

# Thematic Groups for a new Armenian–Azerbaijani Dialogue

## Report

### Thematic Group on Regional Connectivity

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November 2025

# **Report for the Thematic Group on Regional Connectivity**

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# Regional Connectivity

## Vision for the region by 2040

### Summary

Regional connectivity in the South Caucasus presents significant prospects for long-term stability, economic growth, and integration into wider Eurasian networks. Located at key geopolitical crossroads, Armenia and Azerbaijan have the potential to become vital transit routes linking Europe and Asia. However, decades of conflict and limited cooperation have hindered this potential, leaving infrastructure fragmented and regional trade underdeveloped.

August 8, 2025, declaration and the pre-signing of a peace treaty mark a notable step toward normalization. These developments offer a foundation for re-opening communication routes, improving infrastructure, and attracting international investment. Enhanced connectivity—through transport, energy, and digital networks—could increase regional competitiveness, diversify trade, and generate inclusive economic benefits across border communities.

A SWOT analysis identifies both challenges and opportunities: slow implementation processes and external political pressures remain constraints, but the region's strategic location, evolving infrastructure plans, and growing interest from external partners provide a strong basis for forward movement.

Three scenarios—Optimistic, Constrained, and Pessimistic—illustrate possible connectivity outcomes depending on the depth of political cooperation and the influence of geopolitical actors.

The Vision 2040 framework emphasizes connectivity as a driver of shared prosperity, with goals including modernized routes, harmonized regulations, and expanded people-to-people exchanges. A phased roadmap (2025–2040) outlines steps from confidence-building and joint infrastructure projects to regional institutional coordination.

Strengthening connectivity in the South Caucasus holds the potential to transform the region into a more stable, economically resilient, and cooperative space, benefiting both local populations and broader regional networks.

# Assessment of the Current Situation

South Caucasus regional connectivity is both driven by opportunity and hindered by constraint. Armenia and Azerbaijan are situated at a strategic crossroads between Europe and Asia, but years of war and politics of suspicion have left main transport and trade connections underdeveloped or cut. Infrastructure gaps, ruptured governance and out-of-date border procedures continue to limit the integration of the region into global markets.

Recent diplomatic breakthroughs, including August 8, 2025, declaration and pre-signing of the peace treaty, provided room for practical dialogue on connectivity. These developments represent the most significant progress toward normalization since the conflict, with both sides showing willingness to engage on issues related to the opening of communications channels. Normalization, if sustained, and translated into concrete implementation measures, would decrease barriers to transport and trade movement, and attract foreign investment in transport, energy, and digital infrastructure. The European Union, World Bank, Asian Development Bank, and regional economic organizations have all expressed readiness to support connectivity projects that emerge from a stable peace agreement.

Armenia currently relies heavily on North-South connectivity through Georgia and Iran, and Azerbaijan has further expanded its involvement in the Trans-Caspian "Middle Corridor." Digital connections and energy cooperation are still developing but countries are increasingly recognizing the value of proactive initiatives that can enhance competitiveness and regional integration. Enhancing connectivity under these conditions requires cautious confidence building, mutual assurance, and sustained international engagement so that benefits are sustainable and inclusive.

# SWOT Analysis

To design a realistic and forward-looking vision for regional connectivity, it is essential to assess Armenia's and Azerbaijan's current position in terms of strengths, weaknesses, opportunities, and threats.

This analysis highlights the internal assets and vulnerabilities of two countries, as well as the external dynamics that can either support or hinder their role in shaping a connected South Caucasus by 2040.

## SWOT Analysis for Armenia in the Context of Regional Connectivity

### Strengths

- Strategic geographic location at the crossroads of Europe, the Middle East, and Asia.
- Skilled human capital, particularly in IT and engineering, which can support digital connectivity.
- Diaspora networks with global reach, offering access to markets and investment.
- Democratic governance promotes open markets and competitive business regulations, creating liberal opportunities for new connections, especially through regional integration.
- Active engagement with the EU, EAEU, and other regional formats, enabling multi-vector cooperation.

### Weaknesses

- Landlocked status with no direct access to the sea.
- Heavy dependence on a few transit routes (via Georgia and Iran), making the economy vulnerable.
- Underdeveloped transport infrastructure, particularly rail and logistics hubs.
- Political and security fragility, which can disrupt connectivity projects.

- Bureaucratic processes and limited organizational capacity impacting the implementation of programs.
- Strong energy dependence on a single primary supplier, limiting diversification and increasing vulnerability to external pressure.

### **Opportunities**

- The August 8 declaration and ongoing peace process with Azerbaijan can open transport networks.
- The Trump Route for International Peace and Prosperity (TRIPP) can attract foreign investments and enhance Armenia's role in regional trade.
- EU's Global Gateway and other international initiatives may provide financial and technical support.
- Potential to become a digital hub linking South Caucasus with global networks.
- Green and renewable energy projects can strengthen regional energy interconnections.

### **Threats**

- Fragile normalization with Azerbaijan could stall or reverse under renewed tensions.
- Regional rivalries (Russia–West, Turkey–Iran) may limit Armenia's room to maneuver.
- Economic overdependence on external actors could reduce strategic autonomy.
- Domestic political polarization may hinder long-term policy continuity.
- Hybrid tools enabling Russia to influence Armenia's political and economic sectors, potentially causing disruption.

## **SWOT Analysis for Azerbaijan in the Context of Regional Connectivity**

### **Strengths**

- Geopolitical position as a key energy and transportation corridor linking the Caspian region to Europe and Asia.
- Rich energy resources, notably oil and natural gas, provide economic leverage and potential infrastructure financing.
- Robust transportation infrastructure, including modern ports, highways, and rail networks, facilitating regional trade.
- Strong national resolve to develop regional connectivity projects, supported by state-led initiatives and investments.
- Strategic partnerships with regional and global players, including China, Turkey, and the EU, supporting infrastructure development.
- Active engagement in regional cooperation frameworks, such as the TAP (Trans-Anatolian Pipeline) and TRACECA corridor.

### **Weaknesses**

- Economic dependence on energy exports, making the economy vulnerable to global commodity price fluctuations.
- Infrastructure gaps in rural and border regions could impede broader regional connectivity.

### **Opportunities**

- The normalization of relations with Armenia through peace agreements could open new transport and trade routes.
- Infrastructure projects under China's Belt and Road Initiative (BRI) and regional transit plans can enhance connectivity.
- Development of new energy pipelines and interconnectors can diversify export routes and strengthen regional energy security.
- Potential to position as a regional logistics hub, leveraging its proximity to Caspian, Middle Eastern, and European markets.

- Increased regional cooperation can attract foreign direct investment and stimulate economic diversification.

### **Threats**

- Fluctuations in global energy markets can have an impact on economic stability and investment in infrastructure projects.
- Diplomatic challenges with neighboring countries or major powers might hinder regional cooperation.

## **Scenarios**

The future of regional connectivity in the South Caucasus is closely linked to the political, economic, and social dynamics between Armenia and Azerbaijan, as well as broader regional developments. To guide strategic planning, three plausible scenarios have been identified: Optimistic, Constrained, and Pessimistic. These scenarios are not predictions but a way to help policymakers, experts, and stakeholders look forward to challenges and opportunities, and to build adaptive strategies that can achieve the Vision 2040 goals.

### **1. Optimistic Scenario – Deep Integration**

In this scenario, full normalization between Armenia and Azerbaijan is achieved following the August 8, 2025, declaration and the pre-signing of the peace treaty. Political trust strengthens, enabling the rapid implementation of cross-border infrastructure projects, including roads, railways, energy interconnectors, and digital networks. Trade facilitation and streamlined customs procedures increase flows of goods and services, while new investment projects attract both regional and international financing.

People-to-people exchanges, including academic, cultural, and professional mobility programs—expand, reinforcing social cohesion and mutual understanding. Armenia and Azerbaijan emerge as central nodes in a broader Eurasian network, linking Europe and Asia through multiple routes.

In this scenario, the South Caucasus achieves high levels of economic integration, diversified transit routes, and sustainable development, while strengthening regional stability and cooperation.



## **2. Constrained Scenario – Partial Progress**

Here, normalization progresses cautiously. Some infrastructure and connectivity projects advance, while others are delayed due to domestic political sensitivities, regulatory challenges, or uneven implementation capacities. Limited but meaningful improvements in transport networks, energy exchange, and digital infrastructure occur, primarily through low-risk initiatives that do not challenge sovereignty or generate public controversy. Trade and investment increase modestly, but cross-border collaboration remains selective. Confidence-building measures are ongoing, and multilateral support plays a key role in enabling incremental progress.

In this scenario, connectivity improves in stages, generating economic benefits without fully realizing the region's integration potential. Partial progress requires adaptive planning and continuous dialogue, ensuring that projects remain feasible even in an environment of uncertainty.

## **3. Pessimistic Scenario – Stagnation or Reversal**

In this scenario, renewed tensions or delays in ratifying agreements significantly stall or reverse progress. Political disagreements, domestic opposition, or external pressures prevent the launch or completion of key projects. Planned transport, energy, and digital infrastructure projects are postponed, scaled back, or canceled, limiting economic growth and regional integration.

Opportunities for people-to-people engagement are minimal, and mistrust continues to constrain cooperation. In this scenario, connectivity remains fragmented, and the potential for the South Caucasus to function as a regional hub is unrealized, highlighting the risks of instability and the importance of continuous confidence-building efforts.

# **Geopolitical influences**

The realization of each scenario will be significantly affected by the actions of external actors, particularly Russia, Turkey, Iran, the United States, China and the European Union. In the Optimistic Scenario, proactive engagement and support from these actors will be crucial in fostering trust and facilitating cooperation. Conversely, in the Constrained Scenario, divergent interests or limited engagement from external actors may impede progress. The Pessimistic Scenario could be exacerbated by active interference or destabilizing actions from external powers seeking to undermine regional stability or advance their own agendas. Understanding and anticipating these geopolitical influences is essential for effective policymaking.

# Key Indicators for Monitoring Progress

To effectively track progress and adapt strategies, it is crucial to monitor a set of key indicators across various sectors. These include:

**Political:** Frequency of high-level dialogues, ratification of agreements, progress in demarcation and delimitation processes, changes in political rhetoric.

**Economic:** Trade volumes, foreign direct investment, infrastructure spending, GDP growth.

**Social:** Number of cross-border exchanges, levels of public trust, media coverage of regional relations.

**Infrastructure:** Completion rates of key projects, connectivity scores, energy transmission capacity.

Regular monitoring and evaluation of these indicators will provide valuable insights into the evolving dynamics of regional connectivity and inform adjustments to strategic plans

## Vision

By 2040, the South Caucasus is projected to be a region defined by strategic connectivity, economic diversification, and political stability, driven by renewed cooperation between Armenia and Azerbaijan. At the core of this transformation is mutual trust-long recognized as the primary obstacle to peace and regional integration.

The declaration of August 8, 2025, and the pre-signing of a comprehensive peace treaty initiated a shift from conflict toward pragmatic collaboration. Both countries prioritized confidence-building measures and transparent dialogue, enabling gradual implementation of cross-border projects in transport, energy, and digital infrastructure.

Improved connectivity positioned Armenia and Azerbaijan as critical hubs within trans-Eurasian trade and transit connections, attracting regional and international investment. Harmonized customs and streamlined regulations facilitated trade, benefiting both large enterprises and SMEs (Small and Medium-sized Enterprises), and contributing to inclusive economic growth. Modernized railways, highways, and route facilities can also facilitate smooth transport of goods, services, and people. Also, at the center of the vision for improved connectivity is the distribution of economic gains broadly, benefiting communities living across border regions through creating job opportunities, investing and attracting investment in local infrastructure and involving communities in the planning, design, and implementation stages of connectivity projects.

Beyond infrastructure, sustained people-to-people initiatives-academic exchanges, cultural programs, and professional networks-have played a crucial role in rebuilding social cohesion and fostering mutual understanding, essential for long-term stability. Moreover, these educational, cultural, and professional interactions can become commonplace, fostering new generations that see connectivity as an opportunity instead of a threat.

Looking forward, the region is embracing digital innovation, renewable energy, and environmental resilience. Investments in green infrastructure and climate adaptation aim to mitigate risks like water scarcity and energy insecurity. Enhanced digital governance and cybersecurity cooperation will further boost competitiveness and transparency.

While geopolitical and domestic challenges remain, this Vision 2040 underscores that durable peace and regional integration depend fundamentally on **sustained mutual trust, adaptive governance, and inclusive multilateral engagement**. Through these commitments, the South Caucasus is positioned to transform from a historically divided region into a connected, stable, and prosperous hub at the crossroads of Europe and Asia.

## Roadmap

### **Roadmap for Regional Connectivity in the South Caucasus (2025–2040)**

The roadmap envisions transforming post-conflict conditions into durable cooperation between Armenia and Azerbaijan through phased, inclusive, and sustainable connectivity initiatives.

Building on the August 8, 2025 declaration and the anticipated peace treaty, the process connects political normalization with tangible economic and social dividends, fostering trust, sustainability, and inclusive growth.

## **Phase I: Confidence-Building and Foundational Initiatives (2025–2027)**

**Objective:** Establish political credibility, reopen communication routes, and create enabling frameworks for cooperation.

**Priorities:**

- Institutional Guarantees
- Research
- Rehabilitation & Connectivity
- Cooperation in Trade and Border Spheres
- Humanitarian & Soft Connectivity

**Milestones (by 2027):** Peace treaty ratified, monitoring bodies operational, at least one cross-border infrastructure project launched, and people-to-people exchanges institutionalized.

## **Phase II: Scaling and Deepening Integration (2028–2033)**

**Objective:** Move from coordination to integration by expanding infrastructure networks, diversifying trade, and embedding cooperation in the private sector.

**Priorities:**

- Infrastructure Expansion
- Energy and Digital Cooperation
- Regulatory & Economic Integration
- SME (Small and Medium-sized Enterprises) and Education Linkages

**Milestones (by 2033):** Functional routes in operation, energy and ICT networks interconnected, growing private investment, and increased regional trade volumes.

## **Phase III: Consolidation and Regional Hub Status (2034–2040)**

**Objective:** Institutionalize cooperation and position the South Caucasus as a trusted Eurasian transit and innovation hub.

**Priorities:**

- Regional Connectivity Community
- Green and Digital Transformation
- Institutional Sustainability
- Geopolitical Resilience

**Milestones (by 2040):** A fully integrated South Caucasus Connectivity Community fostering trust, economic resilience, and peace—where shared prosperity becomes the most reliable guarantee of stability.

# Recommendations

## **Phase I: Confidence-Building and Foundational Initiatives (2025–2027)**

- Signing and ratifying the peace treaty.
- Forming joint Azerbaijan-Armenia technical bodies to oversee infrastructure, trade, and customs.
- Conducting joint feasibility studies for road, rail, and fiber-optic links with the support of international partners.
- Reopening and modernizing temporary routes between the two countries, utilizing existing infrastructure for initial connectivity (e.g., road Margara-Yeraskh-Nakhchivan-Bichenek-Angeghakot-Goris-Lachin, Gazakh-Ijevan-Vanadzor-Gyumri-Kars, and opening railway connections such as Akstafa-Tbilisi-Alaverdi-Gyumri-Yeraskh-Nakhchivan).
- Normalizing people-to-people contacts by encouraging media exchanges and expert dialogues on regional infrastructure narratives.
- Designing and implementing confidence-building measures.
- Harmonizing customs procedures, initiating digital “single window” systems, and piloting joint border crossings.
- Sharing real-time data on cargo transit through a pilot electronic platform to build predictability and trust.
- Preparing and adopting joint emergency response protocols.
- Institutionalizing the South Caucasus Connectivity Forum, with rotation between Yerevan, Baku, and Tbilisi, to coordinate infrastructure priorities and donor support.

## **Phase II: Scaling and Deepening Integration (2028–2033)**

- Developing infrastructure partnerships to upgrade rail, road, and customs terminals.
- Standardizing technical norms (rail gauge, customs codes, energy safety, etc.).
- Digitalizing customs processes, aligning technical standards, and creating legal guarantees for sovereignty and non-interference.
- Designing and implementing cross-border initiatives in areas such as water resource management and environmental protection.

- Establishing a border bazaar on the Armenia-Azerbaijan-Georgia border to promote contact between local populations.
- Interconnecting gas, electricity, and fiber-optic infrastructure between the two countries.
- Establishing a joint ICT and data-governance platform.
- Encouraging cross-border SME partnerships, vocational programs, and regional university networks to foster economic interdependence.
- Creating a joint commission to monitor rhetoric and hate speech, providing recommendations and training to stakeholders.

### **Phase III: Consolidation and Regional Hub Status (2034–2040)**

- Establishing a permanent coordination body for infrastructure, investment promotion, and dispute resolution.
- Prioritizing renewable energy, low-carbon transportation, AI, and cybersecurity cooperation.
- Creating a joint commission to counter foreign hybrid threats.
- Co-developing manufacturing clusters (e.g., light and heavy industry, agro-processing) utilizing new transport links to access emerging markets.
- Entrenching cross-border governance structures, conducting regular evaluations, and ensuring civil society participation.
- Maintaining balanced engagement with major partners (EU, USA, Iran, Georgia, Turkey, Central Asia, China, etc.) while preserving regional autonomy.
- Organizing joint cultural festivals and events aimed at reconciliation.

## About LINKS Europe Foundation

LINKS Europe Foundation was set up in February 2019 to provide for and consolidate a European base for a number of initiatives and projects related to European peace and security, and the European Union's relations with neighbouring regions to the East and to the South, some of which have been the hallmark of the work of the LINKS network since its founding in London in 1997.

From its offices in The Hague, the City of Peace and Justice, LINKS Europe uses a mix of tools in pursuit of its objectives. These range from traditional methodologies for dialogue, to innovative confidence-building measures, to the latest tools for research, analysis, outreach, and communication.

We continue to develop our thinking on confidence-building measures as an important tool for working towards, establishing, and sustaining peace in different contexts. We work to create greater awareness of ongoing issues in international relations. Better-informed citizens are less likely to fall victim of disinformation or populism. Where appropriate we also seek to offer a safe space where different opinions can be aired and discussed.

**Learn more on our website**

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