

Assessing Western Policy in the Caucasus: Challenges and New Opportunities

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Abstract

After the collapse of the Soviet Union, the South Caucasus states gained independence and entered a period of consolidation, benefitting from the advantage of their rich energy resources. This study emphasizes the partnerships they developed with Western countries during this process. It brings together the agreements signed with Western powers and the transport corridors that enabled stable trade relations. The article also discusses the political and economic tensions Western states faced in the South Caucasus, as well as the investments planned for the future. In particular, it highlights the role of Western investments in Azerbaijan and their impact on import and export levels. Furthermore, the paper examines how Western actors contributed to Azerbaijan's development and to the broader goal of maintaining regional economic stability following the dissolution of the Soviet Union.

Keywords: Azerbaijan, South Caucasus, Energy Cooperation, European Union, Zangezur Corridor, United States, Economic Policies

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Introduction

The high-level summit convened in Washington, under the auspices of the United States and with the voluntary mediation of President Donald Trump, marked a turning point in the South Caucasus by bringing peace between Azerbaijan and Armenia after thirty-five years of conflict. This historic development was formalized with the signing of the Peace Treaty by the presidents of Armenia and Azerbaijan, under Trump's role as a Peace Envoy. Hosted by the United States, the summit officially initiated the peace process in the South Caucasus. With the anticipated amendment of Armenia's constitution, the resolution of the Nagorno-Karabakh issue is expected to advance. Furthermore, the Trump Road Project -commonly referred to as the Zangezur Corridor-was introduced under the name TRIPP (Trump's Route for International Peace and Prosperity), symbolizing the beginning of a new era. This paper will focus on the trajectory of developments from the past to the present within this newly emerging context.

Following the end of the Cold War, the South Caucasus states-Azerbaijan, Georgia, and Armenia-emerged as independent sovereign countries striving to develop their economies and strengthen their political systems. The greatest driver of their economic progress has been their resource-rich territories, particularly in oil and natural gas. Having established themselves in the international arena, these states recognize the importance of cooperation with regional powers. The collapse of the Soviet Union altered the balance of power and created new dynamics of competition.

In this context, the European Union introduced its *European Neighborhood Policy* to engage with non-member states in its immediate vicinity. Among these "neighboring countries" are the South Caucasus states-Azerbaijan, Georgia, and Armenia-alongside Belarus, Ukraine, Moldova, and the Central Asian republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). Due to their geographical position and abundant energy resources, the South Caucasus has historically attracted the attention of global actors. Western states, therefore, have sought to project their soft power in the region, framing it as a means of fostering prosperity and stability.

This paper specifically examines Western policies in the South Caucasus through the lens of Azerbaijan. By doing so, it aims to evaluate the purpose and direction of EU-Azerbaijan relations. Particular attention is given to the role of the Karabakh conflict in Azerbaijan's contemporary politics, its significance from the perspective of the EU, and the functioning of energy-centered cooperation that extends beyond the framework of the Neighborhood Policy. The study also considers the geopolitical implications of the Zangezur Corridor, analyzing the process through which control over the corridor was transferred to Azerbaijan and assessing its strategic value.

As one of the most important natural gas transit states in the South Caucasus, Azerbaijan plays a critical role in regional energy security. This article explores Azerbaijan's function as a key energy carrier, the advantages that the Zangezur Corridor provides both to the country itself and to Western states, and its growing importance as an alternative to Russian oil and gas supplies.

Furthermore, the paper reviews international transport corridors developed between Western states and Azerbaijan from the post-Cold War period to the present, with a focus on trade flows and economic indicators. It also highlights how partner countries have supported each other through investments and company establishments, as well as the challenges encountered in negotiating transportation corridor agreements with external actors such as Iran and Russia.

Literature Review

According to Koca, the South Caucasus is largely under the influence of Russia, and petroleum and natural gas reserves have been examined using statistical data. The study also discusses which foreign companies have invested in the extraction and operation of Azerbaijani oil. Furthermore, the agreement on shared oil fields was reviewed by the Azerbaijan International Operating Committee (Koca, 2019). Serin, states that after the South Caucasus states gained independence from Soviet influence, they began to attract the attention of Western states, as well as Russia and Iran. While the role of the EU and the US in the region increased, Russia viewed both the northern and southern parts as one integrated region that needed to be kept under its sphere of influence for national security reasons. The prospect of transporting Azerbaijani oil to Europe through pipelines caused significant concern for Russia (Serin, 2023). Caferov and Aslanlı highlight that from the post-Cold War period until 2008, the South Caucasus became a focus of interest for Western states. They emphasize that the US sought to strengthen its influence in the region, while Russia considered the South Caucasus its “backyard,” thus perceiving American expansionism as a threat. The study also points out that the US faced reservations due to Russia’s aggressive responses. Additionally, it discusses Russia’s discontent with the replacement of its military bases in the region by American military installations (Caferov & Aslanlı, 2016).

Özsoy focused on the activities of the Middle Corridor. The study mentions Azerbaijan’s inclusion in the Middle Corridor. It emphasized the role of the Baku–Tbilisi–Kars railway and the Baku ports in the development of trade (Bayramov, V., Safarova, G., Garajayev, M. (2023). This East–West and North–South integration, which will extend to China, will strengthen inter-state connectivity; therefore, more attention is being paid to Azerbaijan (Özsoy, 2024).

Açıkmeşe in the post-war period, the EU organized socio-economic aid programs and laid the foundations for structural stability. Projects were implemented to ensure the development of Azerbaijan and other South Caucasus countries. Through the European Security Strategy, the EU became more engaged in the South Caucasus, and with Russia’s rejection of participation, the EU increased its role over these countries (Açıkmeşe, 2011). Tiryaki examined the bilateral relations between the EU and the South Caucasus states. In its bilateral relations, Azerbaijan is considered to seek close cooperation with the EU and to shape its policies in favor of the EU. It is also forming common interests with the EU. Among the other South Caucasus states, those inclined to maintain close relations with the EU face challenges due to their underdevelopment and the impacts of the post-Cold War period, which are seen as creating negative effects for

Europe. The partnerships established include infrastructure projects developed with CIS countries to promote the development of sustainable energy. The study emphasized the EU's policies, shaped by the belief that by creating a "European Azerbaijan," it could protect it from wars and losses (Tiryaki, 2024). Hajikhalilov examined the EU's policies within the scope of the new neighborhood policy and the Eastern Partnership, noting that in implementing its policies in the South Caucasus, it encounters the historical influence of Iran, Russia, and Turkey in the region. After the war, the existence of occupied territories and the conflict between Armenia and Georgia obstructed the EU's objectives. However, thanks to the ENP, the EU has demonstrated its determination to achieve its goals with a firm approach through cooperation with Georgia and Azerbaijan, showing its interest in benefiting from the region's strategic features and resources. The article also analyzes the investments made (Hajikhalilov, 2022). Kurtbağ stated that EU enlargement began in the post-Cold War period, and while the states that separated from Soviet influence were adapting to the new order, the process of creating the new neighborhood policy within the framework of the enlarged Europe was addressed. It is explained how the political attitudes of the South Caucasus states and their neighborhood relations began to take shape within this framework, as well as the process of Europeanization and the issue of values. It is also noted that trade relations, cooperation, and the development of new markets, along with the establishment of transportation reforms and the financial and technical assistance provided by the EU, contributed to the national development of these countries (Kurtbağ, 2014). Elekberli in his article, examined the political, economic, and cultural cooperation between Azerbaijan and Germany. In economic cooperation, countries established business centers with each other. In terms of investments in industry and agriculture, the foundations were laid in 1993. Since then, they have been strengthening their trade relations. Strong ties have also been established with Germany in health and cultural fields. Germany has provided Azerbaijan with medicines and medical assistance. However, security relations did not go beyond the aid provided to war victims and refugees in the post-war period (Elekberli, 2018). Tok while discussing the economic dimension, drew attention to the field of trade as regional economies were integrated. Trade is an area that varies between countries depending on statistical data and levels of development. It was observed that each country had unequal values in its specific trade sector compared to others. After 2008, following the Eastern Partnership, the EU sought to activate its soft power in the South Caucasus in order to ensure stability and to be included in the multidimensional policies of the new regionalization, among which the security dilemma stands out. In order to meet security needs, efforts have been observed aimed at encouraging states to adopt democracy (Tok, 2018).

Ahmedov stated that the negative impact on Azerbaijan's economy during the period of uncertainty was due to the war with Armenia. Azerbaijan wanted to receive aid from the United States but was unable to obtain it. The Nagorno-Karabakh issue created tensions in U.S.–Azerbaijan relations. However, starting from 1993, with the signing of three agreements, U.S. companies began investing in Azerbaijan, which improved relations between the two countries (Ahmedov, 2013). Süleymanov, explained that after independence, Azerbaijan's relations with the IMF developed through structural adjustment programs. Following the establishment of independent and sovereign states, their favorable geopolitical location and oil reserves were utilized to support investments in oil extraction and processing, thereby increasing cooperation. Azerbaijan began receiving loans, many investment projects were carried out, and cooperation with financial institutions was established. A total of 61 projects were implemented with

financial and credit organizations. These also played a role in the development of trade and the stabilization of the exchange rate (Süleymanov, 2002). Yılmaz emphasized that the United States' plan for the South Caucasus countries was to prevent the newly independent states from falling under Russia's control. New projects were developed to connect the Caspian Sea to the Black Sea, and relations with Georgia were prioritized. After the events of September 11, relations with Azerbaijan further improved, focusing on the promotion of peace, capitalism, and democracy. However, during the Bush administration, relations were negatively affected, while in the Obama era, financial assistance was reduced (Yılmaz, 2018). Yahyayev highlighted that the EU carried out a three-year aid program for Azerbaijan called the National Indicative Program (NIP) to strengthen state institutions and ensure the protection of European human rights, and established the European Instrument for Democracy and Human Rights office. Azerbaijan also participates in NATO-led operations. The statements of the former European Minister of Foreign Affairs show that "while providing expert support to the governments in the Caucasus, it not only contributes to the economic and political development of these countries but also to Europe's own stability," demonstrating its alignment with the European Security Strategy (Yahyayev, 2022).

EU policies in South Caucasus

The European Commission allocates financial assistance to Azerbaijan with the dual purpose of enhancing security and strengthening judicial institutions that maintain ties with the EU, thereby contributing to financial stability. This support is channelled through the European Neighbourhood Policy, whose foundation rests on adherence to human rights law. The overarching goal is to encourage both social and economic progress in Azerbaijani society, primarily through the creation of employment opportunities. Implementation of this support began with the 2012 Azerbaijan Action Plan under the framework of the Neighbourhood Policy.

Through these efforts, the EU seeks to advance its strategic objectives of consolidating the Eastern Partnership and the Union for the Mediterranean. In terms of security, the policy also envisages preventive measures against potential threats, such as early warning systems and capacity building with partner countries to strengthen resilience against external risks. Alongside security cooperation, the partnership agreement extends to economic domains as well, depending on the specific requests of the participating states. The Commission and the High Representative regularly update the European Parliament and the European Economic and Social Committee on developments within this cooperation framework.

A central aim of the policy is to foster job creation and stimulate innovation. The Deep and Comprehensive Free Trade Agreements (DCFTAs) provide partner countries with access to the EU internal market by facilitating the free movement of goods, services, and persons, reducing customs tariffs, and promoting alignment with EU legislation. Moldova, Georgia, and Ukraine have already joined this framework, thereby expanding their access to EU markets, improving

investment flows, and accelerating economic growth. Special emphasis is placed on the development of small and medium-sized enterprises (SMEs) to ensure sustainable progress.

Both the EU and the United States, due to their energy-dependent economies, seek to secure alternative sources to ensure that their energy supply is sustainable and protected from external threats. Risks associated with potential disruptions to agreements with Russia have prompted the pursuit of alternative energy sources, one of which is Azerbaijan. Negotiations for Azerbaijan's participation in the TANAP project began in 2008, as part of the Southern Gas Corridor, aiming to transport Caspian Sea gas resources to European markets. These projects have strengthened Eastern Europe's relations with the South Caucasus and contributed to the continuation of its expansionist policies.

Map 1: TANAP Project



Reference: The European Union's Energy Security and the Importance of the Southern Gas Corridor-ANALYSIS, <https://aircenter.az/en/post/the-european-unions-energy-security-and-the-importance-of-the-southern-gas-corridor-analysis-588>

Energy policies are inherently dynamic, often influenced by external factors and corporate decisions, and energy-exporting countries tend to pursue their own national interests. Since the end of the Cold War, Azerbaijan-West relations have gradually strengthened through indirect cooperation. In the post-Cold War era, the European Union established diplomatic relations with Azerbaijan, supporting its independence movements and attempting to fill the geopolitical space left by the former Soviet Union. Partnership agreements were signed under the framework of the Maastricht Treaty.

Azerbaijan's strategic location, coupled with its significant oil and natural gas reserves, has made it a country of considerable importance for the EU. As a result, various EU-Azerbaijan companies and initiatives have positioned the country as a preferential partner. Trade regulations between the EU and Azerbaijan have also been adjusted, leading to a reduction in import restrictions. Programs previously known as ENPI, and later revised as ENI in 2014, have been used as tools to advance the Eastern Partnership, particularly as part of initiatives aimed at revitalizing the Silk Road project. A primary underlying objective of these initiatives is to reduce

Azerbaijan's dependence on Russian influence. Projects such as TRACECA are intended to help achieve this balance, mitigating Russian and Iranian control over Azerbaijan.

From Azerbaijan's perspective, the EU serves as a stabilizing buffer in this geopolitical balancing process. Compared to Russia, the EU approaches human rights and democracy with greater emphasis, which Azerbaijan has leveraged to play a constructive role. The EU's desire to maintain strong ties with Azerbaijan is driven by multiple factors: opening transit routes via the Caspian Sea, securing access for the Eastern Partnership, and utilizing Azerbaijan's abundant natural resources. Establishing alternatives to potential threats from Russian imports is a strategic advantage. Furthermore, the EU positions itself as a responsible actor in regional security, emphasizing proactive measures to ensure long-term stability. Azerbaijan's strategic position has attracted the attention of multiple powers, including the United States and China; however, this discussion focuses on Western engagement.

Following this visit, an energy agreement known as Contract of the Century was signed, focusing on oil and natural gas. After its execution in 1994, it drew significant international attention to Azerbaijan. Through Contract of the Century, the transportation of oil from Turkmenistan and Kazakhstan to Turkey and Europe via Baku was facilitated through SOCAR. This agreement was signed on September 20, 1994, by six countries and ten oil companies and was ratified by the National Assembly of Azerbaijan, thereby coming into effect.

After the signing of the Contract of the Century, the shares were allocated as follows, highlighting that U.S. companies received the largest portion:

Table 2. Shareholding oil companies of the Agreement of the Century

a. BP – 30.37%
b. SOCAR – 25%
c. Unocal – 10.3%
d. Chevron – 9.57%
e. INPEX – 9.31%
f. Statoil – 8.56%
g. ExxonMobil – 6.79%
h. TPAO – 5.73%
i. Devon – 5.62%
j. Itochu – 3.65%
k. Amerada Hess – 2.72%

References: https://azerbaijan.az/en/related-information/132?utm_source

The agreements on oil production and exploration led to a notable increase in investments in Azerbaijan. Foreign direct investment expanded, and lending by financial institutions also rose. Revenue growth in the oil sector and any price adjustments are influenced by international tensions or potential conflict threats, but Azerbaijan has often benefited economically from these volatile situations (V.Bayramov, G.Abbas, 2017; V.Bayramov, L.Orujova, 2017).

Europe-Caucasus-Asia Transport Corridor (TRACECA)

The European Commission launched the TRACECA initiative in 1993 during a conference in Brussels with the participation of Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. The primary objective was to foster closer political and economic ties between Europe and the newly independent states of the Caucasus and Central Asia. Over time, TRACECA has evolved into an international organization comprising 14 member states. Its executive body, the Permanent Secretariat of the Intergovernmental Commission (IGC), is headquartered in Baku, Azerbaijan, underscoring the country's pivotal role in the project.

Statistical data provided by the State Statistical Committee of Azerbaijan demonstrates the scale of the corridor's significance: in 2021 alone, the volume of cargo transported through the Azerbaijani segment of the TRACECA route reached approximately 10,176.2 thousand tons. These goods were carried by rail, road, and maritime transport, indicating the multi-modal nature of the project. Furthermore, external support has contributed to the corridor's development; for example, the United States has allocated nearly 900 million USD in assistance to Azerbaijan in support of TRACECA's implementation (Üzümcü & Akdeniz, 2014).

In terms of scope, TRACECA encompasses a vast geographical area and stands out as one of the most ambitious alternatives to existing Eurasian transport routes. The project envisions a railway connection extending to Azerbaijan, from which goods are transported across the Caspian Sea and further linked to Turkmenistan and Kazakhstan by rail. For Central Asian states, this corridor provides an avenue to strengthen trade networks with the Far East. In essence, the initiative aims to revitalize the Historic Silk Road, not only as a transit corridor but also as a catalyst for broader regional integration.

Beyond its strategic significance, TRACECA generates opportunities for economic growth and employment. The project creates a favorable environment for investment in logistics companies, storage facilities, freight forwarding enterprises, and customs services. Long-term benefits are also anticipated in sectors such as railway and trucking operations, ship maintenance and pilotage services at ports, cold storage, supply chain management systems, and infrastructure development. These investments collectively enhance the corridor's role as a driver of regional economic modernization.

Nevertheless, TRACECA's development is not without challenges. Emerging as a competitor to Russia's Northern Corridor, the so-called Middle Corridor still faces structural constraints. Despite relatively strong infrastructure, it is slower in transit time and more expensive in terms of operational costs. Financing remains dependent on national budgets and international loans, while political and military tensions in the region—particularly between Iran and Armenia—pose additional risks to corridor stability. Scholars argue that the success of TRACECA depends not only on physical infrastructure but also on the political willingness of member states to deepen cooperation and transform their geographic position into a source of geopolitical advantage. Strengthening collaboration across borders will therefore be essential for reducing obstacles and improving the overall efficiency of the corridor.

Map 2: Trans-European-Trans-Caucasian-Trans-Asian Transport Corridor (TRACECA)



Reference:

<https://www.kgm.gov.tr/Sayfalar/KGM/SiteEng/Root/Gdh/InternationalProjects/TRACECA.aspx>

The Zangezur Corridor in Azerbaijan's Geopolitics

During the Second Karabakh War, which lasted 44 days between Azerbaijan and Armenia beginning on September 27, 2020, the Zangezur Corridor came under Azerbaijan's control. This corridor carries significant strategic importance, as it will link distant China to the West. Central Asian states, whose economies were negatively impacted by the Russia–Ukraine war, view the activation of this corridor as an opportunity to open new trade routes. In this process, Azerbaijan plays the central role. In 2022, the European Union announced its plan to send a mission to Armenia within the framework of border delimitation efforts between Armenia and Azerbaijan.

Referring to the UN Charter and affirming respect and commitment to the 1991 Alma-Ata Declaration, Article 9 of the agreement signed after the war stipulated that the corridor connecting the Nakhchivan Autonomous Republic to Azerbaijan must be cleared of mines. As of August 2025, during the meeting at the White House between Trump, Aliyev, and Pashinyan, a peace agreement was signed, setting the final decision for the opening of the Zangezur Corridor. Otherwise, without Armenia's acceptance of peace conditions, stability in the South Caucasus

would not have been possible. In the meeting, Ilham Aliyev outlined Azerbaijan's conditions: (1) Armenia must amend its constitution, as it still identifies Karabakh-an Azerbaijani territory-as part of Armenia; (2) the Zangezur Corridor must be opened.

The road, described as the "Trump Road," will connect Azerbaijan to Nakhchivan through Armenian territory, with control of the Zangezur Corridor transferred to Azerbaijan. In 2025, while construction is actively underway, clearance operations are still ongoing. A system is being developed in which Armenia will have no control over the corridor.

In the 2025 International Prosperity and Peace Route talks, the United States was granted exclusive development rights to operate the corridor under commercial conditions. These developments demonstrate the U.S.'s broader consolidation of influence in the South Caucasus. Through Trump's mediation in the peace agreement between Armenia and Azerbaijan, the U.S. also strengthened its position in the region vis-à-vis Russia, Iran, and China. To further advance the Zangezur Corridor, Trump introduced the Trump Peace and Prosperity Route (TRIPP), under which the United States was granted 99 years of exclusive rights. This initiative aimed to link the Nakhchivan Autonomous Republic to Azerbaijan without Armenian interference.

With the opening of the corridor, a major trade and travel route will be established between Central Asia, Europe, Russia, and Iran, thereby reducing Europe's dependency on both Russia and Iran. Following Trump's mediation talks, on August 22 Turkey also announced its involvement in the project, with the Minister of Trade Infrastructure and Transport, Uraloğlu, confirming that work had commenced. The U.S. initiatives for peace through the Zangezur Corridor have additionally attracted support from neighboring states.

The corridor will be connected from Azerbaijan's Horadiz city by road and railway, passing through Nakhchivan and extending into Armenian territory, ultimately linking to Turkey via the Kars-Iğdır route. It has also been decided that no customs or border checks will take place on the corridor. The Baku-Tbilisi-Kars railway increased its capacity from 1 million to 5 million tons in 2024, and as of May 20, 2024, this capacity has been fully operational.

U.S. support for Azerbaijan is not new but rooted in earlier periods. Since 2016, Azerbaijan and the United States have maintained bilateral relations through visits and agreements, with 86 treaties signed between the two countries to date. Azerbaijan exports natural gas, oil, pharmaceuticals, and agricultural products to the U.S., while importing cars, aircraft and their parts, pipes, and related components. In 2020, the trade turnover between Azerbaijan and the U.S. amounted to 660.8 million USD. The U.S.-based Caspian Dictatorship Center has also emphasized that the corridor's opening will accelerate trade networks among countries and ensure time efficiency.

As a central regional hub, Azerbaijan is expected to benefit from these developments by reducing costs in the aviation sector and achieving growth in agriculture and logistics. At the 2022 Shusha Conference, President Aliyev highlighted these potential benefits. Furthermore, Azerbaijan's

Minister of Energy, Shahmuvozt, announced plans to create an energy corridor from the Caspian Sea to Turkey, indicating upcoming transformations in the energy sector. For both the European Union and the United States, these projects will provide significant opportunities in terms of energy security. Thus, this cooperation may be regarded as the beginning of a new era in the energy sector.

Trade Cooperation between the European Union and Azerbaijan

Trade relations between the European Union (EU) and Azerbaijan were formalized in 1999 through the Partnership and Cooperation Agreement, which eliminated trade quotas and established a tariff-free framework. The EU represents a major trading partner for Azerbaijan, accounting for 41.02% of its total trade. Within this trade, Azerbaijan's exports to the EU constitute 63.3%, while imports from the EU make up 13.2%.

The European Union's partnership with Azerbaijan primarily aims to enhance the quality of life for its citizens and to provide a standard of living consistent with advanced development levels. Between 2007 and 2013, this collaboration was implemented through the ENPI (European Neighborhood and Partnership Instrument) program, which was replaced by the ENI (European Neighbourhood Instrument) for the 2014–2020 period. To support Azerbaijani companies with financing and access to new export markets, the EU introduced the AB4Business initiative. Over the past decade, Azerbaijan has participated in 26 ministry-level and 46 public institution matching projects, benefiting from the EU's technical expertise and knowledge base.

In return for these cooperative efforts, Azerbaijan contributes approximately 5% of the EU's gas imports, transporting Caspian natural gas to Europe through the Southern Gas Corridor. The country's Baku port and the Baku–Tbilisi–Kars railway provide a strategic link connecting East and West, as well as North and South. The EU invests in this vital free trade region, supporting the modernization of regional economies and promoting sustainable development. By fostering dialogue among countries and developing trade networks, the EU ensures integration into the global trade system. Small and medium-sized enterprise (SME) support programs are implemented to encourage research and innovation, which also influence Azerbaijan's non-energy sectors.

Programs such as Horizon 2020 and COSME further contribute to developing Azerbaijan's knowledge economy. The EU's engagement with South Caucasus states reflects its belief that more developed societies promote trade, strengthen human rights initiatives, ensure environmental reliability, and achieve long-term economic growth and diversification.

Currently, Azerbaijan exports gas to ten European countries. Trade between Azerbaijan and the EU reached 20 billion USD in 2024, and an upward trend has been observed since the early

months of 2025. In Azerbaijan's foreign policy, the 2022–2026 State Program on Social and Economic Development emphasizes the growth of non-oil actors (Azerbaijan Ministry of Foreign Affairs, 2022). The EU's core objective is to increase and diversify export factors. By expanding its policies on the free trade economy, the EU and Azerbaijan have created a framework for mutually beneficial cooperation. For Azerbaijan, underlying motivations include enhancing energy efficiency and improving employment productivity.

The EU-Azerbaijan Neighborhood Policy Perspective

The European Union's neighborhood policy serves as a partnership framework encompassing Eastern Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine, and southern neighbors such as Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, and Tunisia. In the post-Cold War era, newly independent states faced security dilemmas, and through its neighborhood policy, the EU sought to maintain regional security and ensure a stable welfare order.

For the Caucasus region, the EU appointed representatives and became increasingly attentive to Azerbaijan's geopolitical significance, especially following Georgia's Rose Revolution. The EU promotes the principles of a single market and free-market reforms, although it does not provide Schengen visas. It offers only limited facilitation measures to Azerbaijan. With the launch of the Eastern Partnership Policy in 2008, a free trade area was established, and efforts were undertaken to transport Azerbaijani energy to Europe. Relations between the EU and Azerbaijan have strengthened steadily over time.

By 2019, the Nagorno-Karabakh issue emerged in discussions with Azerbaijan, a non-EU member. While the EU supported the preservation of Azerbaijan's territorial integrity, its ability to intervene remained limited. In 2022, a Memorandum of Understanding was signed between the EU and Azerbaijan on strategic partnership in the energy sector.

Subsequently, by 2023, Romania began importing Azerbaijani gas, followed by Hungary, Croatia, Italy, and Slovenia in 2024, and later Bulgaria and Greece. MVM Group, Hungary's state energy company, invested in Azerbaijan and participated as an investor in the Shah Deniz project. Azerbaijan also pursued innovative approaches in green energy development. In the Shah Deniz project, MVM Group invested 5%, while the South Caucasus Pipeline Company invested 4%.

Through the neighborhood policy and Eastern Partnership initiatives, trade chains between countries expanded, increasing commercial exchanges. The EU, as Azerbaijan's largest gas importer, emphasized compliance with methane gas emission standards. It has been established that methane emission limits determined for 2030 must be adhered to.

U.S. Economic Cooperation with Azerbaijan

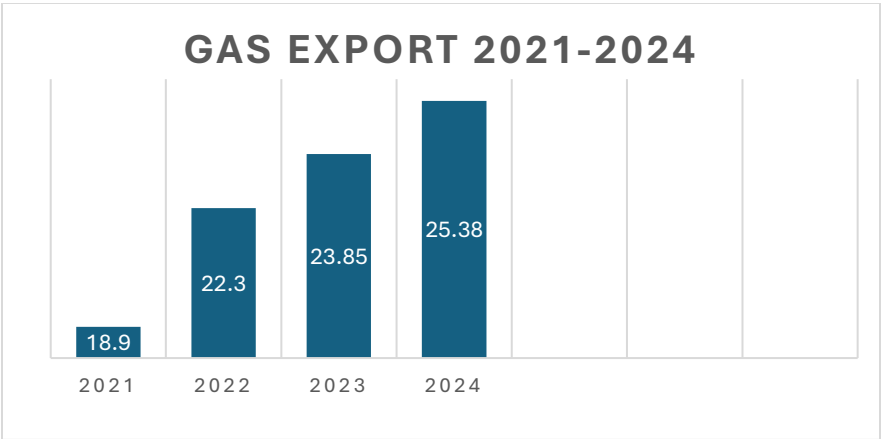
Following the end of the Cold War, the United States has maintained financial assistance to Azerbaijan through programs such as the Freedom Support Act, beginning in 1992. In 2002, Azerbaijan received \$700 million from the International Monetary Fund (IMF) and \$600 million in loans from the World Bank. These funds were implemented under supervision agreements and compliance programs, such as stand-by arrangements. The primary objective of these investments is to strengthen ties with states emerging from Soviet influence and to foster close relations with regional countries. By reducing Soviet-era influence, the United States aims to integrate these states into its peacekeeping strategy and establish control over regional dynamics.

The U.S. is concerned that newly independent states, if not supported, may fall under Russian influence. Another goal of U.S. policy, besides countering Russia, is to reduce Iran's regional influence. To achieve this, the United States supports the sovereignty of regional states and provides sustained economic assistance, thereby facilitating their development. Diplomatic visits, investment increases, and strengthened trade relations are key components of this strategy. EXXON MOBIL, the largest energy company in Azerbaijan, has established relationships with Chevron and ACE. In the field of engineering, Halliburton & Schlumberger are present.

In June 2022, the United States and the European Commission signed a memorandum of understanding with Azerbaijan, valid until 2027. The agreement aims to strengthen bilateral relations, increase investments in energy and infrastructure, and develop economic and trade cooperation. Through the Trans-Adriatic Pipeline (TAP), Azerbaijan announced that it would increase its gas transportation capacity to 20 billion cubic meters. In 2023, 11.8 billion cubic meters of gas were exported to Europe, with 12.9 billion cubic meters projected for 2024.

The Southern Gas Corridor, extending over 3,500 kilometers, transports natural gas from Azerbaijan to Europe, with a strong focus on decarbonization. Based on 2022 data, Azerbaijan produced 46.7 billion cubic meters of natural gas, exporting 22.3% of this volume. These figures demonstrate that Azerbaijan provides significant opportunities for Western states to access regional energy and natural gas resources. Over the years, official data from the Ministry of Energy of Azerbaijan illustrate the country's export capacity and growing role as a regional energy supplier.

Table 4. Gas Export



Reference: Ministry of Energy of Azerbaijan, <https://minenergy.gov.az>

The primary motivation behind U.S. investments in the region is Azerbaijan’s strategic significance. In 2025, the U.S. mediated the resolution of the Nagorno-Karabakh conflict to support the security, stability, and prosperity of Azerbaijan, which holds strategic value for the United States. The U.S. seeks to eliminate the security dilemma in the region, and as long as disputes persist, the area remains at risk. By positioning itself as a peace supporter, the U.S. has contributed to regional stability and played a key role in the development of bilateral relations. Research indicates that, given the majority of South Caucasus states are Muslim, strengthening ties with the Islamic world is a key objective. Both the U.S. and the EU aim to view the Caucasus countries as allies in the international arena, which is why they support their independence. Additionally, this region attracts attention from countries seeking to establish regional influence.

As a result of investments provided by Western countries, pipelines facilitating transportation have successfully connected East and West, as well as North and South. In 2022, an agreement was signed between Azerbaijan’s SOCAR and Kazakhstan’s KAZMUNAYGAS, allowing Kazakh oil to be transported via Azerbaijani pipelines. Transport capacity was estimated at 1.5 million tons in 2022 and projected to reach 2.2 million tons in 2024. By 2024, Turkey and Azerbaijan signed an agreement for the transportation of Central Asian gas to Europe.

From the COP29 perspective, Azerbaijan is advancing regionally through green energy initiatives. Similar to its role in oil, gas, and transportation, the country occupies a key position in regional energy projects. Romania, Azerbaijan, Georgia, and Hungary are collaborating to develop green energy that will be transported under and over the Black Sea to reach Azerbaijan and Europe. For this project, \$35 million in funding was secured from the World Bank and the European Commission. During implementation, care is being taken to ensure that the ecological balance of the Black Sea is not compromised.

Blue Gas and Azerbaijan's Middle Corridor to Europe

Through the 3,500 km-long Southern Gas Corridor, Azerbaijan has established a system that transports natural gas to Europe via Georgia and Türkiye, enabling the country to sell its oil and natural gas to 12 states. This dependence on Azerbaijani resources has increased international attention on the country. In 2022, with the signing of the Memorandum of Understanding on a Strategic Partnership in the field of Energy between the EU and Azerbaijan, Baku began exporting natural gas to European countries, as well as to Türkiye and Georgia, further solidifying its position as a reliable partner. Following this recognition as a trustworthy supplier, Azerbaijan also achieved positive developments in its relations with the EU and the United States, culminating in 2025 when U.S. President Trump, acting as a peace envoy, mediated the opening of the Trump Road project. Azerbaijan, as a major natural gas exporter, has thus gained a significant regional advantage.

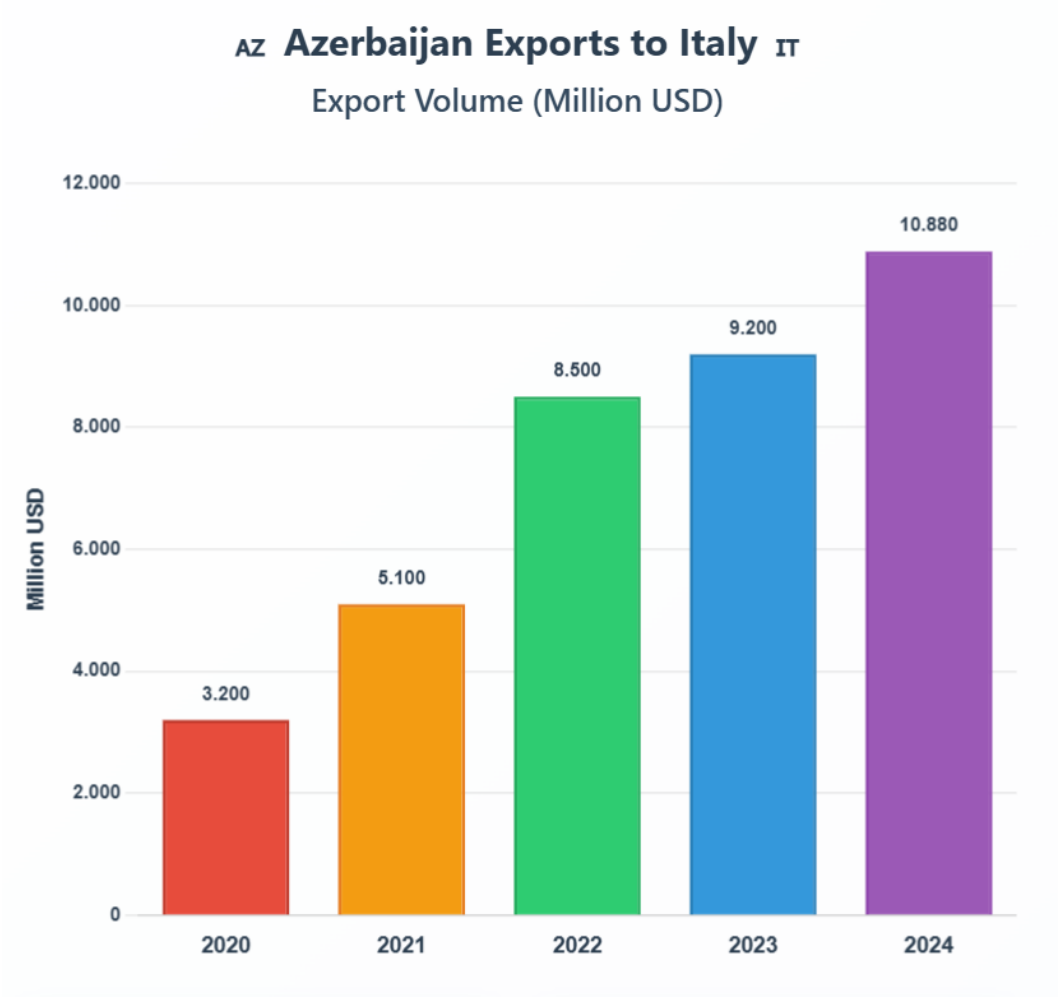
The Middle Corridor, which connects Asia and Europe, has become not only a platform for trade and economic cooperation but also a means of strengthening cultural ties. With its strategic location, Azerbaijan plays a key role in linking East and West. The Middle Corridor was designed as an alternative to the Northern Corridor to enable faster transportation. Although its current freight capacity is lower—estimated at 5.8 million tons annually—Azerbaijan managed to increase cargo transit by 90% between 2022 and 2025. The European Union benefits from this route primarily because of its shorter distance: while the Middle Corridor spans 7,000 km, the Northern Corridor stretches over 10,000 km.

The launch of this new route has created new job opportunities, established trade pathways, and supported business development. Key hubs of the Middle Corridor include Baku, Aktau, and Turkmenbashi. For landlocked Central Asian states that face difficulties in maritime transportation, the corridor offers a crucial outlet for trade. Linking the South Caucasus with Central Asia, the Middle Corridor is also considered part of the broader effort to revive the historical Silk Road. By enabling the EU to expand into new markets and providing a faster trading route, it has become a significant driver of regional economic growth.

Following the Russia–Ukraine war, the suspension of Russian gas supplies pushed European countries to seek alternative sources. In this context, Azerbaijan emerged as a strategic partner. While exports stood at 18 billion cubic meters in 2021, they surpassed 25 billion cubic meters in 2024. Azerbaijan currently exports natural gas to Georgia, Türkiye, Italy, Greece, Bulgaria, Romania, Hungary, and Serbia, and in 2024 it also began energy trade with Slovakia, thereby expanding its infrastructure and spreading its gas supplies further across Europe. With proven reserves of 2.6 trillion cubic meters of natural gas, Azerbaijan continues to strengthen its reliability as a partner. Italy is the European country with the closest trade relations with Azerbaijan. Italy has contributed to the project with the ENI-AGIP company while modernizing Azerbaijan's energy sector, showing interest in Azerbaijan's energy reserves. This has paved the way for attracting investors. Cooperation between Azerbaijan and Europe has increased with the South Caucasus Natural Gas Pipeline. Italy's role as a supporter of gas extraction in Shah Deniz, its sensitivity to renewable energy, and its relations with Azerbaijan in the field of green energy

are also of great importance. Azerbaijan is Italy's third largest energy supplier. The projects carried out are making significant progress in transportation and strengthening cooperation while putting the countries in a profitable position.

Table 5, Azerbaijan's exports to Italy

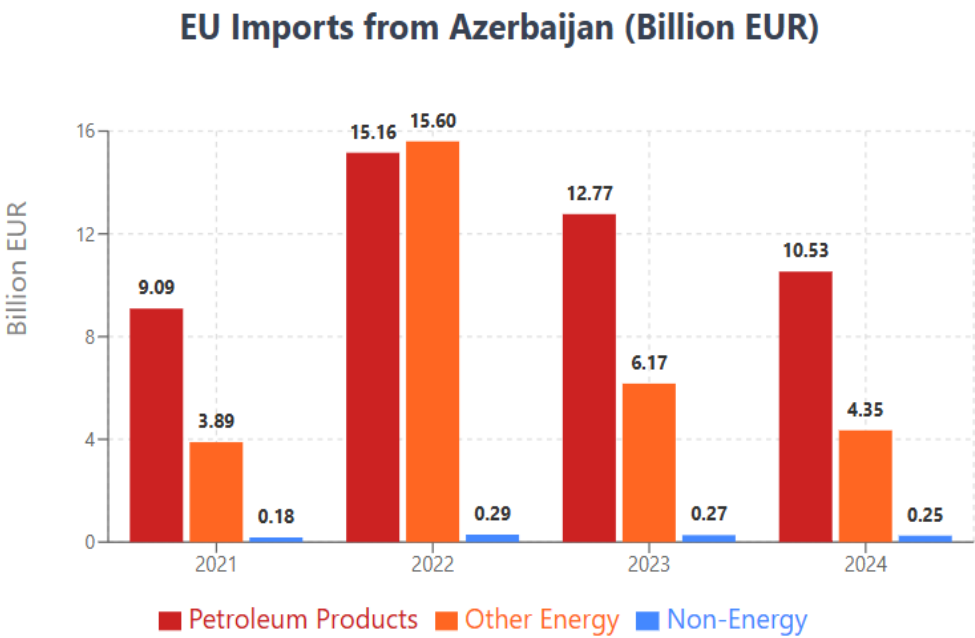


References , <https://tradingeconomics.com/azerbaijan/exports/italy>

Based on five years of trade data, the following table illustrates the EU’s import and export values with Azerbaijan.

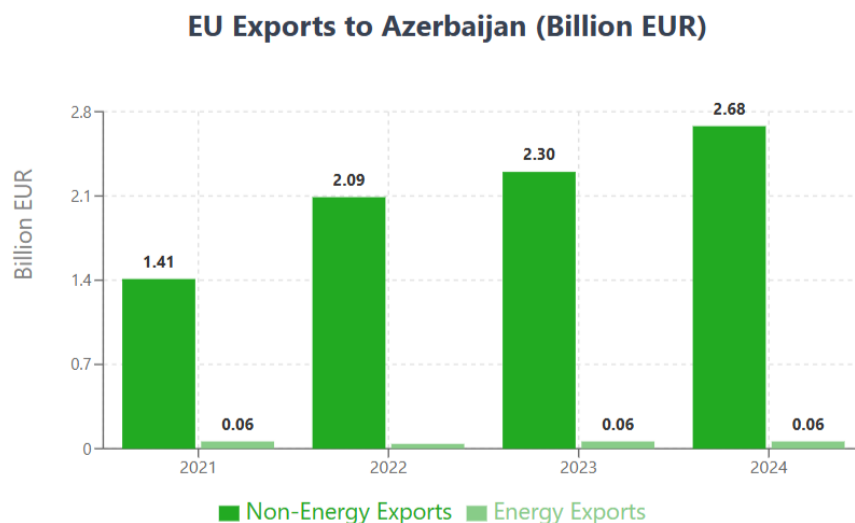
Table 6 ,EU- Azerbaijan Trade Relations

**EU-Azerbaijan Trade Relations: Energy vs Non-Energy
Breakdown**



References ; https://european-union.europa.eu/index_en

Table 7, EU Export to Azerbaijan



References,

https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_azerbaijan_en.pdf

Freight Transport through the Middle Corridor

The Middle Corridor stands as a central framework for international transportation, trade, and cultural interaction. It is regarded as a vital infrastructure project for the delivery of natural gas and oil—resources that are strategically significant for key countries in global commerce. Western nations have increasingly sought alternative markets for energy supplies in order to reduce their dependence on Russia. Following the outbreak of the Russia–Ukraine war, access to major energy sources became more challenging, prompting Western attention to shift toward the South Caucasus. Through the Middle Corridor, the economic and logistical ties between Western countries and the Caucasus have been reinforced, facilitating trade expansion and mutual cooperation.

This connection has allowed the sovereign states of the Caucasus to enhance their economies and deepen partnerships with Western powers. According to development plans extending to 2030, the share of railway transport in the Middle Corridor is expected to increase from 22% to 26%, which would raise overall freight capacity from 8% to approximately 13%. Around three-quarters of the goods moving through the corridor travel westward, meaning roughly 60% of trade flows toward Europe. Predominantly composed of oil and coal shipments, this route provides Western nations with an alternative trading outlet beyond traditional channels.

The European Union supports the Middle Corridor by financing technical studies and infrastructure projects that create a secure transport path independent of Russia, ensuring its own strategic interests. In addition, agreements have been reached to expand the ports of Baku and Kazakhstan and to establish regional logistics centers. Developments discussed at the Caspian Economic Forum underline that new economic transformations in the region followed the restoration of the corridor to Azerbaijan after the Armenia–Azerbaijan conflict, mediated by former U.S. President Donald Trump. Through the *International Path of Peace and Prosperity* initiative, Trump promoted new cooperation opportunities in energy and transportation across the South Caucasus. These developments have opened emerging business prospects that extend from the Caucasus to Europe.

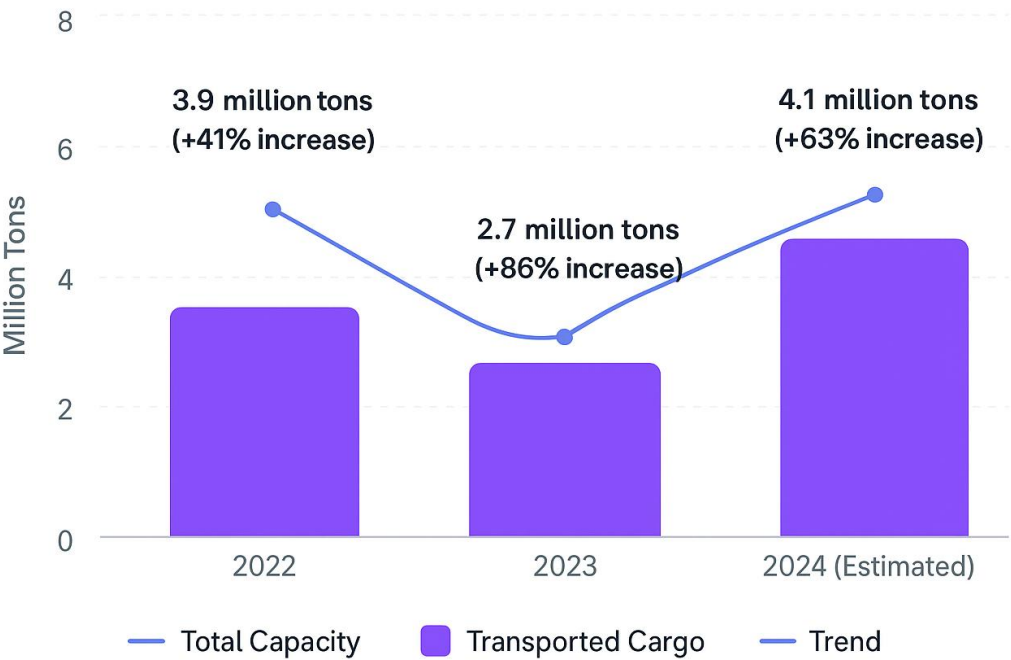
Research data indicate a steady rise in freight volumes along the Middle Corridor in recent years. When examined on an annual basis: 2022: 3.9 million tons (+41% increase), 2023: 2.7 million tons (+86% increase), 2024 (first 11 months): 4.1 million tons (+63% increase)

From 2021 to 2024, there has been a clear upward trend in the corridor’s capacity. The existence of the Middle Corridor has contributed to increased exports and facilitated the shipment of goods, enabling local producers to expand into foreign markets and enhance economic growth.

Additionally, the Middle Corridor and the Zangezur Corridor together form a significant trade route that connects the Persian Gulf to Europe. This project introduces new opportunities while the synergy between various corridors-particularly the Baku–Tbilisi–Kars pipeline further strengthens the Middle Corridor’s role in regional connectivity and trade.

Table 8 ; Annual Freight Transport Growth

Annual Freight Transport Growth



Challenges Faced by Azerbaijan in Cooperation with Western Countries

EU member states import the majority of the oil and natural gas they consume, with approximately 40% of annual gas consumption sourced from Russia. This dependence on external energy creates vulnerability, exposing the EU directly to crises in global politics. Historical events such as the 2006 Russia–Ukraine gas crisis and the 2019 Ukraine crisis disrupted oil prices and import stability, creating uncertainty within the European energy sector. In response, the European Energy Union emphasized the diversification of gas sources, highlighting the importance of developing renewable energy resources.

Both the EU and the U.S. seek alternative energy partners to mitigate these risks. However, Russia opposes such initiatives, aiming to maintain control over Caspian gas supplies and obstructing new projects. Western states, in contrast, focus on the strategic importance of Central Asia and the South Caucasus, emphasizing the region’s geopolitical location and abundant oil and gas reserves. Through regional support, energy and petroleum projects are pursued to reduce dependence on Russia. Sustainable energy initiatives are promoted, and energy community agreements have been signed to facilitate the resolution of energy disputes, support energy trade, and encourage corporate energy investments.

Iran, as an alternative energy actor, faces political tension with the EU and U.S., which has hindered regional energy cooperation. At the same time, Caucasus countries have drawn attention from Western states. The EU's Neighborhood Policy aims to create a security umbrella through agreements, establishing stable relations with regional states. Azerbaijan, through this framework, has formed strong connections with the EU as an alternative exporter, limiting Russian influence. The establishment of the ENP and the Energy Charter Treaty (ECT) after the Cold War aimed to improve energy efficiency, expand trade, and address environmental concerns. Azerbaijan's expectations from the EU include resolving the Nagorno-Karabakh conflict and aligning its interests with regional factors, although its priorities do not always coincide with those of other South Caucasus countries.

In 2017, the EU developed a partnership with Armenia through the CEPA agreement to improve citizens' quality of life and support cooperation. However, during the Nagorno-Karabakh conflict in September 2023, the EU was perceived as an Armenian supporter, calling on Azerbaijan to respect territorial boundaries and offering voluntary mediation. In August 2025, the U.S. voluntarily mediated peace, establishing mutually implementable policies between Armenia and Azerbaijan. Following this, Azerbaijan's territorial integrity enabled the advancement of the Zengezur corridor, while infrastructure improvements positioned the corridor as part of a Silk Road project extending to China.

Following the Nagorno-Karabakh war, the U.S. acted in Azerbaijan's interest during peace negotiations, ensuring that the Zengezur corridor remained under Azerbaijani control. This allowed trade routes to open while preventing Russian reliance through potential gas cooperation with Armenia. To counter Russian military pressure and economic competition, the U.S. invested in alternative pipeline projects, and political support facilitated overcoming obstacles. Although the BTC pipeline remains the most viable transport route for Western states, Russia has imposed certain restrictions. Nevertheless, the BTC pipeline has influenced regional policies and economic cooperation as far as Central Asia. Additionally, the TANAP and TAP projects have facilitated Azerbaijan's energy exports.

The EU's diplomatic head, Kallas, has announced plans to impose sanctions on Russia and aims to terminate Russian gas imports by 2028, following the Ukraine war. By reducing dependence on Russia, the EU strengthens trade relations with South Caucasus countries, balances relations with Russia, and mitigates the impact of expensive gas imports from Russia and Iran. The TANAP pipeline, extending to Italy through Turkey, is expected to lower costs in oil and gas transport.

Iran, a petroleum-rich country, opposes Western influence in the South Caucasus. Following the Cold War, unresolved issues in newly independent Caucasus countries threatened Iran's energy policies in the Caspian Basin. Azerbaijan's close relations with the U.S., Georgia, and Israel have strengthened Iran-Armenia ties. With the Zengezur corridor under Azerbaijani control, Iran faces potential limitations in accessing Armenia and Europe, reducing its regional influence and

risking the loss of dominance. Direct connections between Azerbaijan, Turkey, and Europe may sever Iran's economic and commercial ties, including access to the Black Sea. Consequently, Iran opposes and rejects new regional projects to maintain its influence.

Through Azerbaijan, the EU established energy connectivity via TANAP and TAP, effectively bypassing Iran and creating the Caspian–Turkey–Europe corridor. This weakens Iran's regional ties through Georgia, Azerbaijan, and Russia and prevents northward expansion. Iran attempted to support Armenia during the Nagorno-Karabakh war to block the corridor's transfer to Azerbaijan, but this political strategy failed, and the corridor returned to Azerbaijani control. Both Russia and Iran have been concerned about NATO establishing influence in the region. NATO's 2008 promise of future membership to Georgia and the 2011 candidate status reinforced Western objectives in the South Caucasus, which Iran and Russia perceive as a threat to regional security.

Moreover, the U.S. Ambassador to Azerbaijan from 2012 to 2014, to oversee energy transit corridors in the Caspian Sea, ensuring alignment with U.S. energy policies. By developing multiple pipeline projects, the U.S. sought to bypass Russian pipelines, investing in alternative routes. In 2004, the U.S. signed a project to transport Caspian and Middle Eastern natural gas to Europe via the Nabucco pipeline, with supplier countries including Iraq, Azerbaijan, Iran, Egypt, and Qatar. Iran later withdrew due to U.S. pressure and its refusal to supply gas. European countries continued agreements with Iran during this period. Negotiations for Nabucco continued until 2013 but were discontinued due to high costs in Greece and Italy, leading to the adoption of the Trans-Anatolian Natural Gas Pipeline (TANAP) project instead.

Conclusion

Western powers closely monitor the transportation routes of the South Caucasus states and integrate them into their strategic projects. For the European Union, transport in trade is a key factor within advanced economies, and by promoting common transport policies, the EU advances its expansionist agenda. As in the Middle East, the goal in the South Caucasus is to establish mechanisms of control and oversight, a pattern that can be observed throughout the article under review. Western states expand their influence primarily through the use of soft power, encouraging countries to align their domestic systems with democratic norms in order to create a political environment favorable to cooperation. As highlighted, safeguarding oil and energy security is central to these policies: in the event of political risks, preventive measures are linked with broader strategies to ensure control. Moreover, in times of potential conflict, Western actors aim to secure not only the flow of oil and natural gas from the Caucasus but also the uninterrupted circulation of renewable energy. With the gradual transition from fossil fuels to

sustainable energy, deliberate efforts are being made to foster the development of green energy sectors.

Another key objective of Western policy is to strengthen links between the South Caucasus and other strategically relevant regions, such as the Balkans and the Mediterranean. By doing so, they aim to support energy reserves and production capacities, which would both enhance regional development and increase levels of trade and cooperation with the West. Since Western countries remain heavily dependent on oil and gas, they encourage production in resource-rich states while expanding external trade partnerships to avoid shortages. Rail and port projects are actively promoted, forming transport links from Europe through the Caucasus and extending to China via the planned Silk Road initiative.

Russia, however, perceives these U.S.-led policies as a direct security threat. The fact that these projects bypass Russian territory and connect Europe to China more directly has prompted both Russia and Iran to resist such initiatives. Nevertheless, Western states continue to assert dominance, often responding with sanctions and other restrictive measures. The U.S., in particular, seeks to minimize Azerbaijan's reliance on Russian support and thereby diminish Moscow's influence in the region.

Several projects -including TRACECA, TACIS, ENPI, ENI, and INOGATE- demonstrate this approach, as they strengthen the ties between the EU and the Caucasus, increase international accessibility, and enhance both economic and cooperative relations. These partnerships are also expected to stabilize inter-state relations and reduce the risk of armed conflict. In parallel, the EU has been constructing comprehensive energy frameworks to expand energy exports through pipelines from the Mediterranean, the Caspian Sea, and the Black Sea. Since the Cold War, EU member states and the United States have intensified cooperation with Azerbaijan, recognizing its pivotal role as a regional hub. With its resource wealth and unique geographical position bridging Europe and Central Asia, Azerbaijan has consistently attracted Western attention.

While Azerbaijan has generally maintained a balanced approach between the West and Russia, by 2025 disputes over the Zangezur Corridor between Armenia and Azerbaijan reshaped regional dynamics. Russia reinforced its relations with Armenia, while the U.S. President voluntarily mediated, resulting in the corridor's allocation to Azerbaijan and its 99-year lease to the U.S. for development and operation.

At the same time, as Russia threatened to cut off natural gas supplies amid its conflict with Ukraine, Western states sought to secure alternative energy producers by fostering cooperation with Azerbaijan and other South Caucasus countries. This highlights Azerbaijan's growing geopolitical importance as a bridge between East and West and as a guarantor of commercial and energy flows. To strengthen its strategic relevance in the future, Azerbaijan should continue to pursue balanced partnerships and play an active role in regional projects. While Azerbaijan is not a candidate for EU membership, it deepens its relations within the framework of the European Neighborhood Policy and benefits from peaceful cooperation and development support from the

United States. Access to energy resources in the South Caucasus must ultimately be based on full regional cooperation, since transport corridors are inherently interconnected, requiring joint efforts and favorable economic conditions.

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