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Asia in 2021: In the grip of global and local crises

Edited by
Michelguglielmo Torri
Filippo Boni
Diego Maiorano

viella



CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

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The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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AZERBAIJAN 2021: TOWARDS A NEW BEGINNING?

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The Fall of 2020 represented a watershed in Azerbaijan's contemporary history, as a result of the victory in the «44 Days War» over Nagorno-Karabakh against Armenia, on the one hand, and the start of natural gas export to European markets through the EU Southern Gas Corridor, on the other. These events marked the culmination of decades-long processes, which shaped both Azerbaijan's foreign and domestic policy. Consequently, 2021 was characterized by Baku's attempt to open a new chapter in the country's post-Soviet evolution, in an ever-changing regional and international context. The attempt to put the Nagorno-Karabakh war behind meant investing on the rehabilitation and reintegration of the recently re-conquered territories, in the wider attempt to put forward new vision for regional development. Simultaneously, the inauguration of a gas export pipeline to south-eastern Europe propelled Baku to move towards a new phase in its national energy strategy, aimed at enhancing its role as critical EU supplier, while adapting to a possible post-oil development in the mid- and long-term. The article maintains that, in tackling a «new beginning», Azerbaijan seems stuck at a crossroads, still caught between the attempt to redefine its approach to both the dossiers and old habits and strategic thinking. This, in turn, may jeopardize the path towards a peace agreement with Armenia and endanger the long-term sustainability of a development model based primarily upon energy export.

KEYWORDS – Azerbaijan; Southern Caucasus; Nagorno-Karabakh war; EU Southern Gas Corridor.

1. Introduction

2021 may well be seen as the start of a «new beginning» in Azerbaijan's contemporary history, as a result of two timely overlapping events that occurred in fall 2020: first, the reconquest of much of the country's territory from Armenia in the 44 Days War over Nagorno-Karabakh. Second, the inauguration of the last segment of the European Union (EU) Southern Gas Corridor, allowing Azerbaijani gas export to reach European markets. The significance of the recalled developments cannot be overestimated, as they represent the culmination of decades-long processes that shape both Azerbaijan's domestic and foreign policy.

Indeed, since the military defeat in the 1992-1994 war at the hands of Armenia and the resulting occupation by the latter of the Nagorno-Kara-

bakh and seven surrounding districts, reaffirming Azerbaijan's full sovereignty over its internationally recognized territory became Baku's first and main aim in international politics. Thus, having recaptured the districts surrounding the enclave and having made significant inroad into the enclave itself, Azerbaijan managed to overcome its «mutilated sovereignty syndrome». It was a syndrome which had accompanied its post-independence path, incentivised by the inability of the main negotiating format – the so called OSCE Minsk Group – to broker a solution to the conflict.¹ At the same time, Baku did also manage to heal a perceived and long-time denounced injustice, resulting from the non-application of the UN resolutions requesting Armenian forces to withdraw from the occupied districts and urging the return of the hundred thousand internal displaced people (IDPs) caused by the conflict.² In the same vein, the December 2020 inauguration of the Trans-Adriatic Pipeline (TAP) marked the culmination of almost twenty years of regional energy politics, resulting from Brussels' attempt to diversify its gas supply network. As a consequence, the start of Azerbaijani gas flow along the EU Southern Gas Corridor sealed a new and outstanding role for Baku, emerging from the long and complex regional energy match not only as a new gas supplier to European consumers, but also as a (energy) security provider to the EU, thereby linked to the latter by a kind of political «steel umbilical cord».

The combination of the two events just mentioned represented a watershed in Azerbaijan's post-Soviet history, allowing the country to turn a new page in both its domestic and foreign policy. However, the resulting window of opportunity for Baku did not come free of challenges. The magnitude of change occurred in fall 2020 reflected itself in the magnitude of the tasks to be mastered in the short-, mid-, and long-term with the dual goal of leaving the Nagorno-Karabakh conflict behind once and for all and entering a new phase of energy development strategy. The aim of the article

1. Originating in 1992 from an initiative of the Conference on Security and Cooperation in Europe, the Minsk Group was established at the 1994 OSCE Budapest Summit. In 1997 the Group took its definitive and current form, consisting of a troika of co-Chairs – namely Russia, France and the United States – plus Belarus, Germany, Italy, Sweden, Finland, and Turkey as permanent members along with Armenia and Azerbaijan. For the Group's mediation effort, see Laurence Broers, 'Armenia and Azerbaijan. Anatomy of a Rivalry', Edinburgh: Edinburgh University Press, 2019, Ch. 9; For a critical Azerbaijani perspective on the Group's mediation see, e.g., Shamkhal Abilov, 'OSCE Minsk Group: Proposals and Failure, the View from Azerbaijan', *Insight Turkey*, Vol. 20, No. 1, 2018, pp. 143-163.

2. According to the first available UNHCR official data, at the end of 1996 Azerbaijan, which has a total population of 7.7 million, hosted 233,000 refugees coming chiefly from Armenia and 620,000 IDPs from Nagorno-Karabakh. Latest available data from the UN High Commissioner put the current IDP figure at 653,921. See UNHCR, *Refugees and Others of Concern to UNHCR - 1997 Statistical Overview*, Geneva: Statistical Unit United Nations High Commissioner For Refugees, 1998, p. 28; UNHCR, *Azerbaijan Fact Sheet*, September 2021, p. 1.

is to assess the state of the art of Azerbaijan's new beginning on both the above-mentioned grounds. It maintains that Baku seems to be still caught between old and new habits, unable for the time being to develop strategies radically different from those taken before.

The article proceeds as follows. First, it introduces the key parameters of Baku's foreign and domestic policy, intended to frame the changes occurred in fall 2020 in the wider picture of Azerbaijan's post-Soviet history. In turn, this will enable a better appreciation of the magnitude of the change brought by the above-mentioned fall 2020 events. Next, the article discusses the opportunities and challenges faced by Azerbaijan on the path leading to the full reintegration of the recently reconquered district surrounding the Nagorno-Karabakh enclave, as well as the state of the art of the negotiations with Armenia over normalization of the bilateral relations. Finally, the new phase of Azerbaijan's energy strategy is introduced and discussed in both its external and domestic dimensions.

2. *Deciphering Azerbaijan's foreign policy and the domestic-external nexus*

Azerbaijan, the most populous and wealthiest country in the Southern Caucasus, represents an almost unique case in international politics in the former Soviet Union area. Indeed, through the skilful management of the limited resources available to a minor power,³ Baku managed in escaping the «polarization trap» affecting most post-Soviet Republics, caught between the loyalty to the former metropolitan power and regional hegemon, Russia, and the attempt to pursue cooperation with Euro-Atlantic powers and multilateral *fora*. Instead, following a «balanced» course of foreign policy,⁴ Azerbaijan managed to develop sectorial yet significant cooperation with

3. On Azerbaijan positioning in the international power hierarchy: Gabriele Natalizia, 'Armenia, Azerbaijan e Georgia e la distribuzione internazionale del potere', in Gabriele Natalizia (ed.), *Il Caucaso meridionale. Processi politici e attori di un'area strategica*, Roma: Aracne, 2016, pp. 17-46.

4. The «balanced» foreign policy (*tarazlaşdırılmış xarici siyasət*), in spite of being a traditional and central tenets of Azerbaijani government's narrative, lacks a clear definition being merely portrayed as a foreign policy course which «seeks to establish friendly relations with all countries on the basis of universally accepted norms and principles of international law, such as respect for sovereignty and territorial integrity, inviolability of borders and non-interference in internal affairs». 'National Security Concept of the Republic of Azerbaijan. Approved by Instruction No. 2198 of the President of the Republic of Azerbaijan on 23 May 2007', *Zurich Center for Security Studies, Defense White Papers and National Security Strategies*, 2007. See also: Jason E. Strakes, 'Situating the "Balanced Foreign Policy": The Role of System Structure in Azerbaijan's Multi-Vector Diplomacy', *Journal of Balkan and Near Eastern Studies*, Vol. 15, No. 1, 2013, pp. 37-67; Kamal Makili-Aliyev, 'Azerbaijan's Foreign Policy: Between East and West', *IAI Working Papers*, No.13-05, January 2013.

the latter, without giving up a fruitful partnership with the former. Escaping the dichotomous choice between *balancing* and *bandwagoning* strategies vis-à-vis the regional hegemon, theorized by the realist school of international relations for minor powers, Baku did pursue, rather effectively, a non-aligned, multi-vectorial foreign policy course based upon *hedging* strategies vis a vis competing powers.⁵ The balanced foreign policy did play well also in the country's neighbourhood, as it allowed Azerbaijan to simultaneously keep cooperating with competing middle powers – like Turkey, Israel, and Iran.

In an area where strategic polarizations often overlap with identity fault lines, Azerbaijan's multi-vector foreign policy is narratively built upon and legitimized by the syncretic nature of its culture and the complexity of its historical experience. Indeed, not only the country is located at the confluence of regional powers' security perimeters, but it is also strictly connected to each of them by virtue of ethnic and cultural links. While being part of the Turkic world in ethnic and linguistic terms, over the centuries Azerbaijan territory fell within the Persian cultural milieu which left visible traces – first and foremost Shiism. Also, the country's socio-political and economic entry into modernity occurred under Russian domination – first that exercised by the Tsars then that exercised by the Soviets – which left its imprinting in both the country's nation and state-building processes.⁶ The balanced course of foreign policy is thus constructed and understood as a result and as a recognition of the country's multi-cultural essence.⁷

Over the years, multi-culturalism emerged as the cornerstone of Baku's foreign policy, a key tool to safeguard and promote national interest for

5. The hedging strategy refers to a mixed strategy making simultaneous use of cooperative and competitive tools. Such a strategy aims at assuming a non-alignment posture as well as at maximizing security benefits in a regional context characterized by an uncertain hierarchy of power. See: Cheng-Chwee Kuik, 'How Do Weaker States Hedge? Unpacking ASEAN states' alignment behavior towards China', *Journal of Contemporary China*, Vol. 25, No. 100, pp. 500-514; Stefan Meister, 'Hedging and Wedging: Strategies to Contest Russia's Leadership in Post-Soviet Eurasia', in Hannes Ebert & Daniel Flemer (eds.), *Regional Powers and Contested Leadership*, Cham: Palgrave Macmillan, 2018, pp. 301-326. For an application of the hedging theory to Baku's foreign policy, see: Anar Valiyev & Narmina Mamishova, 'Azerbaijan's foreign policy towards Russia since independence: compromise achieved', *Southeast European and Black Sea Studies*, Vol. 19, No. 2, 2019, pp. 269-291.

6. See, for instance, Tadeusz Swietochowski, *Russian Azerbaijan, 1905-1920: The Shaping of a National Identity in a Muslim Community*, Cambridge: Cambridge University Press, 1985; Audrey L. Altstadt, *The Azerbaijani Turks: Power and Identity under Russian Rule*, Stanford: Hoover Institution Press, 1992. See also, for the Soviet period: Süha Bölükbaşı, 'Nation-Building in Azerbaijan: The Soviet Legacy and the Impact of the Karabakh Conflict', in Willem van Schendel & Erik J. Zürcher (eds.), *Identity Politics in Central Asia and the Muslim World*, London: Tauris, 2001, pp. 35-64; Krista A. Goff, *Nested Nationalism: Making and Unmaking Nations in the Soviet Caucasus*, Ithaca, New York: Cornell University Press, 2020.

7. See, e.g., Esmira Jafarova, 'The success of Azerbaijan's multi-vectorized foreign policy', *The Tribune*, 14 June 2021.

the sake of material and immaterial gains. This policy, originally built in the mid-1990s by then-President Heydar Aliyev (1993-2003), was chiefly reactive and defensive,⁸ aimed to escape the regional cultural-strategic polarization trends. Later, under the presidencies of his successor and son, Ilham (2003-), it came to acquire a pro-active connotation. Building upon multiculturalism – and upon the connected narrative of being an example of pacific coexistence of different ethnicities, religions and languages – Azerbaijan started constructing a «niche diplomacy» around the role of responsible promoter and facilitator of intercultural dialogue and cross-cultural-cooperation. A niche-building that made use of various and interconnected diplomatic tools, ranging from nation branding to cultural diplomacy, from sport to humanitarian diplomacy.⁹

Far from responding to merely immaterial and reputational aims, the proposition of a «good international citizenship»¹⁰ may be also portrayed and understood as a soft approach to the resolution of the Nagorno-Karabakh conflict. Indeed, it stands as a tool to deconstruct the image of a clash-of-civilizations conflict between Muslim and Turkic Azerbaijan versus Christian Armenia. An image which, based primarily upon the Armenian narrative of the conflict, contributed, in Baku's view, to build a vicious circle of «injustice, prejudice, double standards and in some cases even encouragement of the [Armenian] aggressor».¹¹

2.1. Azerbaijan's power resource base: the «3 Gs» country

Borrowing the words of Hafiz Pashayev, Azerbaijan's first ambassador to the US and current deputy minister of Foreign Affairs, Azerbaijan may be described and understood as the «3Gs country», founding its international policy upon Geography, Geopolitics, and Geology.¹²

8. Svante E. Cornell, Halil Karaveli & Boris Ajeganov, 'Azerbaijan's Formula. Secular Governance and Civic Nationhood', *Central Asia-Caucasus Institute & Silk Road Studies Program, Silk Road Paper*, 2016. As for Azerbaijanism scope and roots, see: Laurence Broers, *Armenia and Azerbaijan. Anatomy of a Rivalry*, Edinburgh: Edinburgh University Press, 2019, esp. ch. 2.

9. For the «niche diplomacy» concept, Gareth Evans & Bruce Grant, *Australia's Foreign Relations in the World of the 1990s*, Melbourne: Melbourne University Press, 1991; for its application to Azerbaijan, see Carlo Frappi, 'Diplomazia creativa al servizio di strategie di nicchia di una piccola potenza', in Giorgio Comai *et al.* (eds.), *Armenia, Caucaso e Asia Centrale. Ricerche 2019*, Venice: Ca' Foscari Editions, 2019, pp. 325-350.

10. Marianne Hanson, 'Australia and Nuclear Arms Control as Good International Citizenship', *Australian National University, Working paper*, No. 2/1999.

11. President of Azerbaijan Republic, 'Speech by Ilham Aliyev at the reception of the participants of the 18th meeting of the Conference of Special Service Bodies of Turkic-speaking States', *Press Release*, 8 October 2015.

12. Hafiz Pashayev, *Memorie di un Ambasciatore*, Roma: Sandro Teti Editore, 2015, p. 24.

The country's strategic posture and value for major powers result first and foremost from its geographical location and from its significance in post-bipolar power competition. Besides neighbouring, and being constituent part of, the security perimeters of three «heavy weights» in Eurasian politics – Russia in the north, Turkey in the west, and Iran in the south – Azerbaijan stands as a critical strategic connector among regional chessboards. Indeed, the country may well be simultaneously portrayed as integral part of the former-Soviet southern flank, of the Middle Eastern northern tier, of the easternmost part of the European security space, and of the westernmost offshoot of China's recently achieved Central Eurasian range of action and influence.

Among the «3Gs», geology – namely the availability of significant oil and gas reserves – has been by far the most important in shaping both domestic and foreign policy, to the point of connotating Azerbaijan as a «petro-state»¹³, founding both its external and internal legitimacy on the development of the energy sector. At domestic level, «geology» offers a privileged perspective on the involution of the democratization process over the last decades¹⁴ as well as on the regime's longevity and resilience. Indeed, the country presents the most significant features of a «rentier state»,¹⁵ founding its wealth on an externally generated rent and primarily concerned with its redistribution. In turn, such an «allocative state» posture¹⁶ may be seen as the primary factor behind the causal mechanisms leading from the over-reliance on energy sector to authoritarianism. This has primarily to do with

13. Leila Alieva, 'Azerbaijan: Power in the Petro-State', in Michael Emerson & Richard Youngs (eds.), *Democracy's Plight in the European Neighborhood: Struggling Transitions and Proliferating Dynasties*, Brussels: Centre for European Policy Studies, 2009, pp. 112-19.

14. While in the aftermath of independence and between 1997 and 2003 Freedom House considered Azerbaijan as «partly free», the US-based institution currently considers the country as «not free», with a «global freedom» score of 10 out of 100 – namely a 18 points decline in the aggregate score over a decade. See Freedom House, *Freedom of the World 2021. Azerbaijan*. In particular, Freedom House described Azerbaijan in 2021 as a «consolidated authoritarian regime», with a «democracy percentage» of 1.19 out of 100 and a «democracy score» of 1.07 out of 7. See Freedom House, *Nations in Transit 2021. Azerbaijan*.

15. Hazem Beblawi, 'The Rentier State in the Arab World', in Hazem Beblawi & Giacomo Luciani (eds.), *The Rentier State*, New York: Croom Helm, 1987, pp. 49-62. For the Azerbaijani case, see Anja Franke, Andrea Gawrich & Gurban Alakbarov, 'Kazakhstan and Azerbaijan as Post-Soviet Rentier States: Resource Incomes and Autocracy as a Double "Curse" in Post-Soviet Regimes', *Europe-Asia Studies*, Vol. 61, No. 1, 2009, pp. 109-40; Galib Bashirov, 'New extractivism and failed development in Azerbaijan', *Third World Quarterly*, Vol. 42, No. 8, 2021, pp. 1829-48; Farid Guliyev, 'Oil and Regime Stability in Azerbaijan', *Demokratizatsiya*, Vol. 21, No. 1, pp. 113-47.

16. Giacomo Luciani, 'Allocation vs. Production States. A Theoretical Framework', in Hazem Beblawi & Giacomo Luciani (eds.), *The Rentier State*, New York: Croom Helm, 1987, pp. 63-82.

the so called «taxation effect».¹⁷ Since state revenues are not generated by the taxation of productive activities – which, outside the oil & gas sector, are indeed rather weak – the state enjoys a large degree of autonomy vis-à-vis its citizens and, therefore, is less inclined to allow participation, representation and accountability. This trend is quite visible in Azerbaijan where tax revenue accounted for 14.2% of the GDP in 2019¹⁸ and whose population is largely depoliticized and manifests «a widespread apathy to politics».¹⁹ Secondly the allocative nature of the state also works in enhancing co-optation mechanisms through the «spending effect». In fact, the redistribution of the rent allows the state to buy consent through both patronage and the funding of quasi-civil society bodies and government-sponsored organizations,²⁰ while hindering the formation of independent groups. Moreover, co-optation is not merely pursued through informal channels, but also through official and institutional ones. On the one hand, the state is the first employer in Azerbaijan, hiring a significant quota of the national workforce.²¹ On the other, consistently with an «electoral authoritarian» rule,²² allegedly demo-

17. For the casual mechanisms linking oil to authoritarianism, see: Michael L. Ross, 'Does Oil Hinder Democracy?', *World Politics*, Vol. 53, No. 3, 2001, pp. 325-61.

18. The World Bank, *Tax revenue (% of GDP) Azerbaijan* (<https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=AZ>).

19. Michael J. Baranick & Rena Salayeva, 'State-Building in a Transition Period: The Case of Azerbaijan', in George Rose *et al.* (eds.), *The Cornwallis group X: analysis for new and emerging societal conflicts*, Clementsport: The Canadian Peacekeeping Press, 2006, pp. 208-19, quotation at p. 214.

20. Isabelle Langerak, 'Regime Stability in Azerbaijan', *Turkish Policy Quarterly*, Vol. 12, No. 4, 2014, pp. 125-36, quotation at 129. The strength of patronage and clientelistic networks in Azerbaijan is enhanced by the clan- and family-based structure of the country's society, reflected in turn by the national political and economic power structure. Thus, rather than on the presidency itself, the regime's primary source of stability rests upon what Audrey Altstadt labels as an «interdependent oligarchy». See Audrey Altstadt, 'Frustrated Democracy in Post-Soviet Azerbaijan', New York: Columbia University Press, 2017, p. 234. On clan politics see also: Rail Safiyev, 'State Capture in Azerbaijan Between Clan Politics and Bureaucratic Oligarchy', in Johannes Leitner & Hannes Meissner (eds.), *State Capture, Political Risks and International Business: Cases From Black Sea Region Countries*, London: Routledge, 2017, pp. 74-88; Bahodir Sidikov, 'New or Traditional? "Clans", Regional Groupings, and the State in Post-Soviet Azerbaijan', *Berliner Osteuropa Info*, No. 21, 2004, pp. 68-74.

21. In 2020 public employee accounted for the 23% of the total workforce. Moreover, according to a 2017 World Bank study, state enterprises «play a major role in the national economy of Azerbaijan, as significant contributors to national wealth, providers of essential goods and services, and employers in key sectors. SOEs [state owned enterprises] generate more than 45% of national GDP». See, respectively: State Statistical Committee of the Republic of Azerbaijan, *Statistical yearbook of Azerbaijan*, Baku, 2021, p. 89; World Bank, 'Republic of Azerbaijan: Corporate Governance and Ownership of State Owned Enterprises', Washington: World Bank, 2017, p. IV.

22. Andreas Schedler, 'The Logic of Electoral Authoritarianism', in Andreas Schedler (ed.), *Electoral Authoritarianism: The Dynamics of Unfree Competition*, Boulder: Lynne Rienner, 2006, pp. 1-26.

cratic institutions act as a tool for co-optation and legitimation. Far from being mere facades behind which authoritarianism is played, democratic procedures and institutions – such as elections, a legislative body and a ruling political party – do act as «tools of cooptation, credible instruments of self-constraint or channels of societal information».²³

The authoritarian nature of Azerbaijan's regime shouldn't lead to the simplistic conclusion that its longevity and resilience rest merely upon neo-patrimonial mechanisms or repression, as legitimation strategies are an essential ingredient in the autocracies' stability recipe.²⁴ In particular, output-based sources of legitimation have proved to be very effective in the country. This has to do first and foremost with performances, which in turn are closely related to the energy sector development and to the mentioned «spending effect». Taking the lead of the country back in 1993, at a time when Azerbaijan was on the verge of state-failure, the so-called Aliyev dynasty managed in ensuring stability, growth, and socio-economic welfare,²⁵ thereby fulfilling the main demands coming from the populace and generating a high degree of trust in the Presidency.²⁶

23. Martin Brusis, 'The Politics of Legitimation in Post-Soviet Eurasia', in Martin Brusis *et al.* (eds.), *Politics and Legitimacy in Post-Soviet Eurasia*, New York: Palgrave Macmillan, 2016, pp. 1-17; quotation at p. 1.

24. For an overview on post-Soviet regimes' claims to legitimacy as a means of securing authoritarian rule, see Christian von Soest & Julia Grauvoge, 'Comparing Legitimation Strategies in Post-Soviet Countries', in Martin Brusis *et al.* (eds.), *Politics and Legitimacy in Post-Soviet Eurasia*, pp. 18-46.

25. According to the World Bank, GDP per capita at current international US dollar increased from 2,318 in 1995 to 14,479 in 2020. The most striking impact of economic growth was on poverty eradication: while in 1995 the World Bank indicated that 61,3% of individuals were living in poverty, such a figure stood at 6,2% in 2020 (with a year-to-year increase of 1,4% as a consequence of the pandemic) according to the State Statistical Committee. Moreover, while disparities in income do persist, World Bank data show that between 1995 and 2005 the income share held by lowest 20% raised from 7.1% to 10.8%, while the one held by highest 20% decreased from 42% to 37.8%. Significant results were also achieved in reducing the unemployment rate, decreased from 11.8% in 2000 to 6.5% in 2020 (up from 4.8 year-on-year). See: World Bank, 'Poverty and Unequality', World Development Indicators (<https://datatopics.worldbank.org>); World Bank, DataBank, (<https://databank.worldbank.org/>); State Statistical Committee of the Republic of Azerbaijan, 'Statistical yearbook of Azerbaijan', Baku, 2021.

26. The last available international surveys show this double trend. On the one hand, EU-sponsored surveys show that traditionally the «most important personal values» to Azerbaijani respondents – nearly one in two of them – are «peace, stability and security» along with «honesty and transparency». See EU Neighbourhood Communication Programme, *Annual Survey Report, Azerbaijan – 5th Wave (Spring 2020)*. On the other, the Caucasus Barometer survey shows a high degree of «full trust» on the Presidency (56%) in comparison to other state institutions, such as the executive government (20%), the parliament (17%), the court system (11%), or the political parties (3%). See *Caucasus Barometer 2013 Azerbaijan*. Therefore, personalism may well be regarded as another key input-based source of legitimacy.;

The nexus between energy sector development and authoritarianism may also be portrayed through international interaction models, under three main perspectives. First, the strategic significance of energy export (see below) allegedly contributed to international and particularly Western actors «apathy» vis-à-vis democratic involution in Azerbaijan.²⁷ Second, centralization and verticalization of power and the decision-making process came all but unwelcome to foreign investors, which could pursue a «one-stop shopping» business model in dealing with local counterpart.²⁸ As a consequence, a vicious circle was established whereby power centralization and verticalization facilitated the re-launch of the energy sector, while in turn the latter ended up in enhancing the former. Third and lastly, if the theory whereby «international engagement» represents a source of domestic legitimation for authoritarian rule holds true,²⁹ it is hard to overlook the impact exerted on consensus-building by the regime's interactions with the most relevant international actors.

At international level «geology» stood as the main tool to protect and promote the national interest, fostering the country's economic growth and enhancing its strategic posture. In this, the role assigned to energy politics cannot be fully grasped unless Geology is considered together with Geography and Geopolitics. It was not merely the possession of – comparatively limited – oil and gas resources to provide Baku a pivotal role in opening up the Caspian riches to the West. It was, instead, also the possibility to provide the land-locked Central Asian producers an outlet to western market simultaneously bypassing the politically sensitive northern and southern routes, respectively through Russia and Iran.³⁰ As a result, Azerbaijan plays a «double role» in the competition for the exploitation of Caspian area riches: of energy producer and exporter, on the one hand, and of potential energy transit state, on the other. The latter role has traditionally been played particularly with Turkmenistan, whose meaningful reserves of natural gas are transported to European markets through a trans-Caspian infrastructure transiting Azerbaijani territory.

It is hard to overlook the strategic benefits ensured to Baku by its dual position as an oil producer and a privileged link between Central Asia's

27. Isabelle Langerak, 'Regime Stability in Azerbaijan', *Turkish Policy Quarterly*, Vol. 12, No. 4, 2014, 125-36, quotation at p. 131. See also Audrey Altstadt, 'Frustrated Democracy in Post-Soviet Azerbaijan', New York: Columbia University Press, 2017.

28. Oksan Bayulgen, 'Foreign Investment and Political Regimes', New York: Cambridge University Press, 2010, p.104.

29. Christian von Soest & Julia Grauvoge, 'Comparing Legitimation Strategies in Post-Soviet Countries', p. 21.

30. On the evolution of the Azerbaijani oil & gas sector, see: Carlo Frappi & Matteo Verda, *Azerbaijan, Energia per l'Europa. Storia, Economia e Geopolitica degli idrocarburi del Caspio*, Milano: Egea, 2013.

oil resources and the outside world.³¹ In particular, it allowed Azerbaijan to build resilience to external conditioning, thereby achieving the central objective driving the foreign policy of a minor power. Moreover, resilience was built not only in absorptive terms – as the capability to mitigate the consequences of external shocks – but also in adaptive and transformative ones. In other words, Azerbaijan's «double role» has translated into its ability to interdict external threats and to exercise a significant autonomous role at international level.³²

Geology helped building an absorptive capability ever since the 1990s, as the initial exploitation of the national extractive potential was understood by national authorities and served in as an «insurance policy»³³ for the country's recently gained independence. As a senior US Department of Energy officer put it, by «bring[ing] in as many large companies from different countries as possible [...] Aliyev's strategy was to try to gain as much support for Azerbaijan and its development plans», first and foremost by the United States.³⁴

Since the beginning of the century, absorptive capabilities were enhanced along with adaptive ones throughout the second phase of the energy sector development. This process aimed at strengthening Azerbaijan's newly-acquired role of energy supplier to European consumers by extending it to the politically sensitive natural gas sector. Baku became the key Brussels' interlocutor in its attempt to inaugurate a new gas supply channel – the South Caucasus Pipeline (SGC) – intended as a critical tool to safeguard EU energy security by means of diversification of its supply network – overly reliant on an allegedly unreliable and threatening Russia. Moreover, not only Baku emerged as a pivotal EU *interlocutor* in its energy security strategy, but also as an *enabler* for the latter. Indeed, it has been chiefly as a result of Azerbaijan's initiative and funding that the SGC vision survived the 2007-2008 financial crisis, though in a different and partially scaled down version. The new and often recalled (energy) security provider role taken on by Azerbaijan resulted in a significant increase of its posture and bargaining power

31. David Vital, *The inequality of states: a study of the small power in international relations*, Oxford: Clarendon Press, 1967. See also: Michael Intal Magcamit, *Small Powers and Trading Security. Contexts, Motives and Outcomes*, Cham: Palgrave Macmillan, 2016.

32. Christophe Béné *et al.*, 'Resilience: New Utopia or New Tyranny? Reflection about the Potentials and Limits of the Concept of Resilience in Relation to Vulnerability-Reduction Programmes', *Institute for Development Studies. Working Paper*, No. 405, 2012.

33. Hafiz Pashayev, 'Azerbaijan-US Relations: From Unjust Sanctions to Strategic Partnership', in Fariz Ismailzade & Alexandros Petersen (eds.), *Azerbaijan in Global Politics. Crafting Foreign Policy*, Baku: Azerbaijan Diplomatic Academy, 2009, pp. 109-129 (the quotation is at p.114).

34. Pinar Ipek, 'Azerbaijan's Foreign Policy and Challenges for Energy Security', *The Middle East Journal*, Vol. 63, No. 2, 2009, pp. 227-239 (the quotation is at p.233).

vis-à-vis the EU. This, in turn, allowed the South Caucasian republic to resist Brussels' transformative power, fulfilling its own economic and strategic interests without granting any concessions in terms of domestic policies.³⁵

As the SGC funding scheme showed, the reinvestment of the energy rent abroad became the key to acquire adaptive and limited yet significant transformative capabilities. The pro-active «going abroad strategy» foremost targeted the transit states of national hydrocarbons, with a view to downgrade the power asymmetry– and the consequent vulnerability – resulting from the relations between a landlocked state, as Azerbaijan, and its windows to the market. Accordingly, such a strategy was pursued vis-à-vis the countries along the SGC route, particularly Georgia and Turkey, becoming the first foreign investor in both countries.

While targeting primarily the energy sectors, the reinvestment of the rent went well beyond that. In particular it became a tool to propose – and, partially, realize – new axes for transportation, aimed at making Azerbaijan an hub in the developing trans-continental communication network. Accordingly, Baku did invest in the realization of an East-West Caucasian-Anatolian transportation axis running parallel to the pipelines, as well as in a North-South one, aimed at connecting the Persian Gulf to Russia.

Last but not least, the strategic benefits deriving from Geology did also play a decisive role in the solution of the Azerbaijan-Armenia protracted conflict over Nagorno-Karabakh. Not only energy rents did progressively widen the power gap between the belligerents in Azerbaijan's favour, but they also allowed Baku to successfully pursue an isolation strategy vis-à-vis Erevan.³⁶ By excluding and isolating Armenia from the regional infrastructural projects, Baku aimed at further chocking a land-locked country with most of its borders – in the west with Turkey, and in the east with Azerbaijan – already sealed as a consequence of the 1992-'94. Baku's goal was providing incentives to Yerevan for reaching a compromise while widening the above-mentioned power gap.

3. Azerbaijan and the Karabakh: the post-conflict scenario

The military victory in the Nagorno-Karabakh 44 Days War stood as the culmination of a thirty-years-long effort, which mobilized all the national power resources and shaped the entire course of Azerbaijani domestic and

35. Eske Van Gils, 'Azerbaijan's Foreign Policy Strategies and the European Union: Successful Resistance and Pursued Influence', *Europe-Asia Studies*, Vol. 70, No. 5, 2018, pp. 738-758. From the same author see also 'Differentiation through bargaining power in EU-Azerbaijan relations: Baku as a tough negotiator', *East European Politics*, Vol. 33, No. 3, 2017, pp. 388-405.

36. President of Azerbaijan, 'Speech by Ilham Aliyev at the fourth meeting of the heads of diplomatic service', *Speeches*, 21 September 2012.

foreign policy.³⁷ The «new beginning» has not come free of relevant challenges, as it has been unfolding along two parallel tracks: the efforts towards rehabilitation, reconstruction and reintegration of the recaptured districts surrounding the enclave, on the one hand, and the achievement of a long term solution for the enclave itself, *de facto* still controlled by the self-proclaimed Republic of Artsakh under the protection of the newly-deployed Russian peacekeeping force, on the other.

3.1. *Rehabilitation, reconstruction, and reintegration of the recaptured districts*

Rehabilitation, reconstruction, and reintegration of the recaptured districts are a critically important government commitment, under both a domestic and international perspective. First and foremost, it is closely intertwined with the long-standing engagement to return the internally displaced persons (IDPs) which left the area as a consequence of the 1992-1994 war. Indeed, around the «Great Return» – as it has been labelled by the authorities³⁸ – has revolved much of Baku's domestic and international narrative on the Nagorno-Karabakh conflict. While the *promise/duty* to ensure the return of Azerbaijani IDPs to their native lands represented a long-standing commitment towards both the IDPs and the wider national community, the *right* to do so has traditionally been a cornerstone of Azerbaijan's arguments put forward in international *fora* for the sake of the restoration of the country's territorial integrity. Second, the reconstruction and reintegration activities do stand as a «showcase» for the international community as well as for Armenians in the Nagorno-Karabakh enclave. The restoration work is indeed understood and portrayed to foreign audience, along with the victorious conduct of the war, as a demonstration of the «strength» of both the Azerbaijani state and people.³⁹ It also serves the attempt to move towards full reintegration of the Nagorno-Karabakh enclave itself, by making Armenian

37. President Aliyev himself highlighted this when saying: «Our primary objective was to liberate Karabakh from occupation. All the other steps – the Program on the Socioeconomic Development of the Regions, our oil and gas projects, transportation initiatives, the revival of the country's economy, the accumulation of foreign exchange reserves in the Oil Fund, our foreign policy, our relations with major powers, our relations with neighbouring countries – all this work was done in the lead-up to this sacred moment – Victory Day». President of Azerbaijan Republic Ilham Aliyev, *Ilham Aliyev met with representatives of general public of Jabrayil, laid foundation of Memorial Complex and of the restoration of the city*, 5 October 2021.

38. The «Great Return» represents one of the five priority targets envisaged by the *Azerbaijan 2030: National Priorities for Socio-Economic Development*, introduced by Aliyev on February 2021. See President of Azerbaijan Republic Ilham Aliyev, *Order of the President of the Republic of Azerbaijan on approval of «Azerbaijan 2030: National Priorities for Socio-Economic Development»*, 2 February 2021.

39. See Aliyev's declaration in: President of Azerbaijan Republic Ilham Aliyev, *Ilham Aliyev met with representatives of general public of Jabrayil, laid foundation of Memorial Complex and of the restoration of the city*.



residents «realize that they are better off under Azerbaijan's leadership».⁴⁰ Third, the reconstruction and reintegration plan intertwines also with Azerbaijan's foreign policy strategy, where the need to attract foreign investments and know-how overlaps with the resolve to enhance interdependence with friendly countries, in the attempt to gain an indirect form of legitimation, or an «insurance policy», over the reconquered territories.

40. President of Azerbaijan Republic Ilham Aliyev, *Opening speech by Ilham Aliyev at the meeting in a video format on results of 2020*, 7 January 2021.

Not by chance, Baku has spared no effort in designing and start implementing a very ambitious reconstruction plan,⁴¹ revolving around three main vectors: restoring communications, promoting housing construction, and building a new productive base. To the implementation of this reconstruction plan, the government allocated US\$1.3 billion in 2021,⁴² while creating a fund – the Karabakh Revival Fund – aimed at attracting and facilitating the flow of investments from both individuals and legal entities. The logic behind the plan is to make reconquered territories self-sufficient, in both energy and economic terms, making use of the most advanced technologies available. To this end, the vision of technology and social innovation driven by «smart cities» and «smart villages» was put forward, with a view to build settlements using «digital technology, innovation and knowledge to improve rural economic opportunities, infrastructure, services, and governance».⁴³ The construction of the first smart villages was started in the Zangilan district, with a view of allowing the beginning of the «Great Return» from 2022 onward⁴⁴ under the supervision of the UNHCR.⁴⁵ The «smart city» concept is also accompanied and supported by the vision of a «Green Karabakh», namely an eco-friendly area whose constructions shall make use of energy-saving green technologies and whose primary energy demand shall be ensured by renewables. Building upon the high potential for renewable energy development in the region, this may ensure self-sufficiency and sustainability to the Karabakh, without increasing fossil fuels consumption and draining export-oriented oil and gas resources. In 2021, four hydroelectric power stations were reconstructed and put into

41. Currently, no comprehensive reconstruction plan is available. Although Azerbaijani press disclosed in July that a draft *State Program for the Restoration and Sustainable Development of the Liberated Territories of the Republic of Azerbaijan for 2021-2025* had been submitted to the Cabinet of Ministers, by the end of 2021 no official plan was made public by Azerbaijani authorities. 'Final draft on restoration of liberated territories from occupation presented to government', *Azeri-Press Agency*, 19 July 2021.

42. 'Azerbaijan to allocate \$1.3bn to reconstruct liberated lands in 2021', *Azernews*, 21 December 2020.

43. The quotation is taken from a World Bank report, prepared with the support of Azerbaijani authorities before the outbreak of the 2020 war in Nagorno-Karabakh. See: World Bank, *Smart Villages in Azerbaijan: A Framework for Analysis and Roadmap*, Washington: The World Bank, 2021, p. 20. For an Azerbaijani perspective on the smart city vision, see: Anar Valiyev, *Building Smart Cities and Villages in Azerbaijan: Challenges and Opportunities*, *Baku Research Institute*, 6 August 2021.

44. 'Smart village in Azerbaijan's Zangilan to be ready in early 2022 - deputy FM', *AzerNews*, 7 July 2021.

45. According to the last country's factsheet released by the UNHCR, the latter «is expected to exercise its supervisory role concerning returns [...]. UNHCR will be primarily involved in analysis, legal/policy/advice, including advocating for the voluntariness of returns and that these are taking place in safety and dignity». UNHCR, *Azerbaijan Fact Sheet*, September 2021, p. 2.

operation.⁴⁶ Moreover, in order to promote regional development, the government plans to set up and subsidize large agrobusiness enterprises, the so-called agro-parks, as well as industrial parks in two newly-established economic zones in the recaptured territories – namely Aghdam and the Araz Valley, in the Jabrayil district, close to the East-West and North-South axis for transportation. Finally, significant results were also achieved on the restoration of transport and logistics, especially with the inauguration of an airport in the recaptured city of Fizuli as well as of the «Victory Road», which starts from the Hajigabul-Minjivan-Zangezur corridor and stretches to Shusha, the main city of Karabakh. Moreover, the construction of a railway running along the country's southern border up to the border with Armenia also started and is expected to be completed in 2023.⁴⁷

Notwithstanding the efforts made and the results already achieved, many hurdles still hamper the path leading to the delivery of the government's commitments. Sceptical voices emerged regarding the possibility to start the Great Return in the short-term,⁴⁸ while attracting foreign investments and know-how seems to be quite hard to achieve. Despite a generally favourable business climate and the organization, in October 2021, of the first «Rebuild Karabakh» international exhibition,⁴⁹ foreign companies seem still to find it difficult to enter the reconstruction business, leaving *de facto* the upper hand to Turkish firms.⁵⁰ The latter are traditionally closer and more adaptable to Azerbaijani business environment, with the ability to benefit from existing and functioning business *fora* and favoured

46. 'Azerbaijani energy - traditional and alternative', ACE Group Consultants, *News*, 2 January 2022 (<https://btx.az/en/news/976.html>).

47. 'Erdoğan, Aliyev inaugurate Fuzuli International Airport in Azerbaijan', *Daily Sabah*, 26 October 2021; 'President of Azerbaijan Ilham Aliyev and First Lady take part in opening ceremony of Victory Road in Fuzuli district', *Trend*, 7 November 2021; 'Azerbaijan to commission Horadiz-Aghband railway in 2023', *AzerNews*, 13 December 2021.

48. E.g., 'Despite Official Promises, Displaced Azerbaijanis Are Skeptical About Returning To Territory Won In Karabakh War', *RFE/RL's Azerbaijani Service*, 30 October 2021.

49. Reflecting the wide scope of the reconstruction plan, the exhibition involved companies active in a wide range of sectors: banks and investments; safety; extractive industry; healthcare; information technology; education; food industry; agriculture; construction; road construction and infrastructure; transport; tourism and cultural heritage; energy; ecology. See *Rebuild Karabakh, 1st Azerbaijan International: "Restoration, Reconstruction and Development of Karabakh" Rebuild Karabakh 2021 Exhibition*, 28 July 2021.

50. According to information provided by the Ministry of Economy, until December 2021, out of a total of 921 applications received for doing business in the recaptured territories, only 283 were made by foreign companies. Moreover, the great part of the latter were Turkish firms. See, respectively: The Republic of Azerbaijan, Ministry of Economy, *Azerbaijan-Georgia-Turkey Business Forum took place*, 14 December 2021; Gokhan Ergocun, 'Turkish firms take lion's share in rebuilding Karabakh', *Anadolu Agency*, 22 December 2021.

by resolute governmental support. The hitherto lukewarm involvement of foreign companies in the reconstruction of Karabakh seems to derive from two related factors: on the one hand, the scarce level of transparency reported by the major international consultancy companies; on the other, a context that, one year after the end of the conflict, is still anything but stable.

3.2. *The bumpy road to peace in Nagorno-Karabakh*

In 2021, the Azerbaijan-Armenia peace process was characterized by the very slow pace of negotiations and promising developments, against a backdrop where encouraging statements from the belligerents were accompanied by repeated moments of diplomatic tension, frequent military clashes, and hatred speeches.

Both governments' highest representatives repeatedly expressed their belief on the necessity to come to a peace agreement, accounting for and reflecting the reality on the ground. However, not only peace negotiations failed to advance towards a comprehensive resolution of the conflict, but dialogue proved to be very difficult also on very basic issues. Among the latter, two were the main catalysts for tension: Baku's refusal to hand over to Armenia the alleged prisoners of war held captive in the country – which it maintains do not actually exist⁵¹ – and, on the opposite side, Erevan's refusal to hand-over to Azerbaijan the minefields maps of the territories lost in the war – which allegedly it does not entirely possess.⁵² Though during 2021 Baku and Erevan managed to reach some maps-for-prisoners swap deal,⁵³ by the end of the year the estimated number of Armenian still kept prisoners in Azerbaijan ranged between 40 and 140,⁵⁴ while the number of landmines still planted in the recaptured territories could still be, according to Azerbaijani estimations, close to one million.⁵⁵

51. While acknowledging the holding of Armenian captives, Baku maintained that they may not be considered as prisoners of war under international law, since they were captured after the ceasefire agreement and the subsequent demobilization phase. As such, they were considered by Baku mere «saboteurs» and charged with terrorism.

52. International Crisis Group, 'Post-war Prospects for Nagorno-Karabakh', *Crisis Group Europe Report*, No. 264, June 2021, p. 6.

53. Four times during 2021 – in June, July and twice in December – the two dossiers were explicitly linked through maps-for-prisoners exchanges. 'Azerbaijan swaps 15 Armenian prisoners for map showing landmines', *Reuters*, 12 June 2021; 'Azerbaijan frees 15 captured Armenian troops in exchange of minefield maps', *Euractiv*, 3 July 2021; 'Azerbaijan hands over 10 Armenian detainees in exchange for mine maps', *Anadolu Agency*, 4 December 2021.

54. Ani Mejlumyan, 'A year after war, Armenian prisoners still bargaining chips in Azerbaijan', *Eurasianet*, 10 December 2021.

55. President of the Republic of Azerbaijan Ilham Aliyev, *Ilham Aliyev was interviewed by Italian "Il Sole 24 Ore" newspaper*, 18 December 2021.

The issue of Nagorno-Karabakh's future status – traditional and current main bone of contention, left open by the ceasefire declaration ending the 2020 war – was not dealt with at the negotiating table, where a «step-by-step» approach, rather than a package solution, is currently followed. Here, the delimitation and demarcation of the border between Azerbaijan and Armenia arose as the first and main step to be taken to move towards normalization of relations as well as to avert a new spiral of violence and conflict. Indeed, the reconquest of the previously Armenia-occupied districts lying between Nagorno-Karabakh and Armenia took the Azerbaijani army to an international border that *de facto* did never exist, and left the two armies much closer to one another than ever in the past.⁵⁶ Since late Spring 2021,⁵⁷ this led to a creeping border crisis resulting from the attempt to build and reinforce favourable military positions ahead of negotiations on border demarcation, with reiterated Azerbaijani encroachments in Armenian territory and several deadly military clashes.⁵⁸ Having reached its apex in November – with the largest clashes since the ceasefire – the crisis was somehow defused in the following weeks thanks to Russian mediation. Convened by Russian President Vladimir Putin in Sochi on November 26 for the second meeting of 2021 after the one held in Moscow in January, Aliyev and Armenian Prime Minister Nikol Pashinyan signed a declaration aimed at the establishment of a bilateral commission for the delimitation and demarcation of the border.⁵⁹

The main responsibility to avoid a new escalation and to bring the parties at the negotiating table has been taken over by the Russian Federation. Ever since the ceasefire brokered in November 2020 and the deployment of a Russian peacekeeping force, the latter has become the key power broker between Azerbaijan and Armenia. In this, post-conflict developments confirmed and sealed an already unfolding trend, shaped by the progressive withdraw of western powers from Southern Caucasus and by the inversely

56. By all accounts, Azerbaijan and Armenian current military position are very close, «separated from one another by only 30 to 100 meters, to the point that «they can sometimes hear their foes' conversations echoing across the front». International Crisis Group, 'Post-war Prospects for Nagorno-Karabakh', *Crisis Group Europe Report*, No. 264, June 2021, p. 7.

57. Paul Goble, 'Karabakh Conflict Takes a Dangerous Turn', *Eurasia Daily Monitor*, Vol. 18, No. 79, 18 May 2021.

58. According to the International Crisis Group database, between 1 January and 31 December 2021, a total of 181 casualties occurred in the clashes. Of these, 83 occurred on the border between Azerbaijan and Armenia. International Crisis Group, *The Nagorno-Karabakh Conflict: A Visual Explainer*, 15 February 2022.

59. Joshua Kucera, 'Leaders of Armenia, Azerbaijan meet, agree to work bilaterally', *Eurasianet*, 26 November 2021. Although by the end of 2021 such a commission was not yet established, on 27 December Azerbaijani Foreign Minister Jeyhun Bayramov reiterated Baku's resolve to create the working group. 'Bayramov reveals priorities in Azerbaijan-Armenia talks', *Vestnik Kavkaza*, 27 December 2021.

proportional growth of the regional powers' influence in the area. As a matter of fact, in 2021 Euro-Atlantic actors did keep the Nagorno-Karabakh issue at arm's length,⁶⁰ while the OSCE Minsk Group proved incapable of re-launching its mediation role.⁶¹ The main proposals for breaking the vicious circle of regional polarization did come instead from local actors – namely Turkey and Iran, along with Russia.⁶²

Moscow's upper hand in the post-conflict peacebuilding process resulted in a complex mix of tactical opportunities and strategic risks for Baku – the more so in the perduring lack of a clear mandate for the Russian peacekeeping force deployed following the ceasefire agreement. The major strategic risk results from the possibility of Russia transforming a *temporary*⁶³ deployment in Azerbaijani territory into a *permanent* one. Not only in the mid- and long-term this may result in making the self-proclaimed Artsakh Republic a Russian «Trojan horse» deployed on the still undefined

60. A partial yet significant exception was the meeting between Aliyev and Pashinyan convened and hosted by the EU on 14 December 2021 on the sideline of an Eastern Partnership summit. The meeting resulted from an initiative taken by President of the European Council Charles Michel, who, after the November border clashes, achieved the relevant objective of establishing a direct communication link between the Ministers of Defence of Azerbaijan and Armenia. During the meeting, trade and economic partnerships between the EU and both countries was discussed, along with EU's proposal to launch an economic advisory platform to build confidence, contribute to peaceful coexistence and build up economic cooperation in the region. European Council, *Statement of President Charles Michel following the trilateral meeting with President Ilham Aliyev and Prime Minister Nikol Pashinyan*, 14 December 2021.

61. In 2021, the OSCE Minsk Group managed to bring together the Armenian and Azerbaijani foreign ministers first on 25 September in New York, on the side-line of the UN General Assembly, and then on 10 November in Paris. Both meetings did not apparently result in a relaunch of the Group mediation role. Allegedly, they did primarily focus upon the need to lift restrictions on access to Nagorno-Karabakh, particularly for the representatives of the Group and international humanitarian organizations. Indeed, visits to the area had been interrupted after the 2020 war because since both Baku and Erevan oppose the possibility to reach the enclave entering from the enemy's territory.

62. The reference goes first and foremost to the «3+3» platform for regional cooperation, put forward by Turkey in the aftermath of the war and relaunched by Russia in fall 2021. The proposal was addressed to the three Southern Caucasus republics and to the three neighbouring powers – Russia, Iran and Turkey itself. However, only five out of six invitees did attend the first meeting, held in Moscow in December, as Georgia declined the invitation. 'First Consultative Regional Platform meeting held in Moscow', *KarabakhSpace*, 13 December 2021.

63. According to the article 4 of 9 November ceasefire declaration, «the peace-making forces of the Russian Federation will be deployed for five years, a term to be automatically extended for subsequent five-year terms unless either Party notifies about its intention to terminate this clause». President of Russia, *Statement by President of the Republic of Azerbaijan, Prime Minister of the Republic of Armenia and President of the Russian Federation*, 10 November 2020.

and un-demarcated border – as has already happened in Georgia, Moldova, and Ukraine.⁶⁴ It may also, in the short-term, affect Baku's attempt to delegitimize and isolate the remains of the self-proclaimed Artsakh Republic – Which Baku consider as a necessary pre-requisite for reintegrating what it merely conceives as an area of the country inhabited by an Armenian minority, not deserving a special status.⁶⁵ It is therefore not by chance that during 2021 the strategic partnership with Turkey – seen as a key balancer of Russia – was enhanced and brought to the level of a full alliance. The resulting Shusha Declaration, signed by the parties on 15 June, during a visit of Turkish President Tayyip Erdoğan to the recaptured territories and in the city elevated to a symbol of the victory over the Armenians.

At the same time, Moscow's influence entails relevant tactical opportunities for Baku, both in a short- and mid-term perspective. Above all, Azerbaijan and Russia have a joint priority highlighted in Article 9 of the ceasefire declaration. This is the opening of all regional communication routes, beginning with the opening of the so called Zangezur corridor connecting Azerbaijan and the Nakhchivan Autonomous Republic through southern Armenia and unimpeded by Armenian checkpoints. Fully in line with traditional Azerbaijani foreign policy vectors, the unblocking of regional communications can ensure important economic dividends for Russia itself, which in fact has placed the realization of the Zangezur corridor at the very heart of its mediation and confidence-building effort. Accordingly, the first post-war meeting between Aliyev and Pashinyan, hosted by Putin on 11 January, resulted in a

64. A particular bone of contention between Baku and Moscow was originated by Azerbaijan's complaints against the peacekeeping force, which allowed the transfer of Armenian military to Nagorno-Karabakh, contrary to article 4 of the ceasefire declaration, stating that Russian peace-making forces should be deployed «concurrently with the withdrawal of the Armenian troops». The accusation was based upon the ambiguity of the article, which did not specify if the Armenian forces should withdraw from the districts surrounding Nagorno-Karabakh only, or from the enclave itself. Following the same line of reasoning, Baku also protested over the organization of basic military training for Armenian residents. Finally, repeated protests have also been raised in relation to the «illegal visits» conducted to the country by Armenian institutional representatives and foreign politicians without Baku's authorization. E.g. Vasif Huseynov, 'Azerbaijan Increasingly Critical of Russia's Peacekeeping Mission in Karabakh', *Eurasia Daily Monitor*, Vol. 18, No. 144, 22 September 2021; Heydar Isayev, 'Azerbaijan-Russia relations sour over Karabakh disagreements', *Eurasianet*, 8 September 2021; 'Baku: Armenian minister's illegal visit to Karabakh another provocation', *Azermews*, 10 November 2021.

65. As a result of the 2020 war, and as a reflection of the muted bargaining power of the belligerents, Azerbaijan took over a maximalist position vis-à-vis the current and future status of the enclave. Considering the conflict over and the territorial integrity fully restored, Baku did withdraw the autonomy proposals put forward to the Armenian counterpart in the past. See 'President Aliyev: Nagorno-Karabakh Conflict Has Been Resolved', *Caspian News*, 11 May 2021. For an articulated Azerbaijani perspective on the status issue, see: Farid Shafiyev & Cavid Veliyev, 'Ten Reasons Why Karabakh's Armenians Don't Need Special Status', *The National Interest*, 27 July 2021.

four-points trilateral agreement whereby the parts undertook to unblock all economic and transport regional links and to create, for this purpose, a working group at the level of deputy-prime ministers.⁶⁶

In a wider perspective, unblocking regional communication channels has emerged as the most promising vector for post-conflict confidence-building between the former belligerents. Indeed, it holds the potential not only to revolutionize the regional transport map, but also to break the «zero-sum game» situation which, so far, has characterized the regional infrastructural politics. For the first time it is promoted an inclusive and shared development perspective – which, not by chance, has been positively welcomed not only by Armenia,⁶⁷ but also from Turkey and Iran. However, notwithstanding the envisaged advantages to the parties, the concrete implementation of the process did suffer from the above-mentioned repeated moments of crisis and did not itself come free of tensions. In fact, Baku, facing a rather cautious approach on Erevan's side,⁶⁸ adopted an assertive and at times aggressive stance towards Armenia, either by rising claims on «West Zangezur» – i.e. southern Armenian province of Syunik – or by reverting to not-so-veiled threats of invasion.⁶⁹

Despite all the difficulties in pursuing the opening of regional transport channels, this policy remains the privileged path potentially leading to the normalization of relations between Baku and Erevan. Moreover, the chances to break the vicious circle of regional polarization significantly increased in fall 2021 by virtue of the renewed attempt to normalize diplomatic relations between Turkey and Armenia. The two countries followed a step-by-step approach to normalization not dissimilar from the one unfolding in Karabakh between Armenia and Azerbaijan. As a result, the possibility to reopen the border between the two countries – sealed by Ankara in 1993 as a retaliation for Armenian military advance in Azerbaijan – and restarting com-

66. 'Armenian, Azerbaijani, Russian leaders adopt statement on unblocking of economic and transport links in the region', *Public Radio of Armenia*, 11 January 2021. During 2021 the working group convened eight times, with a break between May and August as a result of Erevan's response to above-mentioned Azerbaijani encroachment in the Armenian territory.

67. The Armenian Prime Minister made significant openings to the process, repeatedly emphasizing the benefits that would derive to both Armenia and Azerbaijan. E.g., 'Opening of regional communications beneficial for Armenia and Azerbaijan – Pashinyan', *ArmenPress*, 20 March 2021.

68. Ani Mejlumyan, 'Armenia proposing restoration of rail route through Azerbaijan to Russia', *Eurasianet*, 4 May 2021.

69. E.g., Joshua Kucera, 'Armenian, Azerbaijani militaries hold exercises amid heightened tensions', *Eurasianet*, 19 March 2021. The tensions mainly resulted from the management of the Armenian segment of the corridor. Indeed, while Erevan aimed to keep full sovereignty and control on the latter, Baku requested free access and in particular, on a reciprocity base, the same conditions it guaranteed to the Lachin corridor, connecting Armenia to Nagorno-Karabakh. 'Legal regimes of Zangezur, Lachin corridors should be same: Aliyev', *Anadolu Agency*, 15 December 2021.

munication emerged as a cornerstone of the diplomatic initiative and as the main incentive for reaching a compromise. Of course, the parallel Turkish-Armenian and the Azerbaijani-Armenian negotiations naturally overlap and may influence each other. This has prompted Baku to declare its support to the former,⁷⁰ with a view to enhance the latter's chance of success.

4. *Towards a new phase in national energy strategy*

The inauguration, in December 2020, of the last of the three SGC segments symbolically sealed the second phase of development of Azerbaijan's energy sector. 2021 marked therefore the beginning of a new development phase, shaped, according to Elshad Nasirov, vice president for investment and marketing of the State Oil Company of the Republic of Azerbaijan (SOCAR), by three interconnected objectives: full exploitation of national reserves, search for new outlet markets for national production, and relaunch of Azerbaijan's transit role for hydrocarbons extracted in third countries⁷¹ – first and foremost natural gas from Turkmenistan.

Such an attempt unfolds in a wider energy scenario marked by the resolute drive towards energy transition, challenging over the mid- and long-term the very foundation of the Azerbaijani Petro-State. Accordingly, the «new beginning» in national energy strategy entails both a domestic and external level of action. The former is needed to sustain production and to make the extractive industry compatible with buyers' policies. The latter, instead, results from the need to engage old and new partners along the whole energy chain. Both levels of action are primarily functional to the increase in gas volumes exported along the SGC, which stands as the cornerstone of the energy sector new development phase.

4.1. *The external track: relaunching energy diplomacy in an ever-muting market scenario*

The increase in gas volumes exported to European markets is technically feasible by virtue of the scalable capacity of the SGC infrastructures.⁷² However, the increase itself naturally depends upon enabling conditions at both the ends of the energy chain – namely additional gas volumes in upstream

70. 'Azerbaijan supports normalization of Turkey-Armenia relations', *Anadolu Agency*, 27 December 2021.

71. Elshad Nasirov, speech given at the 'Energy Diplomacy and Transatlantic Cooperation in Action Opening the Southern Gas Corridor' Conference, Atlantic Council, 16 February 2021 (www.atlanticcouncil.org/event/energy-diplomacy-and-transatlantic-cooperation-in-action-opening-the-southern-gas-corridor/).

72. Additional looping and compression stations along the SCP, TANAP and TAP routes may bring their total capacity, respectively, from 24 to 31 bcm/y, from 15 to 30 bcm/y, and from 10 to 20 bcm/y.

and additional demand in downstream. Therefore, besides acting domestically on the attempt to ramp-up production (see below), in 2021 Baku's gave a new impetus to energy diplomacy, pursuing the double objective of engaging potential European buyers and relaunching Azerbaijan's s hub role between Central Asia and the EU.

From the first perspective, colloquia were launched with potential buyers, especially in the Balkan area. The latter may indeed be connected to the TAP either through the almost completed Interconnector Greece-Bulgaria or adding a new infrastructure from Albania to the Croatian transmission system – the so-called Ionian-Adriatic Pipeline. Thus, starting from spring 2021, discussion have been launched with Bulgaria, Serbia and Croatia.⁷³

It was however in the attempt to relaunch a transit role for the gas from Turkmenistan – the fourth country by proven reserves at global level – that Azerbaijani energy diplomacy registered the most significant achievements, accounting for a breakthrough in bilateral Baku-Ashgabat relations. They have traditionally been strained by clashing sovereignty claims over off-shore fields in the Caspian, which in turn did hinder cooperation and added obstacles to the already complex realization of a trans-Caspian gas pipeline (TCGP). In January 2021 the foreign ministers of Azerbaijan and Turkmenistan, Jeyhun Bayramov and Rashid Meredov, signed a Memorandum of Understanding (MoU) for the joint development of the previously contested field in the Caspian Sea.⁷⁴ By manifesting the resolve to jointly develop the potential of a long disputed field,⁷⁵ the MoU marked a decisive change of pace in bilateral relations⁷⁶ and breathed new life into the TCGP – a long-stalled project first introduced by the US administration in 1999, and successively taken over by the EU in its drive toward diversification of its gas supply system.

73. See, e.g., 'Serbia talks about Azerbaijani natural gas', *Eurasia Diary*, 22 November 2021; 'Serbia eyes 2023 startup of gas interconnector with Bulgaria after EIB loan', *S&P Global Commodity Insights*, 24 May 2021;

74. Republic of Azerbaijan Ministry of Foreign Affairs, *No:024/21 Information of the Press Service Department of the Ministry of Foreign Affairs of the Republic of Azerbaijan on the meeting of Minister Jeyhun Bayramov with the Minister of Foreign Affairs of Turkmenistan Rashid Meredov*.

75. The Memorandum was ratified by the respective parliaments between February and March 2021. Through the MoU, the parties expressed their willingness to jointly develop the field, undertaking to negotiate, through an *ad hoc* working group, the terms of a commercial agreement outlining procedures and timing for exploration and exploitation. Moreover, respective national companies would create a joint venture on the basis of a share allocation more favorable to Turkmenistan (70%). Azerbaijan, however, would benefit from the export of the hydrocarbons produced by the field also in terms of transit fees.

76. Such a change of pace was symbolically reflected and represented by the signatories' decision to overcome the toponymic contrast that overlapped with the juridical-diplomatic one: hitherto known as *Kyapaz* in Azerbaijani and *Serdar* in Turkmen, the field was renamed *Dostlug* (Friendship).

It should therefore come as no surprise that, in April 2021, a US-based firm, *Trans Caspian Resources* (TCR), was created with the explicit aim of constructing the TCGP related infrastructure – though on a minor scale in comparison to its initial version.⁷⁷ The TCGP project benefitted from wide political and potentially financial support on both sides of the Atlantic. Indeed, labelled as a «project of common interest», the TCGP has been eligible to attract EU funds under the Connecting Europe Facility Program. The pipeline would be also allegedly eligible for funding from the US International Development Finance Corporation, the Trade and Development Agency, and the Countering Russian Influence Fund.⁷⁸

In the first semester of 2021 the results achieved by Azerbaijan on the upstream front, were not matched by analogous progresses on the downstream side. The two-years fall in gas demand resulting from the pandemic, the possibility for European consumers to access in the mid-term to new, large, and closer sources of supply in Eastern Mediterranean, and the greater supply flexibility allowed by the LNG and by the purchase in the spot market, all ostensibly contributed to reduce operators' interest in subscribing to the long-term purchase commitments necessary to expand the SGC's pipeline capacity. Moreover, the success by Turkey in diversifying its import network added uncertainties to the Azerbaijani drive towards expanding gas export. This was reflected in the controversy over the renewal of one of the two Turkey-Azerbaijan gas contracts, expired in April 2021 and renewed with a short-term agreement in September.⁷⁹ However, both the market conditions and the mid- and long-term operators' expectations radically mutated over the course of 2021, as a result of the rapid tightening of the gas market as well as of the increasing tensions in Russian-Ukrainian relations. While the former resulted in a record increase in gas prices for European consumers,⁸⁰ the latter – as was the case with the analogous crisis occurred after 2003 – gave a new impetus to the resolve to

77. David O'Byrne, 'New American company seeks to realize Trans-Caspian pipe dream', *Eurasianet*, 1 December 2021. While the initial design of the infrastructure foresaw a capacity of 30 bcm/y, the version put forward by TCR envisaged, for the first phase, a pipeline with capacity between 10 and 12 bcm/y.

78. See Matthew Bryza, Robert M. Cutler, & Giorgi Vashakmadze, 'US foreign policy and Euro-Caspian energy security: The time is now to build the Trans-Caspian Pipeline', *Atlantic Council*, 12 June 2020.

79. 'Turkey seals 11 bcm Azeri gas deal and making progress on supply, minister says', *Reuters*, 15 October 2021.

80. The price-hike was the result of a «perfect storm» chiefly resulting from a rapid increase in demand driven by several factors: the economic recovery, weather-related factors, depletion of the gas storage, and competition of East Asian buyers over LNG purchases. All in all, over 2021 wholesale gas prices in Europe raised by 250%, reaching a record high in the third and fourth quarters of the year. See Jack Sharples, 'A Series of Unfortunate Events – Supply-side factors in the European gas price rally in 2021 and outlook for the rest of winter'. *The Oxford Institute for Energy Studies*, Energy Insight: 108, December 2021.

diversify European gas supply network,⁸¹ making it less vulnerable to the alleged Moscow's blackmail power.

A clear demonstration of the rapidly changing gas market conditions – and, consequently, of the new window of opportunity to increase Azerbaijani export – came from the opposite outcomes of two market test initiatives launched by the TAP consortium (TAP-AG), with a view of receiving non-binding demands for additional volumes of gas. Launched during the spring and concluded in July 2021, the first market test went desert,⁸² as a reflection of the above-mentioned conditions. However, as the latter rapidly changed in mid-2021, the second market test, launched in July and concluded in September, had a different result. The TAP consortium received indeed non-binding proposals at all the interconnection points along the pipeline route, in Greece, Albania and Italy.⁸³ Accordingly, TAP-AG scheduled to start in January 2022 the next phases of the expansions process, on whose basis it will be decided whether and to what extent the capacity of the pipeline will be expanded.⁸⁴ Interestingly, with a view to respond to the rapidly-changing market conditions, the consortium foresaw the possibility to adopt an «accelerated timeline», leading to the start of the binding bidding phase in July 2022 – instead of July 2023, as originally planned. Should this be the case, the consortium also foresaw the possibility to launch in 2022 a new and parallel non-binding phase, leading to a binding one in 2023.⁸⁵

4.2. *The domestic track: ramping-up production, reforming the market*

On the domestic front, the new development phase chiefly entailed the need to ramp-up oil and gas production, sustaining the production in already operating fields and eventually developing new ones. However, the task is not easy because of over-dependence on major fields, whose production is declin-

81. 'UK and European gas prices rise on Russia-Ukraine concerns', *Financial Times*, 14 December 2021.

82. 'No binding bids submitted for additional capacity in TAP gas link: operator', *S&P Global Commodity Insights*, 22 July 2021.

83. 'TAP-AG, Demand assessment report for incremental capacity between Trans Adriatic Pipeline, Snam Rete Gas and DESFA', 25 October 2021 (www.desfa.gr/userfiles/5fd9503d-e7c5-4ed8-9993-a84700d05071/Demand%20Assessment_TAP_DESFA_SNAM_25%20Oct%202021_fv.pdf).

84. Four alternatives have been proposed for the expansion, depending on the level of demand addressed to the consortium. The alternatives range from a minimum to a full expansion, with additional capacity between around 3.3 and 10 bcm/y. See: TAP-AG, Project Proposal of TAP, SRG and DESFA for the 2021 Incremental Capacity Process, 18 January 2022 ([https://www.tap-ag.it/la-trasparenza/le-consultazioni-pubbliche/\\$21295](https://www.tap-ag.it/la-trasparenza/le-consultazioni-pubbliche/$21295)).

85. *Ibid.*, p.15.

ing.⁸⁶ In fact, while new projects are still struggling to take off, notwithstanding the substantial resource base available to the country, the 2021 production data confirmed that, consistently with a long-standing trend, the bulk of national oil and gas production was still ensured by the two major off-shore fields, namely Azeri-Chirag-Guneshli (ACG) and Shah Deniz, jointly accounting for 77% and 82% of the annual oil and gas output.⁸⁷ While the production from the AGC field has been on a downward trend since 2010, Shah Deniz has still to reach the production plateau. Nonetheless, the additional volumes planned to be extracted from the field have already found their way to buyers in the west. Therefore, an increase in gas production would be needed in order to expand export capacity towards European markets.

A rise in the production of the major extractive projects was not recorded in 2021, allegedly as a result of the cyclical nature of investing activities, which tend to slow down in oversupply phases. This was the case with the off-shore fields in the Caspian, currently at different stages of development. A first case in point is the Absheron field which, developed by Total under a production-sharing contract (PSC) dating back to 2009, may ensure up to 5 bcm/y of gas. After the discovery of gas and the signing of an agreement with SOCAR, establishing the terms for production, respectively in 2011 and 2016,⁸⁸ the start-up of the first development phase has been pushed back twice – first from 2019 to 2021 and lately from 2021 to the end 2022. Also, it is still unclear when the second phase, originally planned for 2022-23, whose production is to be sold abroad, will be starting. Analogous delays were registered in the new phases of development of the Umid-Babek block, aimed at adding additional volumes to the modest ones already produced by SOCAR in partnership with Nobel Energy. The new development phase is focusing on the Umid-2 block which may ensure additional 5 bcm/y of gas. However, after having delayed the start of production to fall 2022,⁸⁹ SOCAR has hitherto been unable to attract international partners.

86. According to the EIA, the ACG field reached a peak production of 823 thousand barrels per day (Mbbbl/d) in 2010. Afterwards, production from the field started declining up to 477 Mbbbl/d in 2020. According to the Azerbaijani Ministry of Energy, the trend was confirmed in 2021, with a year-on-year decrease in production of 4.5%. See respectively: U.S. Energy Information Administration, Country Analysis Executive Summary: Azerbaijan, September 13, 2021; The Ministry of Energy of the Republic of Azerbaijan, *Azərbaycan Respublikasının Energetika Nazirliyi tərəfindən 2021-ci ildə görülmüş işlərə dair*, p.9.

87. The Ministry of Energy of the Republic of Azerbaijan, *Azərbaycan Respublikasının Energetika Nazirliyi tərəfindən 2021-ci ildə görülmüş işlərə dair*, 2022, pp. 9-10.

88. See respectively: TotalEnergies, 'Azerbaïdjan: Total réalise une importante découverte de gaz en mer Caspienne', *Press release*, 9 September 2011; 'Azerbaijan: Total and SOCAR sign agreement to develop Absheron discovery', *TotalEnergies*, 21 November 2016.

89. 'Umid-2 gas production delayed until 2022 – SOCAR', *Interfax*, 3 September 2020.

Furthermore, no significant progresses have been made during 2021 in the joint Azerbaijani-Turkmen development of the Dostlug field. The only company bucking the above-mentioned trend in 2021 was BP – the main foreign investor in the country and operator at Shah Deniz. BP is indeed involved in two projects currently at different stages – the ACG Deep Gas Project and the Shafag-Asiman. They may ensure significant additional volumes of gas, which, nonetheless, are unlikely to have a significant impact on overall national gas production before the second half of the decade.

Increasing production may not be enough to ensure significant additional volumes for export as well as mid-to -long-term sustainability of the national development model. The latter may be ensured primarily by reforming the market, with the objective of rationalizing the energy consumption and partially liberalizing a centrally-managed energy sector. These actions were suggested to Azerbaijan by a recently published International Energy Agency report, which highlighted the need for a transition from Azerbaijan's gradual transition «from its current system – which is government-owned and -operated, vertically integrated and subsidised – to competitive markets with significant private sector participation and cost-covering energy prices».⁹⁰ Reforming the energy subsidies system plays a central role in the drive towards market reform. Besides draining an elevate quota on annual GDP,⁹¹ subsidies run contrary to energy efficiency and keep domestic consumption high, thus draining resources for exports. Moreover subsidies, together with government-set low tariffs to end-user for gas, oil and electricity, do hinder the development of the renewable sector, as well as new market entrants and investors.

While 2021 did not mark a change of pace towards market reform, more encouraging developments came from the decarbonization strategy. This is a critically important segment of the national energy policy, as the transition target adopted by Azerbaijani clients – first and foremost by the EU – implies in the mid- and long-term a fall in demand for hydrocarbons without carbon capture, utilisation and storage. Consistently with a strategy launched in 2010, the national oil company further reduced carbon emissions in extraction at its oil and gas fields, currently at 2%. The company management also pledged to reach net zero emissions by 2022.⁹²

90. International Energy Agency, *Azerbaijan 2021. Energy Policy Review*, June 2021, p. 11.

91. According to the IEA, in 2019 the total value of energy subsidies accounted to US\$ 1.9 billion. Although it marked a year-on-year decrease in comparison to 2018 (2.9 billion), the decade saw a steady increase in annual subsidies, which in 2010 stood at US\$ 0.8 billion. International Energy Agency, *Fossil Fuel Subsidies Database*, last updated June 2021.

92. 'Azerbaijan's SOCAR targets net zero emissions in extraction from own sites', *Reuters*, 20 December 2021.

5. *Conclusions*

Fall 2020 marked a watershed in Azerbaijan's recent history and, therefore, brought about the hope that 2021 could be see a «new beginning» for the country, bringing new opportunities along with equally significant challenges, requiring the ability to adapt to an ever-changing scenario. Yet, on both fronts – namely Nagorno-Karabakh and energy politics – Azerbaijan seems to be stuck between a traditional and increasingly obsolete approach and the attempt to put forward new visions and strategies.

Nowhere is this more evident than in Karabakh. Peace remains fragile, as 2021 ended with a mixed record characterized by the presence of challenges, still menacing a new spiral of violence, and opportunities, arising from a new and inclusive prospect for development. The latter results primarily from the possibility to open-up trans-regional communication channels, a potential game-changer capable of breaking the vicious circle of strategic polarization. Yet, despite all the encouraging signals coming from the negotiating table, the overall equilibrium remains unstable, not only as a result of the still unresolved issues arising from the conflict, but also in relation to the regional environment. Indeed, while the «regionalization» of the conflict resolution brings relevant advantages, at the same time it risks making it a hostage of power politics, i.e. of the state of relations between regional powers.

A non-dissimilar, yet more encouraging, trend is also detectable in energy politics. Here the launch of the third phase of energy development comes with deep challenges on both the domestic and external front. Building on a traditionally effective energy diplomacy, Azerbaijan has managed to achieve significant results with a view to enhance its energy supplier and security provider role. Moreover, the price hike in both the oil and gas sector as well as the looming EU-Russian crisis over Ukraine may reverse, at least in the short-term, the declining demand trend, opening a new window of opportunity for Baku. However, a more resolute domestic action seems to be essential in order to adapt to a rapidly changing global energy scenario. It is hard to overestimate the scale of the challenge the latter brings to Azerbaijan, as some of the steps to be taken – and, in particular rationalizing consumption and attracting new investments through liberalization – endanger the centrally planned and managed system typical of a petro-state. Still, a yet partial reform of the sector seems to be necessary to ensure the sustainability of Azerbaijan's development model.

