



How Nagorno-Karabakh Peace Deal affects China's Future Plans in South Caucasus?

On September 27, 2020, the command of the Azerbaijani Army launched a counter-offensive to prevent the combat activity of the Armenian armed forces. Following the launch of the counter-offensive on 28 September, the Chinese government called on Azerbaijan and Armenia to reduce tensions in Nagorno-Karabakh as soon as possible and to resolve their differences through dialogue. Chinese Foreign Ministry spokesman Wang Wenbin said at the briefing that he “hopes that the relevant parties will exercise restraint and try to avoid further escalation of tensions, as well as resolve the differences through dialogue” (Trend News Agency, 2020). In comparison with the past years, China's announcement related to the conflict seems more neutral and balanced (South China Morning Post, 2020).

There are several reasons for this neutral attitude. Firstly, in recent years, China has developed its economic relations with both Azerbaijan and Armenia in the South Caucasus in recent years and cooperation with both countries on various projects. For example, since the start of the Belt and Road Initiative (BRI) in 2013, trade turnover with China has increased 70 percent in Armenia and 100 percent in Azerbaijan (Russia Matters, 2020). Azerbaijan has the highest trade volume with China. Two countries reached an agreement worth over \$800 million in 2019. Furthermore, Azerbaijan plays a key role for China's BRI in the context of the Middle Corridor (The Diplomat, 2019). Finally, China is also interested in providing weapons to Azerbaijan. For example, Azerbaijan purchased the Qasirga T-300 system, which is produced in Turkey with a Chinese license and the Polonez Multiple Launch Rocket System Belarus, which was developed with China. In 2019, two countries signed a document on mutual military aid and purchase of Chinese arms. Due to the lack of relations with Turkey and Azerbaijan, Armenia seems a less attractive investment location for China. However, China through its state-owned hydropower engineering and

construction company, cooperated for constructing roads in Armenia. Moreover, China has invested in metals and heavy industry in Armenia. Finally, China and Armenia reached an agreement worth \$1.5 billion in 2018 for providing weapons to Armenia (Russia Matters, 2020). Consequently, China, like its Middle East policy, can pursue a more balanced and pragmatic policy by remaining neutral between rivals or enemies (Iran, Israel and Saudi Arabia), and maintain diplomatic maneuvering opportunities and also protect its economic interest in the region.

Secondly, China may see the conflict in a Eurasian and even global context. Thus, in recent years, China's relations with Russia, Iran and Turkey are deepening. In this context, China is simply trying to protect and strengthen its economic interests, as in Central Asia, and avoiding taking sides with these regional powers and any of the countries they support. Thus, it is possible to say that they are trying to secure their interests by pursuing a low-profile foreign policy without interfering in regional conflicts and breaking relations with regional powers.

Following over a month of military action to liberate its territories from Armenian occupation, Azerbaijan has pushed Armenia to sign the surrender document. A joint statement on the matter was made by the Azerbaijani president, Armenia's PM and the president of Russia. After announcement of the peace deal, Foreign Minister of the People's Republic of China Wang Yi said that China welcomes the Nagorno-Karabakh peace deal brokered by Russia (Azərbaycan24, 2020).

This peace deal may affect China's future plan in the context of the South Caucasus. With regards to the local countries, firstly, the complete settlement of the Nagorno-Karabakh conflict in the future will create conditions for stability in the region. In this situation, China has a chance to expand its economic opportunities with both countries in the future. This is

because China prefers particularly stable countries to invest and increase its economic influence. Last month, both pandemic and war affected Azerbaijan and Armenia's economy negatively, that is why both countries may be interested in attracting new investment. In this context, China may play an important role for both of them. Secondly, in the context of security issues, China's arms sales may increase to Azerbaijan and Armenia. During the war, Azerbaijan's drones, from Turkey and Israel, played a strategic role, which is why especially Armenia may try to buy new drones from China. These conditions also may promote Azerbaijan to improve its relations with China in the context of the security sector. Consequently, we may observe increasing China's presence in the security sector in the South Caucasus. Thirdly, the end of the Armenian-Azerbaijani conflict and the restoration of stability in the region provide greater opportunities for China's Belt and Road Initiative (BRI), especially the possibility of opening the Nakhchivan Corridor in the future, which opens up new prospects for the initiative. Opening the Nakhchivan Corridor increases the strategic importance of Azerbaijan because it has a better chance to increase its role as a regional hub in the context of the BRI and North-South Corridor (NSC).

With regard to the regional power, the opening of a new corridor and Russia's role as a guarantor of security could help China expand BRI's corridors and strength its connectivity with Europe in the context of the South Caucasus, intensify trade with both local and regional powers, and promote China's economic influence in the region. On the other hand, a new corridor may have a different impact on regional powers. From the side of Iran, a new corridor may limit Iran and undermine its plan with Armenia in the context of the NSC and attract investment from China, and result in more isolation of Iran from the region. From the view of Turkey, the new corridor may enhance Turkey's strategic role and strengthen connectivity between China and Turkey, and increase China's interest to invest in new infrastructure projects in the context of the new corridor. From Russia's side, the security and political role of Russia and China's increasing economic presence may contribute to

local countries' economic welfare and political stability.