extends into India and the Gulf. In return, Moscow accepts that, in other areas, these countries can and likely will choose options that go against Russian preferences, and it understands that this is the price for keeping the Silk Road region as a “center of non-alignment.”

A “concert” approach to Russian foreign policy, which would try to sustain the Middle Corridor as part of its exclusive sphere of influence, would counsel Kremlin policymakers, for instance, to vigorously oppose the expansion by the EU of infrastructure investment to develop the corridor—which was the Russian approach in the first decade after the collapse of the USSR. Under the

G-0 perspective, advising a transactional neutral approach would entail focusing Russian efforts on ensuring unimpeded Russian access to any projects developed as part of the EU’s Global Gateway or the China-led Belt and Road Initiative. Indeed, it would be effectually impossible for the EU (or China) to design, finance, and execute Middle Corridor projects that would successfully keep Russia from benefiting strategically or economically from them.

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The Silk Road region component of Russia’s G-0/SR approach also reinforces the attractiveness of “transactional neutrality,” because the West has shown clear limits in the amount of power—especially military and economic—that it is willing to deploy to incentivize the core states of the Silk Road region to completely cut Russia off (either by offering recompense for losses or protection against Russian pressure). Indeed, a key component of Russia’s diplomatic and informational strategy toward the states of the Silk Road region has been to show how and

where the United States and the EU have demonstrated their unreliability—and that Washington and Brussels have challenges in bridging stated commitments with an actual ability to keep all of its promises. The post-2008 fate of Georgia—where tangible support for Tbilisi's efforts to break with Moscow was lacking—has been a major factor driving the current government's embrace of a more transactionally neutral approach to Russia. This lesson has not been lost on most of the rest of the region (Armenia seems not to have grasped it fully quite yet).

While maintaining (as in the case of Türkiye) or even accelerating (as in the case of India) their ties to the United States and the EU, most of the countries that make up the greater Silk Road region do not see the benefits of adopting an exclusionary approach (whether to Russia, Iran, or China) and also are reasonably confident that the benefits of their relations with the West mitigate Western preferences that they freely abandon their relationship with Russia.

For Moscow, a shift to a G-0/SR approach is not its preference, but an (at least implicit) acknowledgment of the real diminishment of its power. The Kremlin is well aware that this shift will introduce a much greater degree of turbulence in its southern relations and that the outcomes that result will be suboptimal from Moscow's perspective. Take the example of Kazakhstan. As

*For Moscow, a shift to a G-0/SR approach is not its preference, but an (at least implicit) acknowledgment of the real diminishment of its power.*

Maximilian Hess has argued, since 2022, the country has benefited from Western sanctions on Russia to take up a greater slice of Russia's pre-war oil exports to the EU, being able to use Russian infrastructure to do so, and to receive the full world price for its energy, while benefiting from helping to support the transport of discounted Russian energy to India and China. Astana is also freer to renegotiate long-standing arrangements in its favor.

At the same time, if the Ukraine operation continues to absorb Russian resources and diminish the sources of its power, then the attractiveness of accommodating Russia via a policy of "transactional neutrality," especially if it creates complications with other partners

like the EU, will fade. Indeed, under such a scenario, Russia would be able to do little to enhance the continued evolution of the Silk Road region as a "center of non-alignment." Here it is useful to refer to the assessment made by Indian analyst Primit Pal Chaudhari that "Russia will emerge greatly diminished no matter how the war ends." This, he concludes, will lead to "an acceleration of India's strategic drift towards the United States."




Basically, unless the Russian state is prepared to fundamentally abandon its core grand strategic goals, the G-0/SR approach is the only feasible strategy to achieve them. If the world is moving towards a bipolar construction,

divided between a Euro-Atlantic world (along with its outposts in East Asia) and a Chinese sphere of influence, then Russia's future as an independent actor may rest on the emergence of a "center of non-alignment" encompassing the greater Silk Road region that can serve as a partner to Moscow's efforts to prevent Russia's own de facto division into Western and Chinese spheres of influence. Only by giving up on its efforts to craft and defend its own hegemonic sphere of influence—and strengthening the Middle Corridor core as an independent force in world affairs rather than as the object of major power rivalries—can Russia remain one such power in its own right. <sup>BD</sup>

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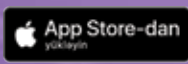

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# Pashinyan Under Pressure

## Less Inconsistent, But Still Unpredictable

*Onnik James Krikorian*

On 11 June 2024, U.S. Deputy Assistant Secretary of State for European and Eurasian Affairs James O'Brien arrived in Yerevan to engage with Armenian Foreign Minister Ararat Mirzoyan in two days of U.S.-Armenia Strategic Dialogue (USASD) to strengthen bilateral relations and assist with the country's economic, energy, and security diversification. The visit came as the U.S. seeks to exploit what it considers a window of opportunity to weaken and reduce Russia's influence in Armenia and open new trade routes through its territory free from Moscow's influence and control. O'Brien shocked many with his candor.

It shouldn't have come as a surprise. This was already suspected

and had been since Russia's invasion of Ukraine in February 2022 spilled over geopolitically into the South Caucasus, increasingly disrupting ongoing negotiations between Armenia and Azerbaijan. In particular, it muddied the waters on implementing the ninth and final point of the 10 November 2020 ceasefire statement that ended the Second Karabakh War: restoration of regional economic and transport links between the countries, including from Azerbaijan to its exclave of Nakhchivan through Armenia. Disagreement over the involvement of Russian FSB Border Guards in overseeing the route, in addition to how customs checks would be carried out, or at least agreed in a resulting tripartite working group, had been unambiguously

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spelled out in the aforementioned document.

The U.S. clearly has other ideas, and O'Brien made it blatantly clear in Yerevan that Russia

as well as China do not factor into any of them. Though he did not mention it by name, that will likely one day also include Iran. The same message, though also referring to Central Asia, was delivered to Baku during his visit on 27 June 2024.

After the Russia-Ukraine war began in February 2022, Armenian Prime Minister Nikol Pashinyan has shown a keen interest in reorienting himself away from Moscow towards newfound friends in Brussels and Washington eager to exploit Russia's distraction from the region for their own gain. This geopolitical shift also extended to the former de facto but now dissolved mainly ethnic-Armenian separatist region of the former Nagorno-Karabakh Autonomous Oblast (NKAO) even if it meant contradicting the then de facto leadership. Pashinyan crafted a tide of criticism against the Russian peacekeeping contingent effectively discrediting them amongst the Armenian populace in the process.

*Despite the lack of trust between Yerevan and Baku, normalizing relations is now in Pashinyan's interests; and he can no longer afford to delay.*

True, Armenia had been irked by the lack of military support from Moscow during the Second Karabakh War in 2020, though that was more its mistake

given that fighting occurred on internationally-recognized sovereign Azerbaijani territory, a situation that Russia was under no obligation to respond to. The September 2022 incursion, however, was different in that Azerbaijani forces reportedly entered Armenian territory, and the Collective Security Treaty Organization (CSTO) failed to react. Pashinyan saw another opportunity to shift the blame for yet another military disaster.

Some Armenian analysts even alleged that Pashinyan even saw an opportunity to renege on the 10 November 2020 agreement. By shifting all responsibility for Karabakh on to Russia, he could not only hold out against the terms of re-establishing a land link between Azerbaijan and its exclave of Nakhchivan, but also potentially rewrite them. If Baku saw reciprocity as a solution to how routes through Armenia and Azerbaijan could function, then it would be better to sacrifice Lachin in order to preserve full control over Syunik, they charge.

## Crossroads of Peace

The sensitivity of what Azerbaijan refers to as the Zangezur Corridor and Armenia calls part of its Crossroads of Peace initiative is not new. Pashinyan even focused on it in a 23 May 2001 piece penned for his *Haykakan Zhamanak* newspaper. When then President Robert Kocharyan was believed to be negotiating a territorial swap to facilitate such a route in talks held in Key West, Florida, in March 2001, it was considered tantamount to treason. Pashinyan made it clear that control should remain with Yerevan and that Armenia should benefit from transit fees.

“If Turkey or Azerbaijan wants to communicate through Meghri, let them communicate. Let them use our territory, let them use our railway and pay for it, as is customary in the world,” he wrote in the aforementioned article. “Turkey has no railway connection with Nakhchivan and [...] the Turks will have to use our railway on the Gyumri-Yerevan-Yerask line and pay for it. Let the economists calculate how many millions of dollars that would be for our budget.”

Pashinyan has argued in the past that if the route was to fall out of

Yerevan’s control, then Armenia would turn into a “dead end,” no longer able to become the “heart of the region” or the “crossing point of West and the East.” This appears to be the position he maintains today. It is also one that O’Brien seemed to tacitly approve during his most recent trip to Yerevan. “USAID intends to support Armenia to develop a transport strategy to underpin Armenia’s vision of the ‘Crossroads of Peace,’ encouraging and strengthening regional trade and connectivity through a just and durable peace,” read an official statement from the U.S. Armenia Strategic Dialogue that he led on his visit.

The Crossroads of Peace initiative is an extension of Pashinyan’s earlier Armenian Crossroads initiative, put forward at the end of 2021, which is itself an expansion of the North-South Road Corridor project under construction in Armenia since the Sargsyan presidency. While an East-West component does include the mainland Azerbaijan-Nakhchivan route, its main focus is on a north-south road connection through Armenia from Iran to Georgia and rail transportation between Armenia and Türkiye. However, in his two-page Crossroads of Peace proposal, Pashinyan does not prioritize the route to and from Nakhchivan, even though it was a

central component of many peace proposals in the past, including the 10 November 2020 trilateral ceasefire statement. It also fails to include a specific road, instead preferring to use existing roads further north, something that Azerbaijan opposes.

In short, Crossroads of Peace appears to be primarily a geopolitical project, not a geoeconomic one. The absence of any sort of feasibility study suggests strongly that it hypes the political importance for

Western audiences of supporting the project without consideration of its economic viability or not. Even a cursory examination of the map of its proposed routes suggests strongly that the absence of a feasibility study is deliberate: the existing network of routes beyond Armenia’s borders, developed since the collapse of the Soviet Union at great cost, are unlikely to be abandoned to advance Pashinyan’s geopolitical ambitions. And this suggests, in turn, that Crossroads

of Peace is not economically viable. This, of course, does not mean that the sort of support articulated by

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the likes of O’Brien will not eventually materialize in concrete form, but it does decrease the likelihood that the billions of dollars surely needed to bring the Crossroads of Peace initiative to life is unlikely to produce an economic return. All this is especially disconcerting given Pashinyan’s unwillingness to prioritize the route to and from Nakhchivan—the most geoeconom-

ically (and geopolitically) reasonable piece of infrastructure that would pass through Armenian territory.

Armenia’s primary goal since regaining independence has been to establish an open border with Türkiye, enabling access to the European market and effectively delaying the resolution of its issues with Azerbaijan. It is no surprise that Turkish President Recep Tayyip Erdoğan and his Azerbaijani

counterpart, Ilham Aliyev, both believe that normalization between Ankara and Yerevan should only happen after progress in relations between Baku and Yerevan. In July 2024, some Azerbaijani analysts even suggested that it could at least be dependent on whether an initial document—be it a checklist of basic principles or a framework agreement—is initialed or signed until a comprehensive treaty is ratified within a certain time period. This reasoning was also behind the failure of the 2009 Zurich Protocols between Armenia and Türkiye.

But while it might seem that Pashinyan has managed to ride the storm of disappointment and defeat since the Second Karabakh War and subsequent developments—something the opposition considers to be nothing short of capitulation—this could not be further from the truth. When Pashinyan's Civil Contract party came to power in 2018, it garnered 70 percent of the vote. Following the war, snap elections held in June 2021 saw that fall to 53.95 percent. In September 2023, in municipal elections held in the capital, it was

just 32.6 percent. By December 2023, in a survey conducted by the International Republican Institute (IRI), only 20 percent of respondents said they would vote for Civil Contract if elections were held that weekend. And in May 2024, in a poll by MPG, that had dropped further to just 12.8 percent.

That rebounded a little in a later survey by the same pollster in July 2024, but only slightly (14 percent). Only 25.8 percent believed the country was moving in the right direction. Moreover, since Aliyev strongly reiterated his position in June 2024 that no agreement could be signed until Armenia removed a controversial preamble to the country's constitution effectively laying claim to Karabakh, 80.3 percent of respondents said they were against changing it at all. That figure was 34.2 percent in January 2024.

Such numbers are arguably existential in nature, but they also conceal the reality that the opposition hardly fares any better, only drawing equal when the ratings of individual parties are combined.

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The vast majority of the electorate still remains either against all political forces or is simply non-engaged and apathetic. Even the April 2024 agreement between Armenia and Azerbaijan to demarcate 12.7 kilometers of their mutual border, with Yerevan also handing over four non-enclave villages in the Gazakh region it had controlled since the early 1990s, failed to ignite popular anger.

But that does not mean the situation will remain like this. Even if the opposition remains marginalized and unpopular in 2025, the situation could change ahead of parliamentary elections scheduled for 2026. What the Armenian opposition really needs is a populist to take on a populist—a professional orator to take on another.

### *Church & Opposition*

Step in Archbishop Bagrat Galstanyan, Primate of the Tavush Diocese and former head of the Armenian Apostolic Church in Canada. That the government and the Church would go head to head had anyway been clear since Armenian Public Television refused to air the annual New Year's Eve message by the Catholicos of All Armenians, Karekin II, on 31 December 2023. The snub was

taken harshly by the Church and interpreted by observers as the most serious escalation between the Catholicos and the Prime Minister since early 2020. The Church anyway opposed normalization with Azerbaijan—"For the Church, the approach of the authorities to resolving the conflict, which boils down to recognizing Artsakh [Karabakh] as part of Azerbaijan, is unacceptable," Galstanyan said in June 2024—and Karekin II had been calling for Pashinyan's resignation since Armenia's defeat in the Second Karabakh War.

Initially starting with small protests and acts of civil disobedience near the location of the border delimitation and demarcation process, Galstanyan embarked on a roughly 170-kilometer march to Yerevan. However, given that he covered 98 kilometers on the first day in less than 7 hours, it is safe to say that not all of it was on foot. Upon arriving in the Armenian capital on 9 May 2024, he organized a protest demonstration in the central Republic Square that attracted about 31,700 people. This was the largest rally since Pashinyan's own in 2018 and was enough to surprise the government—or at least until the next two rallies held in the following days, which were attended by only 11,000 and 9,000 persons, respectively.

Part of the reason for the huge drop in numbers could have been that, rather than talk about the situation on the border, Galstanyan instead called for Pashinyan's resignation. The Armenian prime minister was even given an hour to quit, further extended by another 15 minutes when the demand was ignored. Predictably, Pashinyan did not respond. Galstanyan nonetheless announced that the parliamentary opposition consisting of Kocharyan and Sargsyan's *Hayastan* (Armenia) and *Pativ Unem* (I Have Honor) factions would launch impeachment proceedings against Pashinyan, even though they lacked the necessary number of deputies to do so. Lacking one deputy to do so in a National Assembly dominated by the ruling Civil Contract party, they might hardly have bothered.

Nonetheless, if removed, an interim government headed by a temporary caretaker prime minister would then prepare for early elections to be held a year later. Even though Galstanyan was constitutionally ineligible to run for such a position on account of his dual Armenia-Canada citizenship, he did not rule it out, feigning reluctance until "divine intervention" instead. Claiming that he was acting individually and not as a proxy for the Church itself, some Armenians saw Galstanyan as an outsider

untainted by the disillusionment associated with traditional political parties and the current government. Even Western media picked up on the cleric's personage, incorrectly presenting him as a lone crusader for justice who had reluctantly entered politics to speak up for the residents of Tavush. That too could not have been further from the truth.

Galstanyan had been visible in the Dashnaktsutyun-led protests in 2022 and later that year described himself as a revanchist eager to take revenge against Azerbaijan to regain land lost in the Second Karabakh War. That same year, former Armenian Foreign Minister Raffi Hovannisian had also proposed the establishment of an interim government in case of success in ousting the Pashinyan Administration. Galstanyan was again included as an integral part of that structure. All of this was long before the issue of border delimitation and demarcation came up.

Besides, at his first small gathering held in the Tavush village of Voskepar on 13 April 2024, Dashnaktsutyun members were present—including from its radical youth wing, the Armenian Youth Federation (AYF). By his side at all times was Dashnaktsutyun MP Garnik Danielyan, raising doubts

about his claims of having no direct political linkages with the main party in Kocharyan's parliamentary faction. Galstanyan, by his own admission, also said that he was engaged in politics with the blessing of Karekin II, just as it was in 2022.

Indeed, the Armenian Government was quick to make such claims from the outset. "A cleric cannot say a political text without the permission or instructions of the Catholicos of All Armenians [the head of the Armenian Apostolic Church], Karekin II," stated Pashinyan in a live televised address before Galstanyan's first rally. "It is obvious that the leader of the [demonstrations] is the Catholicos of All Armenians, and the beneficiary is [former president] Robert Kocharyan."

Among his supporters were also individuals such as Hampig Sassounian, sentenced to life imprisonment for assassinating the Turkish Consul General in Los Angeles in 1982 until his controversial release on parole in 2021. Others included ultranationalist groups such as the National Democratic Pole and militias such as Combat Brotherhood. A fourth rally on 26 May 2024 did see numbers increase from the two previous protests but still only attracted 23,000 people, which is average for Armenia even

during the Kocharyan period. As expected, and ignoring his constitutional ineligibility, Galstanyan declared himself to be the opposition's nomination for the post of Armenian prime minister

But Galstanyan did score some victories. Traveling by car to the Sardarapat memorial complex, his supporters camped overnight on the eve of the annual official commemoration of the First Armenian Republic that takes place on 28 May. Likely believing that Galstanyan hoped to provoke a clash with police, Pashinyan postponed the event to later that afternoon after the protestors had left. Nonetheless, an unprecedented incident did occur when Karekin II arrived and was temporarily blocked by police.

The Church became even more outspoken in its criticism of Pashinyan, resorting to stereotypical and nationalist slurs against him. "I have said several times that these authorities are not Armenian. [...] Everything can be expected from the anti-national authorities," Archbishop Mikael Ajapahyan, Primate of the Diocese of Shirak said of him. "It is quite logical that [...] the interests of 'old men,' such as ex-presidents Sargsyan and Kocharyan, and the Armenian Church found each other [and]



decided to use the image in the cassock as a new tool for active confrontation with Pashinyan,” concluded one Russian analyst.

But when Galstanyan led his supporters to parliament itself on 10 June 2024, camping outside on Yerevan’s central Baghramyan Avenue, it became clear that clashes were inevitable. Back in April 2004, the opposition had attempted the same, but was violently dispersed in the early hours of the morning by police under then-President Robert Kocharyan. Galstanyan’s aim was to pressure parliament to initiate an extraordinary session called by the opposition to discuss the resignation of the entire government, given that they lacked enough deputies to table a motion to impeach Pashinyan.

On 12 June 2024, around 3,600 gathered outside the National Assembly amid significantly bolstered security measures. Pashinyan’s officials had already warned the demonstrators publicly that significant precautions had been readied both inside and out in case they planned to storm the

building while Pashinyan spoke inside. Clashes broke out and police fired stun grenades at those among the crowd who had attempted to break through. Around 100 people required medical treatment, with on-the-ground footage showing Galstanyan and Dashnaktsutyun leader Ishkhan Saghatelyan attacking the police line and using force.

Tensions were also high in parliament, with government and opposition lawmakers confronting and jeering at each other. Pashinyan had launched a ferocious tirade against Dashnaktsutyun MPs, accusing them of being responsible for the exodus of 100,000 ethnic-Armenians from Karabakh

following Baku’s military operation to disarm Armenian security forces in September 2023. He also accused the nationalist party of paying 5,000 Armenian Drams (around \$13) to individual Karabakh Armenian refugees to attend the protests.

In the days that followed, several Dashnaktsutyun activists were detained by police. Some Western commentators—especially

those that had anyway been critical of Pashinyan and his apparent willingness to deal with Azerbaijan—were quick to condemn the former revolutionary leader for the use of police to suppress the crowd. This was their mistake too. The 2018 Pashinyan-led Velvet Revolution was more about replacing a deeply unpopular leader in the form of Serzh Sargsyan than bringing about a truly democratic society and all that it entailed. Pashinyan’s methods have always been populist and manipulative. Ironically, Galstanyan was just copying them.

Even if Pashinyan today speaks about transforming the country from a revanchist “Historical Armenia” to a more conciliatory “New Armenia” or “Real Armenia,” the language and symbolism he used in the past had been blatantly antagonistic and nationalistic—and not least when Pashinyan famously declared “Artsakh is Armenia” on 5 August 2019, not only making claim to the former NKAO but also to the seven surrounding then-occupied regions. The following year,

he also attempted to hold a constitutional referendum using booklets designed to look like passports with

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a map combining Armenia, the former NKAO, and those same regions emblazoned on the cover. Even following military defeat later that same year, he included remedial secession as a policy objective in snap-elections held in June 2021. Though Pashinyan can be lauded for progress in nor-

malizing relations with Azerbaijan than anyone else before him, it should not be forgotten that he now has little choice, as he continues to burn bridges with Moscow and succumb to pressure from the U.S. and the EU to oust Russia from the country.

But six years on, widespread disappointment and disillusionment with the results of the Velvet Revolution and the Pashinyan government has set in—even if the opposition has yet to fully capitalize on it. Given the sensitivity of changes afoot in the country, and especially in terms of normalizing relations with Azerbaijan, the Armenian prime minister’s situation remains

incredibly tenuous in case a new figure—one who is able to instill confidence and hope among the population—emerges. Galstanyan's movement demonstrated that, even if it failed.

### *Election Headaches*

This raises concerns about parliamentary elections scheduled for no later than 2026, but which may end up taking place earlier. Even if he were still to garner a higher number of votes than his rivals, it is also quite possible that Pashinyan will not be able to achieve a sufficient majority in these parliamentary elections—whenever they end up taking place. That could create unfortunate obstacles in the normalization process post-2026. There is also a lot riding on Pashinyan being able to go to the polls having signed a peace deal in order to justify what are perceived as unpopular unilateral concessions.

Others, such as former ally Hayk Marutyan, also intend to contest the vote. The former mayor also participated in last year's Yerevan City Council elections. Pashinyan's Civil Contract lost 33 of its previous seats in that vote, leaving it with only 24 out of a total of 65. Marutyan and National Progress came second

with 14. Another opposition force, Mother Armenia, represented by former Kocharyan-ally Andranik Tevanyan, came third with 12 seats. Dashnaktsutyun did not participate, but it is clear that it is active behind the scenes.

Towards the end of May 2024, Galstanyan was present at an international conference held by Dashnaktsutyun in Yerevan devoted to *Hai Tahd* (Armenian Cause). With him was a special representative sent from Etchmiadzin and Kocharyan's former foreign minister, Vartan Oskanyan. The event was unreported in the local media, but was covered by the pro-Dashnak press in the diaspora.

And on 15 June 2024, Galstanyan was present at another meeting this time convened by the Ararat Alliance, a body established by the head of the Union of Russian Armenians, businessman Ara Abrahamyan, who is widely described not only as pro-Putin but also as a Kremlin insider. With them was Seyran Ohanyan, the head of Kocharyan's mainly Dashnaktsutyun *Hayastan* parliamentary faction. Several pro-Galstanyan Telegram channels voiced their displeasure at this apparent endorsement of a Russian platform given earlier assurances that there were no such links.

This apparent connection to Abrahamyan could also prove a major problem for Pashinyan going forwards. Though O'Brien had been in Yerevan to encourage the government to diversify away from Moscow, few believe that this can become a reality economically in the foreseeable future. Armenia's main market remains Russia, and it seems unlikely that it can expand into other markets so easily unless the new trade routes O'Brien had emphasized are in place. That, however—by O'Brien's own admission—requires normalization and open borders with both Azerbaijan and Türkiye.

### *The Russian Connection*

Since the conflict over Ukraine entered into its present stage in February 2022, with the West responding inter alia by imposing a sanctions regime on Russia, Armenia has certainly benefited from the re-export of Western goods to Russia through its territory. In 2023, that amounted to \$3.4 billion—an incredible 39 percent increase over the previous year. Armenian exports to Russia had already tripled in 2022, when compared to 2021 figures. Russia is also the destination of hundreds of thousands of migrant workers supporting their families back home.

Moreover, Russia maintains a monopoly on rail transportation in the country until at least 2037, though it is in the area of energy where Armenia is most dependent of all. In short, it is unclear how Yerevan can break free from its dependency on Moscow in the foreseeable future.

As a result of a number of deals made under previous governments, Armenia appears locked into receiving its gas from Gazprom through Georgia via fully Russian-owned pipelines until 2043. Only 12.5 percent comes from Iran in a barter deal with Armenia for electricity in exchange. Under the terms of these contracts, Armenia cannot purchase gas from any country other than Russia. Though one analyst suggests Pashinyan could nationalize the Armenian section of the Iranian pipeline to increase volume there, it could also involve years of international arbitration for violating the agreement. It could also provoke a more immediate response from the Kremlin, and it is not clear if Armenia's new Western friends could respond in time to save the day, or even at all.

Some have also suggested purchasing gas from Azerbaijan in the context of a post-peace deal situation, but unless new pipelines are built, this gas would still have

to pass through the Russia-owned pipeline network—unless, of course, an arrangement between Baku and Moscow was to materialize. Azerbaijan would also have to match prices offered by Moscow, heavily subsidized in a form of soft power, though Aliyev has said this could be possible in case of normalization. Baku already sells gas to Tbilisi at below-market rates, as part of its own soft power projection, but that too is because a number of pipelines originating in Azerbaijan pass through Georgian territory. It also, for example, is obliged to provide free gas to houses of worship in that neighboring country, including Armenian churches.

Confounding the situation is the Soviet-era Metsamor nuclear reactor plant, which has had its termination date extended several times over the years. Armenia also receives its nuclear fuel from Russia. Armenia is in negotiations with Russia, the U.S., and what it describes as a “third country” regarding the replacement of its aging nuclear reactor. This also includes modular reactors from the U.S., a geopolitical tool that Washington views as a way to wean many countries away from Moscow, especially in the former Soviet space. The trouble is, the U.S. has yet to construct one—something it puts down to commercial companies being

unable to compete with state-run enterprises from Russia and China, which have commercially available variants.

But this still doesn’t address the issue of nuclear fuel, which would still have to be transferred by land or air via Russia, though one Armenian political scientist suggests Kazakhstan could be an alternative. For that to happen, however, Kazakh fuel would still have to be transported via Russia and Georgia, Iran, or Azerbaijan. The first would still be controlled by Moscow, the second is unlikely to be acceptable to the United States, and the third is hardly feasible until normalization—and even then, it might not be welcomed by Baku.

Even despite the UN’s main nuclear energy specialist in Armenia warning that the country should continue its long history of tried and tested cooperation with Russia on a replacement nuclear reactor, Pashinyan has said he has found the prospect of working with the U.S. instead to be “politically appealing.” In July 2024, Armenia’s Security Council Secretary Armen Grigoryan stated that talks in Washington on this issue were in a “substantive phase,” also calling for the legislative basis in the U.S. for cementing a deal to be expedited.

Visiting Yerevan that same month, USAID Administrator Samantha Power also underlined how nuclear was the main focus of its attempts to help diversify away from Moscow.

Certainly, with the global shift towards renewable energy, Armenia should consider green energy options as part of its transition away from fossil fuels. The most viable option in this regard is for Armenia to join the two-part regional mega project to supply wind, solar, and hydro energy to Türkiye, the Western Balkans, and part of the European Union from sources including Uzbekistan, Kazakhstan, Azerbaijan, and Georgia. Its centerpiece involves the installation and funding of two separate undersea cables. However, achieving this will require regional cooperation, including opening borders, restoring transportation links, and normalizing relations with Azerbaijan to ensure full diversification in order to meet energy needs. While Pashinyan views the West as a potential savior, powers closer to home are likely more important. In short, numerous obstacles and lingering Russian influence could keep Armenia partially within Moscow’s orbit.

Additionally, the outcome of the Ukraine war will significantly

impact the region. If Russia emerges victorious, Moscow may return to the South Caucasus with renewed assertiveness. Here the most likely focus is Armenia—not Azerbaijan or Georgia. Although Armenia is unlikely to leave the Eurasian Economic Union soon, its increasing criticism of Russia and its diminishing involvement in the CSTO are actions Russian President Vladimir Putin is unlikely to overlook.

### *Pashinyan’s Fortune*

This year, Pashinyan has been fortunate. In 2025, much less 2026, he might not be. Currently, there is a rare opportunity for Armenia and Azerbaijan to strike a deal. Despite the lack of trust between Yerevan and Baku, normalizing relations is now in Pashinyan’s interests; and he can no longer afford to delay. However, Pashinyan’s unpredictability and, to a lesser extent, his inconsistency, remain concerns. His actions are guided by self-interest and self-preservation rather than national or, much less, regional interests. His words and deeds might seem tactically skillful at times, but his attempts at strategy have often led to failure and military defeat. What might be good for him at a particular time might not be for the country he leads.

As an example, speaking in the Armenian National Assembly in mid-June 2024, Pashinyan stated that if he had the opportunity, he would have returned to Azerbaijan the seven formerly occupied regions around the former NKAO and acknowledged that Karabakh is part of Azerbaijan. However, his words do not explain why he prolonged the war despite multiple attempts to negotiate a ceasefire earlier.

In the Spring 2023 edition of *Baku Dialogues*, I described Pashinyan as “predictably unpredictable, consistently inconsistent,” a characterization that still holds true. The danger lies in his tendency to shift with the political wind. For instance, at the beginning of June 2024, Aliyev repeated his contention that a peace agreement with Armenia could not be signed unless its constitution was changed, though he had said this before. Yet, by the middle of the same month, media reports indicated that Pashinyan had instructed that a new draft of a new constitution be completed by the end of 2026, meaning a referendum

could not be held until 2027 at the earliest.

This statement came despite the fact that a draft of the country’s new constitution had been started in 2022 and submitted for review in January 2024. Since then, Pashinyan had signaled his intent to change those parts of it that represented—or could be construed as making—territorial claims on neighboring Azerbaijan and Türkiye. This includes potentially removing a controversial preambular paragraph referencing the 1990 Declaration of Independence, which in turn

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refers to a 1989 joint statement on the “Reunification of the Armenian Soviet Socialist Republic and the Mountainous Region of Karabakh.”

At the beginning of June 2024, Aliyev reiterated concerns that future Armenian governments might question or nullify any agreement to normalize relations unless Armenia commits to amending the preamble. He emphasized that this commitment should be made before any document is signed. Yerevan

responded by stating that constitutional amendments are an internal matter, while Baku contends that the issue directly pertains to its territorial integrity. Since then, some analysts have suggested that the intent to do this could be written into any framework agreement on the understanding that the constitution would be changed within a certain time limit. Retired British ambassador James Sharp has noted that this was the case with the Good Friday Agreement between the United Kingdom and Ireland. Most recently, Aliyev has floated the idea of initialing a set of agreed basic principles by or even at COP 29 in Baku in November 2024. This would leave a comprehensive treaty until after the constitution is changed.

If a compromise could have allowed Armenia a year to put constitutional amendments to a nationwide referendum, the announcement of a new deadline to draft amendments or a new constitution by the end of 2026 at first seemed more like a tactic to delay the process in the hope that Baku would drop its demands. This deadline falls six months after the latest possible date for holding parliamentary elections in Armenia, where Pashinyan’s political future is uncertain. Moreover, even if a referendum

were held, its outcome would be far from guaranteed.

For the amendments to pass, more than 50 percent of the electorate must naturally vote in favor, and their total should also exceed a quarter of all registered voters. Analysts opposed to a peace deal quickly point out that in last year’s city council elections, voter apathy was so significant that only 28 percent participated, meaning even fewer voted for Pashinyan’s candidate, Tigran Avinyan. For Pashinyan, it is also crucial to implement structural changes in the constitution to ensure the political system benefits him, just as it did for his predecessor. This could be another reason for delaying any referendum.

To win the 2026 election, Pashinyan will likely need to demonstrate that his “peace agenda” has borne fruit, that it has preserved and even enhanced Armenia’s economy and security, and that the country’s future prosperity is inextricably linked to that of its neighbors. Before O’Brien arrived in Yerevan, this seemed imminent. However, there is now a degree of uncertainty, particularly following yet more new arms deals with India and especially France. Ever since Russia and Ukraine went to war in February 2022, and

Western attempts to expand its presence in the South Caucasus took on speed, geopolitical confrontation in the region has reached levels hitherto unseen.

Meanwhile, with so much riding on his peace agenda, it seems unthinkable that Pashinyan

could fare well if it were seen to have failed—just as it did for his humiliated predecessor, Serzh Sargsyan, in the context of the 2009 Armenia-Türkiye protocols that were formally withdrawn unratified just a month before he was unseated by Pashinyan in 2018.

Baku asserts that normalization is not as urgent for Azerbaijan as it once was. However, for Pashinyan, retaining power might at least make it a critical priority. But all this rests rather too uncomfortably on the Armenian prime minister's luck continuing. He remains reliant only on platitudes and, so far mainly

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*Baku asserts that normalization is not as urgent for Azerbaijan as it once was. However, for Pashinyan, retaining power might at least make it a critical priority. But all this rests rather too uncomfortably on the Armenian prime minister's luck continuing.*

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bet they made on former Georgian president Mikheil Saakashvili now languishing in a prison cell just outside the capital.

As Armenia gears up for its pre-election year in 2025, the coming months will show whether Pashinyan's populism still has any traction left in a country slowly starting to question his every move. Ironically, it could be this populism, bolstered by some support from the West, as well as a peace deal with Azerbaijan, that proves to be his salvation. Increasingly, the opposition claims the same. **BD**

goodwill gestures from the United States and the European Union, which appear to view Yerevan as an alternative to Tbilisi in case the current Georgian government remains in power after elections later this year. It is sobering to think that this is the same

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# Central Asia and South Caucasus in An Era of New Great Power Rivalry

*Murad Nasibov*

The adage “When elephants fight, the grass gets trampled”—commonly invoked to highlight the perils faced by smaller or non-hegemonic states amidst great power rivalry—may not be as accurate as it appears. As with all analogies, the oversimplification of the consequences of great power rivalry for the others, the homogenization of the impact such a rivalry may have on small states, and the ignorance of the agency of small states are a few of the problems that such an analogy may effectuate. At the end of the day, the wisdom in such sayings is recalled only when they hold true.

A more nuanced analytical approach might suggest the contrary. As rivalries among major powers escalate, the decisions made by

smaller or non-hegemonic states may assume importance equivalent to those of the great powers for two major reasons: increased demand for their alignment and widening room of maneuver for small or non-hegemonic states to play competing major powers against one another.

As the tension among major powers intensifies, they seek the alignment of middle and small powers all around the world or in regions of strategic importance. Partly flowing from this logic, we observe that small or non-hegemonic states find ample possibilities to exploit the rivalry among major powers by positioning themselves as valuable but non-committed partners, thus playing one great power against another to extract maximum benefits.

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The enhanced prospects for such states to influence the formation of the emerging international system appear to be well recognized in Central Asia and the South Caucasus—a conglomerate of non-hegemonic states mostly encircled by aspirants to regional or great power status in Eurasia (or what the editors of *Baku Dialogues* call “the Silk Road region”): Russia to the north, China to the east, India and Iran to the south, and Türkiye to the west.

## *Multi-Vectoralism and Independence*

Central Asian states are known to have declared their foreign policies to be “multi-vectoral”—something that sounds similar to India’s “multi-alignment.” What one may simply understand from this term—or at least the way it is used by the foreign policy elites of the five

Central Asian states—is that they are ready to engage with multiple partners that pursue contrasting, if not clashing, foreign policy strategies.

In certain periods over the last three decades, Central Asian states came indeed very close to substantiating what they declared; at other times, they seemed to be far from it. With the ongoing war in Ukraine, we witness a renewed strong assertion of “multi-vectoralism” in Central Asia.

The term “multi-vectoral” can perhaps be better understood through the concept of *hedging* in the academic literature of international relations and related fields of political science. *Hedging* is a kind of foreign policy strategy that aims to exploit all the opportunities that may arise from cooperation with different power centers—be they global or regional—as well as the costs for

*As rivalries among major powers escalate, the decisions made by smaller or non-hegemonic states may assume importance equivalent to those of the great powers.*

those that would seek to force a hedging state into alignment or exclusive loyalty. A hedging strategy should not be mistaken for a *balancing* strategy—another term overstretched in the general lan-

guage and even in the academic literature, which is in a strict sense reserved for describing a state that aligns with one side against another.

For a state to pursue a successful hedging strategy—and thus engage in a multi-vectoral foreign policy—diplomatic skillfulness is required to ensure that engagement with one side does not incur any direct losses due to engagement with the other side(s). Moreover, it must increase the total gain, not incur costs on the part of the exerciser, and broaden the room of maneuver—not shrink it.

Azerbaijan, which does not belong to Central Asia but, in the words of its president pronounced on 23 November 2023, conceives of itself and Central Asia as constituting a “single political, economic and geopolitical space.” The divide across the Caspian may explain why Azerbaijan typically does not use the same terminology (i.e., “multi-vectoralism”). Instead, since the early 2010s Baku has tended to characterize its foreign policy as “independent.” This is intended to indicate a qualitative upgrade from a “balanced” foreign policy—the terminology that was generally in use in the 1990s and 2000s. Even though Azerbaijan does not use the “multi-vectoralism” terminology, its “balanced” foreign policy can easily be judged

to be one that most successfully deploys a hedging strategy.

Along with Kazakhstan and Uzbekistan, Azerbaijan exemplifies the efficacy of strategic hedging over pure balancing, which contrasts with the experience of Georgia and Ukraine, in particular. This nuanced approach enables these three states to skillfully navigate global power dynamics, and thereby avoid becoming battlegrounds for larger regional or international powers.

### *Why Hedging Has Taken Root*

The aforementioned three countries are beginning to be identified as “keystone states,” a term defined by Nikolas Gvosdev of the U.S. Naval War College in 2015 as “giv[ing] coherence to regional order.” They are important, he says, “because they are located at the seams of the global system and serve as critical mediators between different major powers, acting as gateways between different blocs of states, regional associations, and civilizational groupings. A keystone state, even if it is ‘small,’ [...] may nevertheless

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*Along with Kazakhstan and Uzbekistan, Azerbaijan exemplifies the efficacy of strategic hedging over pure balancing.*

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be important to regional or global security beyond what its own domestic capabilities may merit.” Each of the three states enhances its “keystone” status by pursuing a “multi-vectoral” foreign policy (i.e., a hedging strategy). Even those core Silk Road region states that do not (and cannot) enjoy this status are also, each in their own way, pursuing some version of this strategy.

Several reasons can be given as to why it has taken root in the core Silk Road region, unlike, for instance, in Ukraine or Georgia. *First*, in particular, Central Asia faces no sharp choice. Located in the middle of Asia, its states are located far from the West. There is neither a NATO nor an EU perspective for them. Located at the heart of Eurasia, they are not in the collision spot.

*Second*, within their surroundings, there is no other regional power willing to win the exclusive alignment of Central Asian states at the cost of the other regional powers. There is no willingness among neighboring powers to generate such an open rivalry in Central Asia—at least for now, that is.

*Third*, their geography also dictates that they exploit their land routes to the maximum extent possible, and in all directions, to compensate for being far from sea

routes (i.e., for being landlocked states). Alternatives are always better. The heavy-weighting economic dependence on Russia in the 1990s and 2000s has been gradually counterbalanced by Chinese investment and cooperation. Yet, a channel of breath from both (and others) that may come with the Middle Corridor is also important.

*Fourth*, no particular ideological alternatives are clashing in the region. They rather share the preference for common norms, such as multilateralism, sovereignty, and non-interference—which are often emphasized in the individual statements of leaders, like Kazakhstan’s Kassym-Jomart Tokayev, or joint declarations adopted, for instance, within the Shanghai Cooperation Organization.

*Fifth*, they all have stakes in opposing Western-promoted regime change. There are definitely elite interests being threatened, but also reflect a popular distaste for democracy promotion. It is not about strong anti-West sentiments, strictly speaking, but the West having geopolitical motives behind its democracy promotion agenda and a fear of the consequences it may bring to their countries as it has to Iraq, Afghanistan, and even Georgia and Ukraine. For younger states like those in Central Asia,



sovereignty and geopolitical security are much more precious. Hence their reticence in signing up to the terms of the U.S.-led “rules-based” liberal international order.

*Sixth*, they have common security concerns regarding Islamic extremism, radicalism, and terrorism, plus cross-border smuggling—an agenda that led to the establishment of the Shanghai Cooperation Organization. For Central Asian states, all secularized (harshly) under the Soviets, radical Islamist groups and non-traditional Islamic denominations or sects originating from or having a foothold in Afghanistan are seen as threats. For Russia, Central Asian borders are the “second borders,” while China fears radicalism’s spread among its already tightly-controlled Uygur population. India, with a sizeable Muslim minority, needs also to confront them beyond its borders as its arch-enemy Pakistan has a history of supporting radical militant groups.

*Seventh*, there are plenty of promising cooperation opportunities in the region, both material and non-material, which remained untapped due to the Soviet period that are, only now, due to growing global competition, gaining new prominence. For most of the 1990s and 2000s, it was primarily about

oil and gas. Now it is also about connectivity (from East to West, from North to South), green energy, rare earth materials, and other untapped sources of the region.

*Lastly*, bargaining and handling—despite controversies and conflicting interests—is the main mode of engagement in the region. These postures are preferred to those that would increase the likelihood, for the states concerned, of getting dragged into long, deep-seated rivalries. It’s all about business—transactionalism, more broadly—taking place securely across sovereign borders, the maintenance of which all of these countries take quite seriously. Such an approach is a deeply established cultural code within the elite, partly a legacy of the Soviet period.

Hence, there is no strong ground to join one side against the other side—that is, to engage in block politics. There are no clear-cut opposing sides. Not even between India and China. At least, for now. Even the Taliban regime is gradually being embraced. No one wants to distort or sacrifice projects. Yet, they move cautiously towards Kabul. A strong, yet somewhat moderated, government with whom one can cooperate is what is now much wanted to have in Afghanistan. No more drama.

## *Beyond Regional Implications*

It is within this context—i.e., the growing opportunity for Central Asians hedging towards great powers—that the recent developments in and around Armenia and Georgia, whose geopolitical alignment has been clear-cut until recently, can also be explained. Armenia’s recent rapprochement with the West, while being heavily tied to Russia, is not only the result of its disappointment with Russia since the Second Karabakh War, but also the widening room for maneuver between Russia and the West, in which Prime Minister Nikol Pashinyan tries to build its distinct agency. Similarly, the ruling party Georgian Dream’s recent attempt to restrict the space for Western-funded NGOs, part of which has a close relationship with the major opposition parties, reflects the intention of the Georgian government to weaken Western leverage in Georgia and therewith, be able to establish the necessary flexibility for maneuvering between the collective West on the one hand and Russia and China on the other. To what extent, both Yerevan and Tbilisi will be able to break with their recent past still remains to be seen.

A similar argument can be made with regards to Azerbaijan. One of the most illustrative formulations can be found in President Ilham Aliyev’s most recent inaugural address, pronounced earlier this year in Baku:

We have no other family. Our family is the Turkic world. If anyone thinks that we should look for a family elsewhere, I can say that we are not welcome anywhere else, and they are not even concealing this anymore. Whereas in previous years, especially during the occupation, they tried to lure us with certain promises to confuse us—i.e., pull wool over our eyes, now those masks have been dropped and there are dividing lines there. We did not draw those dividing lines; we are against any dividing lines. Even in the South Caucasus, where there are only three countries, we can clearly see these dividing lines today. Under such circumstances, should we bow to those who do not want to accept us somewhere?

The prevailing *hedging* strategy—what is often referred to as “multi-vectoralism” or “multi-alignment”—in Central Asia and the South Caucasus carries implications that extend well beyond the regional boundaries. *Firstly*, by asserting their actorness in the emerging maneuvering space between the collective West on the

one hand and the Eurasia powers on the other, the countries of the region avoid turning themselves, and their region, into a “battlefield” among competing powers and hence, avoid the opening of new fronts. *Secondly*, by simultaneously engaging in cooperation with multiple regional and great powers, they partly absorb power competition among them and avoid the rise of new Cold War-like blocks in the international system.

This role, which characterizes the core Silk Road region, is particularly visible when the events unfolding around the wider region—greater Eurasia—are considered. The conflict over Ukraine has deepened the divide between Russia and the collective West, effectively disrupting key trade routes linking Europe to both Russia and Asia.

Similarly, the conflicts in Gaza and Yemen, particularly the activities of the Houthis, have not only impacted trade routes between Europe and Asia via the Suez Canal, but have also hindered prospects for connectivity between India, the Arab world, and the Mediterranean region.

The ambitious Turkish-backed railway project in Iraq, aimed at connecting the Gulf to southern Türkiye and thus facilitating trade

between India and Europe, faces significant hurdles due to insecurity in northern Iraq. While recent moves by the Iraqi National Security Council to crack down on the PKK and enhance security cooperation with Türkiye may help address these challenges, the situation remains complex, especially in the absence of full support from the United States.

Likewise, prospects for improvement in Syria seem bleak in the near term.

In Southeast Asia, there has been a notable rise of tension in the seas, particularly concerning Taiwan, which could potentially serve as a flashpoint. However, the issue extends beyond Taiwan itself. The primary strategic goal for the United States is to counter China’s growing influence in Asia and prevent its unrestricted access to and, as they say, “dominance” over global maritime routes. Taiwan plays a crucial role in this strategic calculus. From the establishment of AUKUS to increased U.S. support for its regional allies, such as the recent reaffirmation of an “ironclad commitment” to the Philippines, the United States is actively working to contain and confront what it calls China’s “expansionist ambitions” in Southeast Asia.

Amid all this tumultuous disorder surrounding greater Eurasia, the innerland Eurasia (or core Silk Road region), with Central Asia and South Caucasus at its heart, is largely stable and peaceful. Since the 1990s, particularly Central Asia has been one of the relatively peaceful regions of the world.

Until recently, this stability held no particular significance for the international system. Yet, from now on, it will. Such a role of Central Asia is underpinned by the multi-vectoral foreign policy of Central Asian states, above all, Kazakhstan and Uzbekistan (coupled with Azerbaijan).

Simply, the fact that Central Asian states are not willing to engage in block politics neither among Eurasian powers nor between them and the West allows them to accommodate and absorb power competition among major powers, and not to become an object of it. Their closer coordination among themselves through, but not only, the process of Central Asian leaders’ summits—tellingly, these have recently been joined by

Azerbaijan—has also been effective in preventing the onset of serious dividing lines within the region.

Moreover, European interests in accessing the resources of the region, including natural gas, green energy, and rare earth materials, have gained particular significance following the onset of the present stage in the conflict over Ukraine. Seeking also an opportunity in the weakening hands of Russia in the region to bring Central Asia closer to Europe, diplomatic efforts have reached an unprecedented level. Above all, the Middle Corridor—the international multi-model transit route linking China to Europe by bypassing Iran and Russia—is where the interests of Central Asia, the South Caucasus, China, and Europe converge.

As the two strongest regional champions of the Middle Corridor, Azerbaijan and Kazakhstan do not pursue any policy of economic exclusion towards Russia. In the case of Kazakhstan, a member of the Russia-led Eurasian Economic Union (EAEU), this is not even possible. Any benefit Kazakhstan gains from being part of

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*As the two strongest regional champions of the Middle Corridor, Azerbaijan and Kazakhstan do not pursue any policy of economic exclusion towards Russia.*

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this connectivity mega-project will also indirectly feed into the economic capacity of the EAEU.

While Azerbaijan is not a member of the EAEU, it does not follow any economic exclusion policy towards Russia, either. Ironically, a land route to link Russia to India also passes through Azerbaijan, bypassing European waters—this used to be understood as being the only feasible option for Russian shipments.

Namely, the incorporation of Azerbaijan into the International North-South Transport Corridor (INSTC) linking St. Petersburg and Moscow to Mumbai through Baku and Tehran, which was inked by Russia, Iran, and India in 2002 partly in response to the EU's TRACECA, ensures there is no tough geopolitics to follow geoeconomic due to the Middle Corridor. Moreover, the cross-cutting of the Middle Corridor and the INSTC in Azerbaijan offers India an alternative route to Europe, too. Particularly, given the difficulty of realizing the India-Arab-Mediterranean connectivity project in the current context of insecurity in the Middle East, the cross-cutting of these two corridors

in Azerbaijan is now beneficial to all sides involved. Everyone needs Azerbaijan, and Baku knows it.

Thus, through the prudent avoidance of bloc politics and the facilitation of trans-regional cooperation between Europe and Asia, the core Silk Road region (again, composed of the states of Central Asia and the South Caucasus) is poised to assume a pivotal stabilizing role in the international system, particularly in the event of escalating tensions between the U.S. and China.

This strategic positioning will safeguard the region from being caught in the crossfire, granting Europe the latitude to delineate its stance while enabling China to utilize land routes—especially (but not only) during periods of constrained maritime access. Such a stabilizing function will further mitigate the risk of exacerbating the already significant global economic repercussions that could emanate from heightened U.S.-China confrontation on a global scale. The conductivity and fluidity that Central Asia and the South Caucasus bring to the international system cannot be, henceforth, overestimated. **BD**

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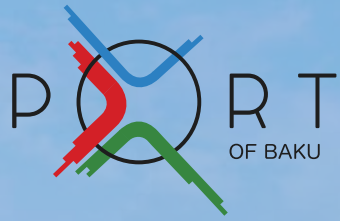
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# Central Asia's Order-Making Mechanisms

*Nargiz Azizova*

*"Of course, we [Central Asian states] all have two big partners and neighbors: Russia and China. We will always work together with them. All of our agreements remain in force, despite the fact that some of our countries are EUEC [Eurasian Economic Community] members, some Collective Security Treaty Organization [CSTO] members, and some not, but that's not what matters. However, we should resolve our own issues without involving third parties."*

*– Nursultan Nazarbayev,  
March 2018*

Most UN General Assembly resolutions are forgettable exercises in symbolism. Even political insiders could be forgiven for passing over without comment the text of resolution A/76/299 that declared Central Asia a “zone of peace, trust, and cooperation” and expressed the view of UN member states that they stood “encouraged by the efforts of the Central Asian States to strengthen and expand cooperation with the countries of the region in the fields of regional security, good-neighbourly, and friendly relations.”

And yet, this resolution should not simply be lumped together with most of the other ones that have been approved by what one of its former Presidents called the world’s “Grand Parliament of sovereign equal States.” There really is something to the language found in this resolution, and readers could do worse than to keep this text in mind as they try to understand that part of the Silk Road region as it understands itself and consider the strides that Central Asian leaders are taking to better the geopolitical and geoeconomic circumstances of their respective states. A similar

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utility could be ascribed to the words that make up this essay’s epigraph. Or to the language of the 2010 OSCE Astana Declaration that popularized the concept of “Eurasian security.”

In this essay, therefore, I will explore how the five Central Asian states (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) of the core Silk Road region are attempting to cope with global turbulence and power shifts in world politics, particularly Russia-West polarization, by developing multi-level alliances.

I will do this by discussing two major dynamics in the foreign policy of Central Asian states. I argue, firstly, that external influence and global geopolitical dynamics are pushing the Central Asian states towards strengthening regionalism and multilateralism through the establishment of informal and semi-formal formats of cooperation, which has led to a greater emphasis on shared regional.

Secondly, I will argue that “multi-vectoralism” and “regionalism” in the foreign policies of the Central Asian states have been strengthened in the past several years and provide examples of emerging region-to-region links between the Central Asian states

and several major power centers (i.e., China, the United States, the GCC, and the EU).

I will then conclude by examining the rapprochement between Azerbaijan and Central Asian countries and the evolution of the C5+AZ multi-platform “minilateral” format of core Silk Road region cooperation and how this plays into the two dynamics noted above.

## *What Else but Multi-Vectoralism?*

Against the backdrop of rapidly-evolving international dynamics—particularly the war between Russia and Ukraine that restarted in earnest in February 2022—the five Central Asian states have chosen to further reconsider and further diversify their foreign policies. Bellicose assertions by minor Russian politicians and popular television commentators alike have stoked perturbations and even concern that their region “could be next.” It makes little difference that no genuine Russian decisionmaker has joined in such frenzied speech, or that bilateral visits at various levels, including at the very top, have been both amicable and mutually-beneficial. The “proximity

of aggression,” as some Western observers of the Silk Road region might say, has not felt this real in some Central Asian circles for quite a long time.

While Central Asian leaders have not (at least not overtly) conducted themselves in ways that could indicate they have fallen under the spell of the doomsayers, they do seem to have taken prudent foreign policy precautions to lessen the likelihood that their respective countries “could be next.”

They have, for instance, tried to ensure—to the extent possible—that their respective bilateral relations with Russia are devoid of outstanding issues. They have also, most notably, strengthened regional cooperation and further emphasized common identity-building projects. The leaders of the five Central Asian states have also continued to diversify existing political, economic, and security associations and relationships. This is, broadly speaking, what is meant by the

terms “regionalism” and “multi-vectoralism.”

In this transformative period of international relations characterized by heightened global instability and polarization, the Central Asian states are trying to avoid finding themselves in the middle of great power discord as major global players, namely Russia, China, the European Union, and the United States all seek to unduly influence the foreign policy orientation of the five countries at issue.

Russia has enjoyed an established position and built up a solid level of soft power influence in Central Asia. The Central Asian economies are all strongly dependent on trade with Russia and two (or three) are linked institutionally to the Russia-led Eurasian Economic Union (Kazakhstan and Kyrgyzstan are members, Uzbekistan is an observer that has reportedly been taking concrete steps to harmonize its legal and regulatory framework with EAEU standards in anticipation of membership

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*Against the backdrop of rapidly-evolving international dynamics, the five Central Asian states have chosen to further reconsider and further diversify their foreign policies. “Multi-vectoralism” and “regionalism” in their foreign policies have been strengthened in the past several years.*

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in a few years). Investment projects and capital flows have also significantly involved Russia.

Some of this began to change after February 2022, although one would be hard-pressed to argue that until that year Russia had truly maintained a hegemonic posture towards Central Asia akin to the one maintained by the Soviet Union over the Warsaw Pact countries, including in the period when the Brezhnev Doctrine was in force. Perhaps the example of Yugoslavia’s relationship with the USSR during some periods of the Cold War or the way certain Latin American states have dealt with the consequences of America’s self-proclaimed Monroe Doctrine—including Washington’s shifting interpretations of its meaning—could be more instructive.

Thus, for instance, on the official level, none of the Central Asian states have supported Russian actions in the Ukraine war. Instead, their governments have publicly stated their continued recognition of the independence, sovereignty, and territorial integrity of Ukraine in its 1991 borders. While none have formally joined in the Western-led sanctions and export restrictions regime against Russia, each Central Asian state has stated that it will not allow its territory to

be used for the transit of sanctioned goods. This has not always worked in practice, with Kyrgyzstan being the most glaring example.

At the same time, public opinion surveys conducted in the Central Asian states since February 2022 suggest that Russian soft power is waning in the region—particularly among the younger generation. On the other hand, none of the Central Asian states have chosen to make use of this increasingly negative attitude toward Russia to attempt a wholesale shift in foreign policy orientation, as has, for instance, Armenia. Still, it is clear that the change in perception is real and that this has influenced if not the everyday conduct of foreign policy, then at least the longer-term strategic planners.

China has seized the opportunity that was, if not brought about by the war, then certainly accelerated by it. And yet, China does not seem to want to completely fill a power vacuum, as its chief Western competitor might have sought to do in the unipolar era. Rather, Beijing seeks to entrench stability in Central Asia, and to ensure the five states do not conduct themselves in ways that are contrary to Chinese interests. Thus, Chinese President Xi Jinping has spoken of “brotherhood relations” and championed a

“harmonious Central Asia” against threats like terrorism and color revolutions. At the same time, Beijing has chosen to walk through the door opened as a consequence of the Russian decision to go to war in Ukraine.

Beijing has now thus positioned itself as a leading political, economic, and security partner to the Central Asian states. Even prior to February 2022, Beijing had prioritized strengthening its cooperation with western neighborhood in strategic areas such as regional security, domestic stability, trade and technology transfers, infrastructure investment, political cooperation, cultural exchanges, and loan guarantees. China continues to work on deepening its soft power appeal in the region, too. It also strengthened its institutional engagement through the China-led Shanghai Cooperation Organization (SCO)—all Central Asian states, save for Turkmenistan, are fully-fledged members.

In a development few outside the region noticed, in March 2024 China and the five Central Asian states formally launched the Secretariat of the China-Central Asian Cooperation Mechanism. This development comes on the heels of strategic levels of growth in trade volumes between China

and the region. In 2023, China’s trade with the Central Asian states reached \$89.4 billion, up 27 percent from 2022. In 2024, the number continued to grow. In the first four months of this year, China’s trade with Kazakhstan, Kyrgyzstan, and Uzbekistan all registered double-digit growth rates in dollar terms. Another example is the surge in railway cargo volumes between China and Kazakhstan, which in 2023 grew by 22 percent year-on-year to 28 million tons.

Although Kyrgyzstan and Tajikistan have been the most responsive Central Asian security partners for China, Kazakhstan is the cradle of the China-led Belt and Road Initiative (BRI), which was famously launched during Xi’s September 2013 visit to Astana. Kazakhstan continues to play a critical connectivity role in the Chinese conception of its commercial outreach to the entirety of the Eurasian supercontinent (as Mackinder would say), particularly in the all-important transport and logistics domains.

Bilateral strategic cooperation agreements, cooperation through BRI infrastructure projects, and increased trade turnaround all strengthen Beijing’s position in the region. Another indication of Beijing’s influence projection into

Central Asia is that, unlike Russia, China is viewed as a pragmatically economic, with no political and territorial claims over Central Asia. No one in Central Asia seems to think that China threatens the independence, sovereignty, and territorial integrity of any of the Central Asian states.

In recent years, the Western bloc, namely the European Union and the United States, have also shown interest in this region. And yet, for all their talk, they simply cannot compete with the scale of Chinese investment and assistance. Even the EU’s vaunted Global Gateway initiative is a decade too late and tens of billions of euros too small. And the lessons that Central Asian leaders (and their Chinese counterparts) drew from America’s disastrous withdrawal from Afghanistan will not soon be forgotten.

Still, Western influence should not be dismissed. Brzezinski’s grand designs (published at the height of the unipolar era) on that part of the world—his advocacy for “benign American hegemony” playing the role of “Eurasia’s arbiter” in the area “stretching between the western and eastern extremities [of Eurasia] is a sparsely populated and currently politically fluid and organizationally fragmented vast middle

space”—continues to animate the thinking of too many policymakers in Washington and Brussels.

Against this backdrop, the Central Asian states find themselves having to deal with the push and pull of the major powers. All five resist—prudently—the entreaties to enter into exclusive relationships with any of them. They hesitate even to gravitate towards any of them. At the same time, the Central Asian states seem to realize the urgent necessity to coordinate and cooperate amongst themselves, so as to be able to preserve stability in the region by championing the emergence of a new, home-grown regional order predicated on a shared effort to diversify their respective and collective external relations with all the major powers.

### *Regionalism Without Regional Institutions*

Since the Central Asian states established their independence due to the implosion of the Soviet Union, they have faced a plethora of security issues. These include intra-regional tensions over borders (Tajikistan-Kyrgyzstan) and natural resources (Kyrgyzstan-Tajikistan and Uzbekistan-Kyrgyzstan). All have had to deal with domestic

ethnic-based tensions and even clashes as well as security concerns (extremism and terrorism threats, whether homegrown or emanating from Afghanistan, or, for that matter, further afield). There have been disruptive domestic political disagreements and geopolitical competition across the wider region (e.g., Russia's Greater Eurasian Partnership initiative, first proposed in 2016), and there have also been infrastructural shortcomings. All these have, at one time or another, set back regionalization efforts. A historical example is the agreement on the establishment of the Central Asian Cooperation Organization (CACO) involving Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan in 1998. Seven years later, it was dissolved or merged into the Eurasian Economic Community (EURASEC), a predecessor of the EAEU.

Years of division and isolationism fed with a strong emphasis on national sovereignty and the construction of national identities undermined the development of a coherent regional identity. Truly regional institutions and dialogue formats either did not exist or remained weak. Intra-regional dialogue mostly took place within wider region organizations, such as the SCO, where four out of five Central Asian states are members;

the Organization of Turkic States (OTS) with Kazakhstan, Kyrgyzstan, Uzbekistan participating as member states and Turkmenistan as an observer; and the EAEU with two Central Asian participating countries (Kazakhstan and Kyrgyzstan).

At the same time, there exist successful examples of regional cooperation efforts. Understanding that a reliable water supply is important to fostering political stability as well as social and economic development in Central Asia (because of its uneven distribution throughout the region), in April 2009 the leaders of the five Central Asian states met in Almaty for a special summit in which they expressed their readiness and intention to carry out joint programs to optimize cross water management with aim of improving the region's socio-economic, environmental, and security situation within the framework of the International Fund for Saving the Aral Sea (IFAS).

This body has been subsequently used to manage transboundary water flows in Central Asia more generally. The uniqueness of this organization is that it was established by the five Central Asian heads of state without external involvement.

The turning point in regional politics in terms of strengthened intra-regional dialogue and cooperation followed Shavkat Mirziyoyev becoming President of Uzbekistan (his predecessor, who died in office in September 2016, had a notorious rivalry with his Kazakh counterpart, which made it difficult for regional cooperation to deepen).

Mirziyoyev helped to lead the way in launching what has become an annual "Consultative Meeting" of Central Asian heads of state. Typically, leaders discuss security, economic, trade, territorial, and political issues. The Consultative Meeting format, which is relatively informal, has become a pivotal regional event that has come to represent a turning point in regional affairs. Held annually since 2018 (save for the COVID-19 year of 2020) in a different Central Asian country, they are accompanied by parallel or side events in the fields of economics, industry, education, transport, gender, science and culture, youth, and sports.

Currently, the annual Consultative Meeting format is the major platform for regional cooperation, initiated and run exclusively by Central Asian countries, without the presence, initiation, or support of any outside power (e.g., China,

the EU, India, Iran, Russia, the U.S.). This indicates a commitment by the Central Asian leaders to strengthening the region's self-sufficiency. With the evolving focus on amplifying regional integration, the Consultative Meetings serves to solidify integrative movements in Central Asia and illustrates the growing atmosphere of good neighborliness and mutual trust. Thus, the paramount significance of the Consultative Meeting format is the fact that it exists: its vitality is evidence of a political commitment to regional projects. As Mirziyoyev put it during his address to the UN General Assembly on 19 September 2023, the "Central Asian region has no choice but to expand regional cooperation."

Another example of a successful regional integration project that breaks the narrative that it is difficult to kickstart region-wide initiatives in Central Asia is the Central Asian Gateway, a single online trade information platform that acts as a hub to provide users easy access to information on cross-border trade formalities in the region.

The introduction of this platform marks significant progress in enhancing trade cooperation, harmonization, and alignment of regional standards and policymaking



among the five Central Asian states. At the same time, it positions the region as the single and stronger international trade player, additionally enabling intra-regional trade to go faster and smoother. The growth of mutual trade and investments is one of the key factors of the now-enhanced cooperation reality. It is gratifying that the figures in both of those directions indicate consistent growth.

All told, regionalization dynamics have improved markedly and have been taken to a higher stage in the latest years. Yes, border disputes, even clashes, still flare up occasionally. Those involving Kyrgyzstan and Tajikistan in 2021 and 2002 are a case in point. And yet, Bishkek and Dushanbe are working together on a final settlement of the conflict in what Tajikistan's president called an "atmosphere of friendship and mutual understanding." This may sound like a boilerplate statement, but given this history of recriminations and accusations, it most certainly should not be dismissed as such.

Interestingly, all this activity and all these events at the heads of state level have not resulted in enthusiasm for either their institutionalized formalization or the establishment of a regional block of

some sort. This is even more surprising given that a large number of region-wide initiatives are taking place at lower levels and now even include non-state actors like think-tanks and universities. Central Asia is experiencing a surge in the development of regional shared identity-building. Taking place in political, academic, and popular settings (including the mainstream media), this rhetoric is based on and supported by a narrative of common geography, linguistic roots, history, culture, and religion. The Central Asian Media Forum, which took place in December 2022, is an example of regional identity-formation through the establishment of a common media space. The urgent need to form a regional identity was one of the Forum's main messages, where the need to "feel not only part of your country, but also the common region of Central Asia" was concurrently stated by representatives of Kyrgyzstan and Uzbekistan.

The foregoing narrative and accompanying examples, which (to remind) are taking place against the backdrop of increasing great power competition, represent a concerted set of attempts to strengthen the role of the Central Asian states as "regional order providers" established and nurtured by and for those states themselves.

This development is present even through regional multilateralism in Central Asia has not been established in the "Western" understanding of regionalism (i.e. taking EU integration as the benchmark). But Central Asia has very little to do with the West: the Central Asian way is not the Western way, whether understood in its North American or European variants. Rather, the notion of "order" in the Central Asian context needs to be understood "a relatively stable and predictable set of relations between social actors that makes it possible for the basic goals of a given social context to be achieved by implementing rules and institutions that enable and protect common interests"—to quote from a June 2021 article in *Central Asian Affairs* written by Filippo Costa Buranelli.

### *C5 and Multi-Vectoralism*

Alongside aiming at boosting cooperation efforts, inter-regional dialogue, and strictly respecting sovereignty in internal affairs, rising regionalism in Central Asia has a role to play in positioning it as a stable partner for interaction with the rest of the world. Cooperation and coordination in addressing foreign affairs issues and common challenges have become possible as Central Asian foreign

ministers have been meeting regularly since 2018.

Thanks to their deepening intra-regional cooperation, Central Asian states are becoming increasingly unified in addressing foreign affairs challenges and increasingly coordinated within multilateral platforms and their interactions with other (outside) players. They have been stepping into their relations with outsiders in a concerted regional voice since 2022. This is called the C5 format.

Since the war between Russia and Ukraine restarted in earnest in February 2022, Central Asia has enjoyed increase of international attention, as changing geopolitical dynamics have not only reshaped greater Eurasia's political landscape, but these have also paved way for an increase of Central Asia's importance in the eyes of outsiders. Central Asia is now seen by all relevant players as a crucial transport hub and "transport bridge" that connects China and Europe.

The region has also come to serve as a reliable source of information and even an intermediary with Afghanistan since the Taliban came back to power in the wake of the U.S.-led withdrawal, given the ongoing dialogue between all but one

of the Central Asian states and the new regime in Kabul.

Moreover, the Central Asian states has been actively increasing their interaction with influential global actors within the C5 format, including the United States, China, the European Union, the GCC, and so on. The C5+ format has become one of the major mechanisms for the Central Asian states to interact with the rest of the world. C5+ has also come to be seen as a tool of implementation of their shared multi-vectoral foreign policy, which

can in this context be understood as one that “invites everyone to the region and so hedges against the ambitions of each of them.” The Central Asian states may be said to conduct their multi-vectoral foreign policy informed

by the spirit of a famous line from Federalist 51: “ambition must be made to counteract ambition.”

On 18-19 May 2023, the first China and Central Asia Summit (C+C5) took place. This Summit carries historical significance as it not only highlighted the pride of place of Central

Asia in Chinese foreign policy also has indicated expansion of Chinese engagement in the region from economic cooperation only to positioning itself as a security provider as part of its new Global Security Initiative. “China is ready to help Central Asian countries improve their law enforcement, security, and defense capability construction,” said Xi in his speech.

The Summit also represents the moment at which Beijing established itself as an independent

player in interacting with the Central Asian five — whereas before such interactions occurred mostly within the framework of the SCO. Moreover, the Summit formalized China’s C+C5 relationship through the

establishment of a Permanent Secretariat in China for coordination of efforts which was officially launched on 30 March 2024, in Xi’an. The Secretariat’s primary responsibilities are to promote the implementation of the consensus and outcomes reached by the heads of state of the six countries, prepare for

the China-Central Asia Summit, and serve the foreign ministers’ meeting and the cooperation mechanism in key areas. On the pragmatic angle, the Summit saw the signing of a number of multilateral and bilateral documents and the reaching of agreement on various cooperation initiatives. These included the establishment of a China-Central Asia energy development partnership (e.g., the construction of a solar power plant in Kyrgyzstan), investment in connectivity and trade (e.g. the establishment of new customs checkpoints, the construction of roads), support for the development of a trans-Caspian international transport corridor, enhanced humanitarian and cultural cooperation (e.g., the establishment of Chinese universities in Kazakhstan and Uzbekistan).

The sum of bilateral investment, trade deals, and grant agreements between China and the Central Asian states came out to nearly \$4 billion. This clearly demonstrates the practical commitment and economic power of China, particularly in comparison with other regional and global players. The C+C5 Summit format demonstrates that China recognizes and supports the processes of strengthening intra-regional cooperation in Central Asia.

In July 2023, the first GCC-Central Asia Summit was held (in Jeddah). Through the Arab states of the Persian Gulf are new players in the region, the GCC+C5 format presents an unprecedented opportunity for both regions to reinforce their existing cooperation mechanisms. GCC-Central Asia cooperation prioritizes economic integration, joint development projects, and tourism. GCC member states began heightening their economic activity in Central Asia in 2022, with Saudi Arabia making investments in Kazakhstan and signing contracts worth \$14 billion with Uzbekistan. The UAE made infrastructure investments in Kazakhstan, invested in the energy sector in Turkmenistan, and signed agreements with Uzbekistan worth \$10 billion on power generation and distribution. All in that pivotal year of 2022.

But before the July 2023 summit, relations took on a mostly bilateral character (for example, Mirziyoyev visited Saudi Arabia in August 2022). A groundbreaking GCC and Central Asia Investment Forum took place on 29 May 2024 and represents a concerted intent to engage in joint action to strengthen investment and economic relations between the GCC states and those of Central Asia. This forum comes on the heels of

the GCC-Central Asian Summit held in Jeddah in July 2023. The next one is scheduled to take place in Samarkand in 2025, and should mark a pivotal moment in solidifying the partnership.

Also in 2023, the first-ever collective meeting of the Presidents of the five Central Asian countries and the United States took place on the margins of the UN General Assembly annual meeting on 19 September. Existing since 2015 at a working level (but so far failed to turn into an active forum), the C5+1 Diplomatic Forum was “upgraded” in February of 2023 by the attendance of U.S. Secretary of State Tony Blinken. His visit to Kazakhstan and Uzbekistan has been viewed as a manifestation of Washington’s changing tactic in the region after the years of disengagement due to the U.S.-led withdrawal from Afghanistan. It should be noted that Central Asians could not help but notice that heightened American interest in the region came about twice now due to external developments (9/11 and the Ukraine war).

Be that as it may, U.S. President Joe Biden called this C5+1 Central Asia-U.S. heads of state meeting a “historic moment,” since it did indeed represent the first time

an American president has met with all five of his Central Asian counterparts. He also highlighted areas of cooperation “taken to new heights,” including counterterrorism and increasing U.S. security sector funding to Central Asia; strengthening regional economic connectivity; “the potential for a new critical minerals dialogue”; and the launch of a new initiative on disability rights.

Biden’s meeting with the five Central Asian presidents took place several months after the second EU-Central Asia Summit was held on 1-2 June 2023 in Kyrgyzstan (the first Summit took place the year before in Kazakhstan). During this event, which lasted much longer than the one in New York, EU and Central Asian leaders discussed in detail the prospects of heightened regional cooperation between Central Asia and the EU as well as regional and international developments (e.g., the Ukraine war).

Currently the EU and Central Asia engage in dialogue within multiple platforms. Examples include the EU-Central Asia Economic Forum, the Civil Society Forum, the EU-Central Asia High-Level Conference on Environment and Water Resources, the EU-Central

Asia Connectivity Conference, the EU-Central Asia Ministerial Meeting, and the EU-Central Asia High-Level Political and Security Dialogue.

During the July 2019 launch of the EU’s new Strategy on Central Asia in Bishkek, the EU’s outgoing foreign policy chief Federica Mogherini framed the EU as “a non-geopolitical” actor in Central Asia. Still, Brussels wanted the Central Asians (and other actors) to recognize its regional ambitions and its avowed readiness to respond to great power competition in the region.

The EU’s next initiative in Central Asia was launched in 2021 under the moniker of Global Gateway. This is the EU’s connectivity strategy, with promises being made by Brussels that the EU and its member states would mobilize up to €300 billion between 2021 and 2027 in investments in quality infrastructure. These promises display both an ambition and a readiness to implement a large scope of work with the region.

## *Rapprochement with Azerbaijan*

A quantum leap is taking place in terms of both the quantity and, more importantly, the quality of cooperation between the Central Asian states and Azerbaijan, which has gained an unprecedented level of dynamism. Representatives of the six countries (presidents, prime ministers, ministers, and so on), meeting in various formats (bilateral, trilateral, C5+AZ) are comprehensively augmenting their cooperation utilizing multiple platforms.

Only in 2022, Azerbaijani President Ilham Aliyev conducted nine visits to the countries of Central Asia, and the heads of states of Kyrgyzstan and Kazakhstan, in turn, paid a number of visits to Baku as well. These bilateral visits have produced countless agreements.

For example, following the meeting between the leaders of Azerbaijan and Kyrgyzstan in April 2022, ten bilateral cooperation documents and agreements were signed as well as a Declaration on Strategic Partnership.

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In this essay, I will highlight the trajectory of the Azerbaijan-Kazakhstan relationship and not focus on other Azerbaijan-Central Asia bilateral ties, in part for reasons of space. A similar record of engagement and achievement can be drawn from Azerbaijan-Uzbekistan ties and, admittedly to a lesser extent, with regards to developments in bilateral relations between Azerbaijan and Kyrgyzstan, Tajikistan, and even Turkmenistan.

The overall point, however, is that Azerbaijan's deepening and widening engagement with the Central Asian Five as a group is also unprecedented. This in-many-ways-unique "minilateral" relationship will also be discussed below, after I survey the Azerbaijan-Kazakhstan one.

Aliyev has conducted four visits to Kazakhstan in the last two years; in the same time period, Kazakh President Kassym-Jomart Tokayev visited Azerbaijan three times. These visits demonstrate the strategic and allied nature of the bilateral relationship, which was officially confirmed by the signing of the Declaration on Strengthening Strategic Relations and Deepening Allied Cooperation between the two countries in August 2022.

Back in 2022, Tokayev had evaluated his first official visit to Azerbaijan as head of state as a "breakthrough for the partnership between Baku and Astana," and since then, the bilateral relationship has been strategically broadened and deepened. A total of 134 documents, including a comprehensive program aimed at developing cooperation until 2026, are serving this dynamic cooperation.

One result was the holding of the first-ever joint naval tactical exercise in Baku in October 2023, with the participation of warships and military personnel of both countries. Another is the project to install a fiber-optic cable line along the bottom of the Caspian Sea to enhance internet connectivity between Europe and Asia. A third is expanded cooperation in the energy sector, with plans to lay an electric cable along the bottom of the Caspian that will enable Kazakhstan to export electricity to Europe via Azerbaijan, coupled with a preliminary agreement between SOCAR and KazMunaiGas to increase the volume of Kazakh oil transported through Azerbaijan's pipeline infrastructure.

It is hardly irrelevant to underscore the genuinely warm interpersonal relations between the two heads of state. The example

of Aliyev driving Tokayev from Baku to Fizuli (a city in liberated Karabakh) is illustrative.

Mirziyoyev characterized Aliyev's participation as a guest of honor at the Fifth Consultative Meeting of the Heads of State of Central Asia held in Dushanbe on 14 September 2023 as "evidence of the deep historical relations and the current high level of cooperation." The significance of this event cannot be overestimated. Not only did it inaugurate a new format of minilateral cooperation (C5+AZ), but it also has the potential to grow into larger format of South Caucasus-Central Asia cooperation, bringing closer to each other all the core states of the Silk Road region, naturally separated by the Caspian Sea.

The first Central Asia-U.S. C5+1 presidential summit took place in New York on the margins of the UN General Assembly annual meeting just a few days later. I noted this in an earlier section. Aliyev was not present, as is well-known. And yet, there have been credible (although never officially confirmed) reports that this very thing had been proposed to the White House several times by the presidential administrations of both Kazakhstan and Uzbekistan. If accurate, this missed strategic opportunity for

the United States to take the lead amongst the world's major powers in recognizing the increasingly tight interlinkages between Central Asia and Azerbaijan could be said to be quite unfortunate (to speak euphemistically).

International platforms have also been actively utilized by the sides involving external partners and friends including Türkiye, Georgia, Hungary, and the GCC. "Azerbaijan and the countries of Central Asia are bound by centuries-long historical and cultural ties. Azerbaijan and Central Asia represent a single historical, cultural, and geopolitical space, with increasing strategic significance." So said Aliyev during his welcome speech at the first Summit of Heads of States of Members of the United Nations Special Program for the Economies of Central Asia (SPECA) Summit held in Baku on 24 November 2023. The attendance of the prime ministers of Georgia and Hungary, as well as the GCC Secretary-General, as guests of honor, indicates the readiness of all six C5+AZ presidents to involve and engage in pragmatic and economically beneficial cooperation with "middle powers" from the world.

Another piece of evidence of the veracity of this assessment is the

fact that Aliyev for the second time participated in the SCO Summit in July 2024. Yet another is the fact that he has been invited to participate in the 2025 Central Asia-GCC Summit.

### *The Turkic Dimension*

The final piece of the regional puzzle is the Organization of Turkic States (OTS), perhaps the Silk Road region's most emblematic regional (let the term be understood here in a broader sense) platform, notwithstanding the obvious limits of such a statement (e.g., as an organization based on ethnic identification, it is highly unlikely that three core Silk Road region states—Armenia, Georgia, and Tajikistan—will ever join it). Its member states are Azerbaijan, Kazakhstan, Kyrgyzstan, Türkiye, and Uzbekistan—with Hungary, Northern Cyprus, Turkmenistan, and the Economic Cooperation Organisation (ECO) as observers. Still, unlike virtually all other regional cooperation (or minilateral) formats where at least a majority of the members belong to the Silk Road region, this is the only one that is structured institutionally in more or less the usual way.

Its members all seem to share at least two basic precepts

(“brotherhood” and “optimism”) with regards to the OTS. I will use two lengthy quotes by Aliyev to put these forward because I know of no better summary statements or writings that brings all this out succinctly.

The first quote, which is taken from Aliyev's 14 February 2024 Inaugural Address, speaks to the “brotherhood” precept:

We have no other family. Our family is the Turkic world. If anyone thinks that we should look for a family elsewhere, I can say that we are not welcome anywhere else, and they are not even concealing this anymore.

The second, which he exclaimed at the Global Media Forum in Shusha on 20 July 2024, speaks to the “optimism” precept:

Our geography is huge, natural resources, delivery routes, our growing influence. [...] [A]ll these factors clearly show the potential of our Organization, and by strengthening the unity, we should turn the Organization of Turkic States into a worldwide power center. Today, there are numerous international organizations: some are in crisis, some are in decline, whereas the Organization of Turkic States is on the rise. This ascent should be comfortable and will be achieved with joint efforts.

Whether Turkic world leaders under the auspices of the OTS or

bilaterally or anything in between (regular trilateral meetings at various levels, many involving Türkiye, are a favorite format), they gather with these (and perhaps others) in mind.

An informal OTS Summit took place in Shusha on 6 July 2024 and further demonstrated the unity of purpose described above. The heads of state adopted and signed several important documents, including the Karabakh Declaration, which offers a comprehensive and (surprisingly for this type of document) pretty concrete vision for the future of the OTS region (it more or less corresponds to the Silk Road region).

Passages address the importance of optimizing and digitalizing transport and transit procedures; advancing digital government (e-Government) infrastructures; harmonizing e-signature/digital signature mechanisms for electronic document sharing; fostering common cybersecurity protection measures against cyber-incidents and cyber-attacks; and building Artificial Intelligence

(AI) policies, guidelines, and partnerships.

But the OTS is not a regional panacea. It will not subsume or incorporate or force out all other platforms and modalities of cooperation. Consider, in this context, that just a few weeks after the Shusha OTS summit, the first-ever military exercise (“Birlestik-2024”) involving the operational and tactical

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*The big picture takeaway here is that C5+AZ can be considered a “paradigm shift” for the geopolitical balance of the Silk Road region.*

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command and staff of the militaries of Azerbaijan and four Central Asian states (Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan) took place in Kazakhstan—and they took place

without the participation or involvement of any external powers (they also did not involve Türkiye, although Turkish troops have participated in various military exercises with Azerbaijan and several Central Asian states).

This development in regional cooperation is significant because it indicates an expansion into the security dimension, which will further both strengthen and deepen trust between the participants. The conduct of this military exercises against the backdrop of the Silk

Road region's increased geopolitical and geoeconomic importance, provides the strategic context of this development.

The big picture takeaway here is that C5+AZ can be considered a “paradigm shift” for the geopolitical balance of the Silk Road region. This political concert of countries that shares a common history, ethnicity and language, cultural ties, and so on, is driven forward not only by the “brotherhood” precept, but also by the “optimism” one. And this, in turn, suggests that both pragmatism and shared strategic interests predominate.

First, they hold in common a strategic foreign policy outlook, as manifested by their concerted pursuit of regionalism and multi-vectoralism against the backdrop of heightened great power rivalry across the Silk Road region.

Second, this rapprochement is obviously pushed forward by common strategic economic interests and intercontinental logistical projects. In today's complex geopolitical conditions, Azerbaijan and the Central Asian states are perfectly located at the intersection of international flagship connectivity projects, including

the Middle Corridor (Trans-Caspian International Transport Route, or TCIT), the Belt and Road Initiative, the International North-South Transport Corridor, and the European program for the development of organization and conduct of communications. C5+AZ are, together, seizing an excellent opportunity to capitalize on international interest in developing and investing in alternatives to existing Western-dominated maritime routes and the Russia-dominated Northern Corridor trade route. All the major external players seem to understand the strategic advantages of driving connectivity through TCIT.

The strategic focus on TCIT, in particular, which has gained tremendous significance since February 2022, has had as an unintended consequence the acceleration of cooperation between all the three countries located on the route (Kazakhstan-Azerbaijan-Türkiye) but also beyond, more broadly, within the Silk Road region (including Georgia, Kyrgyzstan, and Uzbekistan). After all, the title of the high-level economic forum that was held during the SPECA summit in November 2023 in Baku was titled, “Transforming the SPECA Region Into a Global Communication Hub.” <sup>BD</sup>



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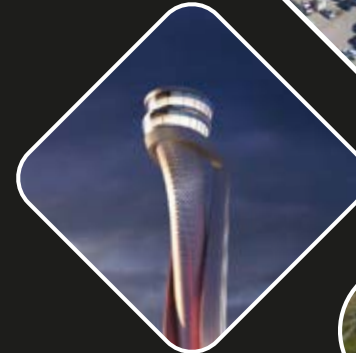
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# BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION