

Could an Azerbaijan-Armenia Peace Deal “Normalize” the South Caucasus?

Last year, Azerbaijan took back the last Armenian-occupied parts of its territory in the former Nagorno-Karabakh Autonomous Oblast, some of which it had already regained in 2020. While this has left Armenia stunned and recovering from its losses, the forceful resolution of this thorniest issue between the two hostile neighbours has actually made a peace deal between them more possible than it has been in over 30 years.

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However, the future of the wider region depends on the quality of this elusive peace deal. A poorly cobbled-together agreement could remove the immediate threat of further armed conflict but leave room for future disagreement over the exact line of the Azerbaijani-Armenian border.

A bad deal could also do nothing to unblock trade routes across the region, long thwarted by closed borders that are a massive hindrance to economic development not only for Armenia but also for Georgia, Azerbaijan, and other neighbors.

The most contentious issue here is the oversight of goods and people transiting Armenia between Azerbaijan and its western exclave of Nakhchivan.

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The South Caucasus countries must stop looking to outsiders to help them solve their disputes and try to work out their own small steps to increase confidence, such as starting a trilateral cooperation in various sectors and on issues of common interest.



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Avoiding a “Cold Peace” Could Transform the South Caucasus

Regional tensions rose when Azerbaijan took back most of the Armenian-occupied territory in and around the former Nagorno-Karabakh Autonomous Oblast in 2020. But even while their military forces stayed on high alert, politicians on both sides pressed for a peace deal and raised hopes one might be signed in [2022](#) or [2023](#). It was not. Maybe they had talked it up too much or maybe their populations failed to grasp how complicated it is to negotiate the terms of a peace agreement.

One easy — and common — path to any peace or ceasefire deal is to fudge the problematic bits and include intentionally constructively ambiguous provisions just to get something agreed upon. Based on its previous experience, Azerbaijan was especially cautious to avoid this in 2022-2023. The

2020 ceasefire agreement that ended the Second Karabakh War included several provisions interpreted differently by each side, illustrating that such an approach may not bring meaningful progress.

In September 2023, after three decades, Azerbaijan reestablished its sovereignty over all parts of Karabakh. This led to 100,000 ethnic Armenians fleeing to Armenia, driven by security concerns and a longstanding refusal, often [echoed](#) by self-proclaimed Armenian leaders, to live under Azerbaijani authority. Yet, at the same time, this new reality swept away perhaps the most challenging issue in peace talks. Yerevan had demanded assurances over the rights and security of the local Karabakh Armenians, which Azerbaijan refused to discuss, saying it was an internal issue.

Now, the Karabakh issue is gone, and despite Armenia's outrage, this has brought new momen-

tum to the negotiations. Peace talks have usually been mediated by third parties such as the European Union, but, for the first time, officials from Baku and Yerevan have met on their own, and this has delivered results. One such success was an [agreement](#) on 7 December 2023, where the sides exchanged detainees. Armenia withdrew its veto against Baku hosting the COP29 global environment summit in November 2024, and Baku supported Yerevan's bid to host a regional office for that summit. It was the first time both countries refrained from vetoing and instead actively supported each other in international forums.

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This new momentum has led to the expectation that a peace agreement is now more attainable as Azerbaijan begins to acknowledge the existence of a [“de facto peace.”](#) However, two highly contentious issues remain: establishing principles for determining the exact border between both sides and addressing connectivity - opening trade and transport routes across the region that are stifled by Armenia's closed borders with Türkiye to the west and Azerbaijan to the east.

These issues must not be side-stepped if the peace deal is to be a full success.

If the parties, only for the sake of signing the agreement, omit references to these matters or fail to establish principles on how to resolve them – especially regarding connectivity, this is likely to lead to a ‘cold peace.’ This might eliminate the threat of war and affirm fundamental principles, including territorial and diplomatic recognition, but would risk cementing a new and unsatisfactory status quo in the region.

It would complicate the task of ‘normalizing’ the South Caucasus, which means fostering significant cooperation among Azerbaijan, Georgia, and Armenia, with open borders and trade, and helping these countries avoid being used as an arena where the West and Russia fight out their geopolitical rivalry which has escalated since Russia invaded Ukraine two years ago.

On the other hand, a comprehensive and forward-looking peace agreement between Azerbaijan and Armenia - which properly defines the common border and opens up trade and free movement - could avoid such a ‘cold peace’ and be a real opportunity for the region.

Demarcating the Border

The collapse of the Soviet Union turned a largely administrative boundary into an international one for the two South Caucasus republics along an over 1,000 km-long joint border. However, the exact path of that line was not delimited and demarcated at the time and remains so today. A Border Commission from both sides is trying to find an agreed frontier, but neither side can even decide which maps should be used for the starting point. Yerevan favors the USSR General Staff map from 1974-1976 and wants a third-party arbiter to resolve any disputes that the two cannot sort out alone. Baku says that relying on a single map (which it thinks favors Armenia) is [unjustifiable](#). It argues for considering all relevant maps and technical documents from Soviet times and is against any third-party involvement in dispute resolution, saying this would unnecessarily empower an outside arbiter and delay progress if either side calls them during the slightest disagreement.

“Enclave and exclave villages” – left stranded in the “wrong” country by Soviet-era administrators seeking a tidier border – add to the problems. Armenia controls four enclave and four exclave

Azerbaijani villages whereas Azerbaijan has one Armenian exclave village. In addressing the situation of exclave villages, neither side appears to be in a hurry to implement a conventional resolution. Nonetheless, they are open to exploring alternative solutions, including the potential exchange of these exclaves, an option neither side has dismissed. However, this could take years and may only be finalized at the end of the border demarcation process, whereas Azerbaijan has demanded the [immediate return](#) of its four enclave villages. Over the last two months, from March to April, the State Commissions on the Delimitation of the State Border between Armenia and Azerbaijan have discussed this issue extensively. During a meeting on 19 April 2023, they [reached](#) an agreement to begin the first practical border delimitation and demarcation efforts, which entails the return of four enclave villages to Azerbaijan.

Armenia and Azerbaijan also disagree over the confidence-building steps. Yerevan says a peace accord must ensure that both sides pull their armed forces back from the border area. Baku says that in 2021 and 2022, during border clashes, Baku took some strategic heights inside Armenia but denies taking any Armenian territory and [opposes](#) the distancing of forces, arguing that any claims and counterclaims should be settled during the border delimitation.

Overall, it seems that both sides understand border demarcation will take a long time; hence, the Border Commission has held more frequent meetings since November 2023. These efforts suggest that, despite the complex issues, a mutually acceptable solution is possible.

In contrast, the connectivity issue, fraught with regional power rivalry and conflict of interests between Azerbaijan and Armenia, remains more contentious and politicized.

Contentious and Geopoliticized Connectivity

Connectivity means unblocking all economic and transport links between Azerbaijan and Armenia and with their neighbors. It has been on the agenda since 2020 after Azerbaijan regained most of the land lost to Armenia nearly three decades ago. While political factors and conflicts have historically dominated the design of South Caucasus connectivity, it has always been integral to the Azerbaijan-Armenian peace process, with the unblocking of railways and other connections frequently included in previous [peace proposals](#).

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The 2020 ceasefire agreement included provisions to build transport links to connect Azerbaijan with its exclave, Nakhchivan, which lies on the other (western) side of Armenia and also borders Türkiye and Iran. Russian border troops were to be responsible for the security of this route through Armenia, which Baku calls the Zangezur corridor and considers essential. The exclave has been subject to an effective Armenian blockade since the early 1990s and can only be reached from Azerbaijan via a southern detour through Iran.

Under the 2020 ceasefire agreement, there was an element of reciprocity; Russian troops would control the route through Armenia between two parts of Azerbaijani territory in the same way that they kept a route (the Lachin route) open between Armenia and Armenian-populated Karabakh.

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But in April 2023, Azerbaijan started imposing its controls on the (now redundant) Lachin route. Consequently, Armenia now believes it should control security over the route to Nakhchivan, with Russia overseeing it. Yerevan's stance has hardened since Azerbaijan retook all Armenian-populated Karabakh, driven by growing dissatisfaction with Russia, which it accused of neglecting its security obligations under the 2020 ceasefire agreement, especially regarding the security of Karabakh Armenians.

Despite this, since September 2023, Azerbaijan and Armenia have made some progress in negotiations, discussing unblocking the wider region and enhancing connectivity by establishing rules. These principles – not just related to the Nakhchivan exclave – cover railways, highways, air traffic, and the transit of gas and electricity between the two countries, aiming to respect sovereignty, jurisdiction, equality, and reciprocity.

However, the major unresolved issue is how to reconnect Azerbaijan with Nakhchivan. Azerbaijan wants Azerbaijani passengers and goods passing between the two to have minimal contact with the Armenian side under the motto “from Azerbaijan to Azerbaijan.”

Azerbaijan also insists on additional clear principles regarding its connection with Nakhchivan in the peace agreement in addition to four already agreed principles: respecting sovereignty, jurisdiction, equality, and reciprocity.

Baku says that any deal should mirror provisions

of the 2020 ceasefire agreement on unimpeded connectivity. The international community has misinterpreted this as demanding Russian control. However, an alternative solution for the route's security might involve a neutral third party or private company during a transition period until relations with Armenia normalize.

Western countries see better South Caucasus transport routes as a way to reduce Russia's influence in Armenia.

Azerbaijan also wants to stop the issue from being hijacked by geopolitical tension and competition involving Russia, Iran, and the West. Western countries see better South Caucasus transport routes as a way to reduce Russia's influence in Armenia. Baku is reluctant to help the West without getting something in return, complaining that the West has done little to help rebuild Azerbaijan's previously occupied territories and instead favors Armenia, especially financially. Baku says it needs billions of dollars to help restore Azerbaijani cities destroyed and looted by the Armenians since the first Karabakh war in the 1990s.

Russia, although distracted by the war with Ukraine, is also jockeying for influence. If any country desires a form of ‘extraterritorial control’ – a notion often ascribed to Azerbaijan – it is Russia that aims to provide full security for the Nakhchivan route by itself.

Iran, on the other hand, opposes any such route, saying that it opposes ‘geopolitical change’ in the region. In reality, it opposes any development that would better link Azerbaijan and Türkiye, and by extension, Central Asia, as this would diminish Iran's economic benefits, such as transit fees.

These disagreements show that Russia or Iran could complicate or even undermine any agreement between Baku and Yerevan. To move for-

ward, Baku and Yerevan must not just agree on principles about connectivity but also find ways to implement them. They also agree on full respect for sovereignty and jurisdiction and on equality and reciprocity. However, 'reciprocity' could mean different things to different actors. Finding a common understanding of what these vague principles mean in practice and turning that agreement into concrete, implementable steps is a real challenge for both parties.

Normalization through Ownership

An Azerbaijan-Armenia peace agreement remains key to avoiding a 'cold peace,' the only way to normalize relations and the region. For Georgia, a neighbor with ethnic minorities from both, peace between Baku and Yerevan is crucial. Tbilisi has tried to boost confidence-building measures, such as facilitating the exchange of detainees and mine maps in [2021](#). It has also [reiterated](#) its offer of 'good offices' for peace negotiations. However, neither Azerbaijan nor Armenia sees the need for this right now, as they are talking directly. Nonetheless, prime ministers from the three countries met in [Georgia](#) in October 2023, a first and informal attempt at trilateral talks. More cooperation and consultations are needed to normalize the region and minimize any harm from regional and geopolitical rivalries.

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So far, the only cooperation format discussed since 2020 is a regional framework, known as 3+3, involving the three regional countries and three regional powers - Iran, Russia, and Türkiye. Tbilisi dropped out, refusing to talk with Russia, which

occupies 20% of its territory (Abkhazia and South Ossetia). This format has not proved helpful as regional powers have different interests and face different challenges from the region's three countries. In addition, Russia's full-scale invasion of Ukraine has rendered the 3+3 (or, in practice, 3+2) format practically redundant. Western countries hope to reduce Russian influence in the region and have encouraged Georgia's moves towards the European Union and Armenia's shift away from Russia. The West's overtures to these two have, by design or default, made it harder to bring the three regional countries together since Azerbaijan does not seek EU integration and distances itself from sanctions and any other actions that may displease Russia.

The South Caucasus has a history of seeking help from outside to solve its disputes. The region has not yet tried to sort itself out on its own. It is time for the three countries to find solutions locally and take responsibility for themselves. Such an approach was nearly impossible in the past due to the Azerbaijan-Armenian conflict, but now, as the two countries may be inching towards a peace agreement and normalizing relations, starting three-way cooperation and consultation could be a way forward.

This should start with minimal aims concerning issues of mutual interest ranging from economic, logistical, and trade to environment and energy. A model could be the cooperation format between Azerbaijan, Türkiye, and Georgia where various ministry-level discussions have evolved. Discussions could start between, let us say, deputy ministers of energy and the environment, given that the high-profile COP29 will be held in Azerbaijan. The three countries could prioritize the environment and climate change, the two areas where the South Caucasus could develop a truly regional approach. Early trilateral cooperation could also look at trade and transport. Talking together and taking ownership of their problems would be a sign that the region can 'normalize' over time ■