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Input paper: Adapting EU Policy – Enlargement and the Future of EU Neighborhood Policy

Baku and Brussels: What Now? What Comes Next?, by Shujaat Ahmadzada (independent researcher focusing on the foreign and security policies of the South Caucasus countries).

The Eastern Partnership (EaP) is approaching its 15th year when unprecedented changes are happening regionally and globally. The European perspective for three EaP states (Georgia, Moldova, and Ukraine) has been recognized. As for Azerbaijan, its relations with the EU have always been dynamic, with periodic ups and downs. Baku and Brussels are interconnected in the economic and energy domains, yet many questions linger as to what the future will look like in an era of uncertainties.

Azerbaijani-EU relations have predominantly developed bilaterally over the past five years, with the EaP being just one facet of a multifaceted cooperation, and certainly not the central one. Regional cooperation within the EaP is further complicated by the conflicting foreign policy priorities of Azerbaijan, Georgia, Moldova, and Ukraine. Nevertheless, it is significant for Baku to be continuously present in multilateral and regional platforms, such as the EaP or the recently established European Political Community, that position Azerbaijan within a broader pan-European geopolitical body.

A Brief Overview

Energy and trade have consistently been the pillars of cooperation between Baku and Brussels. They do not have a facilitated trade agreement but the EU remains the largest investor in Azerbaijan (nearly [€7 billion](#) in direct investment in the past decade) as well as its [largest trade partner](#) ([51.9 percent](#) in 2022 and over 50 percent of overall foreign trade in the past decade).

A complex network of pipelines transporting Caspian hydrocarbon resources makes Azerbaijan as a well-connected part of the European geoeconomic landscape. While its share of the European gas market is small ([5 percent](#) in 2020), its significance for southern and southeastern EU member states cannot be ignored.

This relatively small share of Azerbaijani gas in the EU diminishes the likelihood of a second “Gazprom scenario,” wherein energy is weaponized for political leverage against Brussels. This is why the EU deems energy cooperation with Baku [“strategic and reliable,”](#) a sentiment underscored by the European Commission’s signing of a strategic partnership agreement in 2022.

Russia’s invasion of Ukraine since 2022 has added another dimension to the EU’s engagement with Azerbaijan. For the first time, Brussels took on the role of facilitator in negotiations between Baku and Yerevan. It served as the platform where the two sides engaged in negotiations for a peace agreement and recognized each other’s territorial integrity. However, Azerbaijan’s takeover of Nagorno-Karabakh in September 2023 stalled this track and Baku has lately become disengaged from the multilateral diplomatic efforts for resolving the conflict. It remains to be seen how Azerbaijan intends to proceed with negotiations, but it appears to have a growing interest in a more regionalized framework, with the involvement of Russia and Turkey, for talks with Armenia.

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What Comes Next?

A European perspective for Azerbaijan is not on the horizon, largely because this does not align with its foreign policy priorities, which could be characterized as constant oscillation between nonalignment and multi-alignment. On the other hand, the necessity for a “geopolitical” EU is growing as the world transitions into multipolar order – a euphemism for which would be an era in which there are multiple fingers on the trigger.

The shifts in the international system make it crucial for the “geopolitical” EU to establish a dynamic and comprehensive system of engagement with non-EU members for mutual regional and global benefit. This is where alignment between the “geopolitical” EU and the nonaligned/multi-aligned Azerbaijan becomes a necessity.

Geopolitical engagement in Central Asia is a “three-player game” with China and Russia, and lately Iran, largely adopting an antagonistic and rejectionist stance toward European engagement. Potential Azerbaijani-EU engagement in Central Asia is perhaps the only workable option since Baku stands out as the only actor with institutional (for example, in the Organization of Turkic States) and infrastructural capabilities (connectivity and energy arteries) to transform numerous connectivity and energy projects into a reality connecting Central Asian states with the EU.

Costing more than [\\$40 billion](#), the Southern Gas Corridor is one of the major projects backed by the EU. Presently, this complex network of pipelines fulfills up to 7 percent of European gas demand. However, its significance extends beyond its current share with the potential for it to reach double digits with comprehensive EU engagement and a long-term strategic vision. Achieving this would require the EU’s support for Azerbaijan’s green transition, leveraging the country’s considerable potential (especially in wind and solar energy), and the realization of trans-Caspian energy projects.

Although currently at a standstill, the EU’s engagement in conflict-resolution efforts should continue as it is widely perceived as a capable and credible actor, notwithstanding occasional reservations. This engagement holds the promise of “peace dividends” for Armenia and Azerbaijan. The EU’s approach could be significantly enhanced if it went beyond discussions on a potential peace agreement to adopting a regional perspective with a strategic vision to facilitate institutional cooperation between the two countries. Such cooperation has the potential to evolve into a regionalized framework, introducing a new political architecture – not built but supported by the EU – in the South Caucasus and potentially extending the EU’s influence to encompass the broader Central Asian region as well.

Azerbaijan’s oil production is projected to remain [stable at least until 2040](#). However, beyond that point, critical steps are necessary to enable the country to undergo a sustainable and resilient transformation, preventing potential socio-economic shocks. The development of the non-oil sector, particularly in areas like the chemical industry, IT, and tourism, is a must. Azerbaijan would greatly benefit from stronger cooperation with the EU to enhance its institutional capacities in adapting to evolving economic trends. There is much to learn from certain EU member states, such as the Netherlands, which have experienced similar economic patterns in the past.

Another significant yet often overlooked area that requires stronger cooperation between the EU and Azerbaijan is climate change and its potential effects. As the country with [the scarcest](#) water resources in the region, Azerbaijan is expected to face growing challenges in the coming decades. Coupled with a rising population, this could lead to various social consequences. Collaboration on climate change is imperative, particularly for Azerbaijan, as it stands to benefit from financial and institutional capacities through this.

It is crucial for the EU to continue its efforts to enhance civil society and engage with youth in Azerbaijan. This is essential for safeguarding human rights and facilitating a path toward a democratic transition. The EU should consider ways in which civil society actors and individuals can derive meaningful benefits from this cooperation, taking local realities and challenges into account.