



The Rising Strategic Role of Azerbaijan in Euro-Asian Economic Relations

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Currently, energy and trade routes security is one of the major considerations at the global level. In the wake of the recent global events, the importance of energy resources is more likely to become a dominant matter which the global economy tremendously needs.

Energy supply to Europe, particularly to South and Southeast Europe depends on only one source. However, the European Commission is accelerating the economic diversification processes beginning with the gas routes in order to reduce the economic dependency. Hence, the EU has already held various talks with energy players such as Egypt, Qatar, the United States, South Korea, Nigeria, and Azerbaijan to increase natural gas supplies in the case of a gas crisis.¹

¹ <https://www.reuters.com/world/europe/eu-says-it-is-prepared-partial-disruption-russian-gas-flows-2022-02-15/>

Role of Azerbaijan and Turkey in EU Energy Policies

Recently, Azerbaijan has supplied gas to some of the EU countries, such as Italy, Greece and Bulgaria through the Southern Gas Corridor. One of the main advantages of utilizing this route is a diminished risk for a gas crisis and for variable prices' challenges. These show that the role of Azerbaijan as a gas provider and Turkey as a credible transit hub in European energy security will considerably increase in the short term.

It is officially accepted that Azerbaijan is a strategic energy partner for the EU and plays a pivotal role in bringing Caspian energy resources to the EU market. As an important energy partner for the EU, Azerbaijan is currently supplying around 5% of the EU's gas demand.² Thus, collaboration between Azerbaijan and the European Union, especially in the field of energy, is of a strategic nature.

Realized policies and mega projects

Certainly, the existing geoeconomic realities are the outcome of pursued long-term policies and implemented mega projects. Despite of all challenges, Azerbaijan and its partners have demonstrated their leadership roles and solid commitment during many cases in regional development projects, which aimed at the diversification and improvement of energy and logistics routes between Asia and Europe. For instance, the construction of the South Caucasus Pipeline (SCP) was aimed at exporting the gas from Shah Deniz to European continent through Georgia and Turkey. This energy corridor is undeniably unique project which natural gas of the Caspian Sea meets its consumers in European markets. Baku-Tbilisi-Ceyhan oil pipeline, Baku Tbilisi Kars railways, Baku-Tbilisi-Erzurum gas pipeline, Western Route Export Pipeline (oil), and other projects can be mentioned in this regard, too. Successful implementation of these projects and solid commitments aim generally at reestablishing the ancient Silk Road and developing the cooperation of regional countries.³

It is a visible fact that these projects have a considerable impact on the region's energy and trade maps and new players, such as Azerbaijan, are acting as strategic initiators and key implementers of the new geo-economic realities.

New Geoeconomic Realities and Perspectives

On March 8, the European Commission announced its plans that in 2022 will reduce the EU's dependence on Russian gas by two-thirds.⁴ Additionally, the EU and the United States struck an agreement on March 25 to increase US LNG shipments to Europe by 15 billion cubic meters before

² https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy/countries-region/azerbaijan_en

³ <https://www.dailysabah.com/opinion/2019/12/31/the-energy-silk-road-launched-the-ball-is-now-in-europe>

https://www.bp.com/en_az/azerbaijan/home/who-we-are/operations/projects/pipelines/btc.html

https://www.bp.com/en_az/azerbaijan/home/who-we-are/operations/projects/pipelines/wrep.html

<https://www.eurasian-research.org/publication/recent-developments-in-the-baku-tbilisi-kars-railway-project/>

⁴ <https://www.euractiv.pl/section/instytucje-ue/news/komisja-europejska-gaz-unia-europejska-ropa-rosja-ukraina-wojna-sankcje/>

the end of this year. Additional rises up to 50 bcm per annum, are expected in the years after that.⁵ At the same time, the utilization of renewable energy resources is a highly expected trend.⁶ However, it is obvious fact that those resources will not meet the full needs of the European consumers over the short term. Thus, the rising role of new energy routes will be one of the main trends on the European markets in the next period.⁷

In addition to above mentioned projects, on 28 November 2021, Azerbaijan, Iran and Turkmenistan signed an agreement to swap Turkmen gas. The size of the gas swap deal is up to 2 billion cubic meters per year.⁸ Diversification of gas routes and the availability of such agreements signed by Azerbaijan, Iran and Turkmenistan opens a new era for the exports of Caspian Sea energy resources to European markets. Therefore, by using its untouched gas reserve potential in the Caspian Sea, as well as by accessing to natural gas sources of the other Caspian Sea littoral countries, such as Turkmenistan and Iran, Azerbaijan has open tremendous perspectives to increase gas exports to Europe.

The importance of alternative trade and energy routes between Europe and Asia became more visible after the Evergreen ship crisis, Poland-Belarus border tension, and the imposing of brand-new sanctions on Russia. Currently, approximately 50 percent of the EU-related rail freight passes through Russia and Belarus⁹. Considering the sanctions over Russia, the shift of trade routes to the Middle Corridor through Azerbaijan, Georgia and Turkey is more likely to occur because it is the only viable alternative route connecting the West and East in the current situation¹⁰. Additionally, the implementation of the Zangezur Corridor may enhance the potential of energy and trade routes passing through Azerbaijan and Turkey. Obviously, the concept of Zangezur Corridor will create opportunities not only for the opening of the railway routes between Europe and Asia, but also for the operation of energy, roads, trade routes, airlines, electricity along this transport artery.

Consequently, the current processes show that the importance of energy and trade hubs in the Eurasian region will be even greater in the near future. Thus, the role of Azerbaijan as one of the key players, which has managed to establish effective and reliable relations with all economic partners and who has become an economic hub will be further expanded. This type of rising role of Azerbaijan in regional economic processes will urge all stakeholders and global players to be interested in the stable development of the geoeconomic and geopolitical contexts around Azerbaijan.

⁵ <https://www.theguardian.com/us-news/2022/mar/25/biden-and-eu-agree-landmark-gas-deal-to-break-kremlin-hold>

⁶ <https://jamestown.org/program/rhetoric-versus-reality-the-european-union-and-imports-of-russian-natural-gas/>

⁷ <https://jamestown.org/program/rhetoric-versus-reality-the-european-union-and-imports-of-russian-natural-gas/>

⁸ <https://www.aa.com.tr/en/world/iran-azerbaijan-turkmenistan-sign-gas-swap-deal/2433201>

⁹ <https://theloadstar.com/ukraine-invasion-will-impact-china-europe-rail-freight-and-push-up-rates/>

¹⁰ <https://top-center.org/en/analytics/3348/with-russia-and-iran-sanctioned-middle-corridor-has-a-chance-to-establish-itself-as-a-viable-route-in-the-east-west-trade>

<https://www.railfreight.com/beltandroad/2022/03/08/a-bypass-route-to-duisburg-is-this-the-new-normal/?gclid=...>