

CHINA'S POLICY IN THE SOUTH CAUCASUS: CHALLENGES AND OPPORTUNITIES

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Abstract

The paper examines the policy of the People's Republic of China in the South Caucasus. The main task of the research is to highlight the political, economic and cultural factors that strongly affect the formation of China's foreign policy in the region. Over the last decade, China's policy in the South Caucasus has become more active, which is primarily due to the launch of the Belt and Road Initiative and China's growing interests in the region.

The study of the South Caucasian vector of China's foreign policy is quite actual among the researchers both in Armenia and other countries of the region. However, it is necessary to explore official Beijing's regional policy comparatively. The need to explore the issue has grown significantly after the 2020 war in Nagorno-Karabakh, as it transformed Beijing's political interests and changed its behavior in the region. Though China's interests in the South Caucasus are primarily measured in the context of the implementation of the Belt and Road Initiative, in fact, it can be the most important, but only one aspect of China's growing interests in the region. In the conditions of the Russian-Ukrainian military conflict, which started in 2022, this topic has gained more relevance.

In the paper, we have tried to observe the evolution of China's South Caucasian policy in dynamics, as well as to highlight the factors that influence the formation of Beijing's policy behavior. On the other hand, we have set a task to consider the possible scenarios of the development of relations between China and the countries of the South Caucasus region as well as the possible scenarios for the implementation of the Belt and Road Initiative in the South Caucasus.

Keywords – People's Republic of China, the South Caucasus, Armenia, Georgia, Azerbaijan, Belt and Road Initiative, China's soft power, territorial conflicts, Nagorno-Karabakh, Abkhazia, South Ossetia, regional economic cooperation.

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Received 15.08.2023

Revised 02.09.2023

Accepted 10.09.2023

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Introduction

For many years, China generally demonstrated comparatively restrained behavior in its foreign policy. This is mainly due to the fact, that the latter focused its main attention on its economic development. In the last two decades, China's economy has registered a rapid development, which prompts official Beijing to activate its foreign policy as well. First of all, it refers to energy and transportation initiatives that will facilitate China's product exports and also diversify energy sources critical to ensuring the continuity of the development of the economy. The South Caucasus region has gained enough importance for China in both above-mentioned directions, making the study of this issue very important and topical.

From the point of view of the Republic of Armenia, the main measure of the relevance and importance of the issue are primarily reflected in the following facts:

- ✓ official Yerevan seeks to develop cooperation with China on a bilateral level;
- ✓ China, as a newly emerging power center, is important from the point of view of forming a positive position regarding the issues facing Armenia's foreign policy;
- ✓ China has enough potential to influence the economic processes in the South Caucasus;
- ✓ China is one of Armenia's main economic partners which creates an opportunity to ensure development in other areas of cooperation as well.

The research question

The main research question is the following: what factors form China's policy in the South Caucasus? To answer this question, the following issues were posed:

- to study the characteristics of the foreign policy of the People's Republic of China (hereinafter - China) in the South Caucasus;
- to present the main trends in the development of China's relations with the countries of the region;
- to investigate China's position and policy towards the territorial conflicts in the South Caucasus;
- to study China's soft power policy in the region;
- to explore China's relations with the regional countries within the framework of the Belt and Road Initiative (BRI).

Methodology

The method of historical argumentation was used to examine the problem in the dynamics of the development of events. Facts are the most important indicators of relations between the countries. The method of comparative analysis allowed us to examine China's relations with each country of the South Caucasus. This also helped us to make certain conclusions regarding China's deeper interests in the region and attitude to regional states. Scenario analysis was used to project possible future developments in China's South Caucasus policy. There are some external and internal factors that can influence China's relations with South Caucasian states.

The main features of China's Foreign policy in the South Caucasus

Since the second decade of the 21st century, the South Caucasus has acquired a rather important role in the foreign policy agenda of China. This is connected with China's growing interest in the region, which is based on several factors. First of all, it is China's Belt and Road initiative, where the South Caucasus countries have certain transit role. Additionally, historical ties connect China with the region, as the South Caucasus is situated along the ancient Silk Road, which linked China to Europe for centuries. Therefore, the local nations of the South Caucasus and China have known each other thousands of years and traded with each other.

The South Caucasus has not gained strategic importance in China's foreign policy agenda. Rather it fits into the latter's foreign policy priorities. To measure the importance of the region, it is necessary to observe it in the framework of China's economic initiatives. China, however, does not view the South Caucasus as a single entity and tries to develop its relations with the regional countries on individual basis. China's South Caucasus policy is part of its global strategy and goals. China has become one of the main actors in global politics. For China, that role is not a goal in itself: it is aimed at strengthening peace at the global level, forming cooperation between countries on the basis of equality and mutual benefit. These norms are enshrined in China's foreign policy strategy, which, together with several other principles, received the formulation of "Principles of Peaceful Coexistence".¹

In recent years, China's expanding cooperation with the South Caucasus has made Beijing a highly influential force in the region. The key component of these relations is the economic interests of all involved parties. China has signed a number of official documents with Georgia, Armenia and Azerbaijan regarding their participation in the Belt and Road Initiative. While ten years ago China's presence in the Caucasus was minimal, it is now among the top three largest trading partners of the South Caucasus countries.

Another important aspect of China's foreign policy is the issue of Taiwan. China prioritizes restoring its territorial integrity, therefore regions with territorial conflicts also align indirectly with China's foreign policy interests. China is home to around 50 ethnic minorities, highlighting the importance it places on maintaining territorial integrity. Beijing tends to avoid expressing a political position on territorial disputes. However, it is obvious that conflicts hold a special place in China's policy in the South Caucasus.

Beijing cannot disregard Russia's interests concerning territorial conflicts in the South Caucasus, as Russia is one of China's most significant military, political, and economic partners. China has shown no desire to challenge Russia's security role in the former Soviet Union territory, with Central Asia—especially Kazakhstan—being a minor exception. When shaping its strategy in the South Caucasus, China acknowledges Russia's great influence and vital interests in the region. In addition, the

¹ Carry Forward the Five Principles of Peaceful Coexistence to Build a Better World through Win-Win Cooperation, Xi Jinping, President of the People's Republic of China, MFA of PRC, January 7, 2014, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/201407/t20140701_678184.html

unrecognized republics of the the South Caucasus have certain dependence on Russia, therefore Beijing has adopted a cautious approach in this regard.

Although the South Caucasus is not a strategic priority for China's foreign policy, there is a potential for growth in the relations between the regional states and China. China's investments in the region, strengthening of cultural ties, as well as implementation of youth mobility programs can pave the way for further development of bilateral relations. We believe, that currently China has the best chances to compete with Russia in the South Caucasus.

China's soft power policy in the South Caucasus

Soft power is one of the most active tools in China's foreign policy. Beijing skillfully uses cultural, economic, and humanitarian instruments. One of the most widely used cultural instruments is the establishment of Confucius Institutes, which aim to promote Chinese language and culture. The first Confucius Institute in the South Caucasus was opened in Armenia in 2008. Over the past 15 years, more than 13,000 students have studied at this institute, reflecting the growing popularity of Chinese language studies in Armenia. Special attention shall be focused on Chinese soft power initiatives regarding education. The Chinese government allocated nearly 12 million USD to found the Armenian-Chinese Friendship School with a capacity of around 400 students participating in an intensive Chinese language study program. This institution is the largest Chinese language center in the countries of the former USSR.

The Confucius Institute at Tbilisi Free University was established in 2010. 26 Georgian universities and secondary schools offer Chinese language courses. Approximately 30 Georgian students receive scholarships from the PRC government each year to study at Chinese universities. In addition, 20 Chinese teachers and volunteers come to Georgia every year to teach the Chinese language and culture. On February 15, 2019, the governments of Georgia and China signed an agreement to promote the study of the Chinese language throughout Georgia. The agreement will allow secondary schools in Georgia to conduct Chinese lessons for students within the scope of the national curriculum.

Confucius Institute at Baku State University was established in 2010 and opened in 2011. In addition to language courses and cultural projects, it also conducts research on Azerbaijan's participation in the implementation of the BRI. According to an interstate agreement, the Ministry of Education of Azerbaijan annually sends up to 50 students to China. Additionally, the Confucius Institute sends selected students from its language courses to a one-year educational program in China.²

Relations between China and Armenia

The People's Republic of China was among the very first countries that recognized the independence of the Republic of Armenia in December 1991. Official diplomatic relations between Armenia and PRC were established on April 6, 1992. In 2020, China

² China's bilateral relations with Armenia, Azerbaijan and Georgia, MFA of PRC, https://www.fmprc.gov.cn/eng/gjhdq_665435/2675_665437/ (accessed 22 May 2023).

opened its largest by territory embassy in the region in Yerevan, underscoring the high level of political, economic and cultural relations between the two countries.³

The political dialogue between Armenia and China currently includes over 60 interstate documents.⁴ Armenia recognizes the territorial integrity of China and supports the “One China” policy.⁵ In July 1992, official Yerevan and Beijing issued a joint statement about keeping constructive neutrality on unresolved political issues, meaning that neither country would take actions contrary to each other's interests in the international arena. The countries have largely adhered to this approach. Official Yerevan shows constructive neutrality during discussions and votes on issues related to China's interests on international platforms. As for China's policy, it generally maintains the political approach of not contradicting Yerevan's interests.

Relations with China are of great importance in Armenia's foreign policy agenda. The three previous presidents of Armenia - Levon Ter-Petrosyan, Robert Kocharyan and Serzh Sargsyan – each paid state visits to China during their presidencies. During the visit of President Robert Kocharyan in September 2004, a joint statement was signed, which clarified the positions of the parties on matters of bilateral interest.⁶

Serzh Sargsyan, President of Armenia made a state visit to the People's Republic of China on March 2015. The meeting with China's leader Xi Jinping was held in the House of Representatives. At the end of the meeting, following the results of the talks, the Presidents of Armenia and China signed a joint declaration "On the further development and deepening of friendly cooperation between the Republic of Armenia and the People's Republic of China". More than a dozen documents have been signed between the two countries aimed at developing and strengthening bilateral cooperation in a number of areas.⁷ They refer to cooperation in economic, customs, technical, legal, scientific, educational and other fields. President Serzh Sargsyan also met with the Premier of the State Council (Prime Minister) of China Li Keqiang.⁸ Serzh Sargsyan and Li Keqiang noted the progress recorded in bilateral trade and in economic relations in recent years. According to Serzh Sargsyan, Armenia's membership in the Eurasian Economic Union opens up new and broader opportunities also in terms of expanding the Armenian-Chinese economic relations. Serzh Sargsyan once again welcomed the

³ Newly-built embassy in Yerevan: China's new step for developing relations with Armenia, Armenpress, September 23, 2020, <https://armenpress.am/eng/news/1028521.html>.

⁴ Schulz, Dante, China-Armenia Bilateral Relations, Caspian Policy Center, January 26, 2022, <https://www.caspianpolicy.org/research/security-and-politics-program-spp/china-armenia-bilateral-relations>.

⁵ Bilateral Relations, China, MFA of RA, February 07, 2023, <https://www.mfa.am/en/bilateral-relations/cn>.

⁶ Wu Bangguo Meets with Armenian President Robert Sedrakovich Kocharyan, MFA of PRC, September 28, 2004, https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/2675_665437/3130_664282/3132_664286/200409/t20040928_555329.html.

⁷ High-level Armenian-Chinese talks held in Beijing, Official website of the President of the RA, March 25, 2015, <https://www.president.am/ru/press-release/item/2015/03/25/President-Serzh-Sargsyan-state-visit-to-China-day-1/>.

⁸ Many issues of bilateral significance became the subject of discussion. This circle covered the spheres of energy, transport, chemical industry, education, science, culture, agriculture, aviation, tourism, infrastructure development and a number of other areas. Armenia's President and China's Premier of the State Council noted the importance of the work of the Armenian-Chinese Joint Commission on Trade and Economic Cooperation.

initiative of the Chinese side to restore the Great Silk Road and the purposeful work carried out towards its implementation: “Armenia welcomed the idea of creating the Silk Road Economic Belt put forward by the President of the People's Republic of China, Mr. Xi Jinping. Back in the days of the ancient Great Silk Road, Armenian goods were known on the Chinese market and Armenian merchant ships traveled to the eastern ports of Asia, in particular, to Hong Kong. I hope that the program for the construction of the southern railway, which runs along the Armenian section of the modern Silk Road, will become one of those projects that are designed to contribute to the implementation of the noted economic idea. At the same time, it will ensure the practical presence of the Chinese side in the South Caucasus region, as well as give impetus to bilateral relations between Armenia and China”.⁹

After the constitutional reforms in Armenia, Nikol Pashinyan was the first prime minister of Armenia to make a working visit to China on May 2019. During the meeting of the leaders Chinese President thanked Nikol Pashinyan for accepting the invitation to participate in the conference “Dialogue of Asian Civilizations”. Xi Jinping noted that his country attaches importance to the consistent development of relations with Armenia in various fields. The President of the People's Republic of China spoke about strong historical and cultural relations between Armenia and China. “We are united by the common goals of cooperation between civilizations. We are well aware of significant historical events in Armenia. We are convinced that the tragic events that happened to the Armenian people should be ruled out in the future”, Xi Jinping said.

Nikol Pashinyan noted that Armenia is interested in implementing joint programs within the framework of the One Belt, One Road initiative and added that the Armenian side was considering the possibility of participating in the implementation of joint programs in the areas of transport, railroads, and information infrastructures. Xi Jinping stressed that China was ready to take part in the construction of the North-South highway and the implementation of other infrastructure programs. Prime Minister Nikol Pashinyan thanked Xi Jinping for the invitation. “Relations with China are among the priorities of Armenia's foreign policy. Our two nations represent ancient civilizations, even the Armenian manuscripts of the fifth century tell about the ties between them. These ties were of a commercial, humanitarian and political nature. Constructive and productive relations with China are very important for us”, said Nikol Pashinyan.¹⁰ The main achievement of this visit can be considered the signing of the agreement on mutual visa liberalization.

Armenian-Chinese economic ties are rapidly developing. Trade between the two countries is growing every year. Today, China is Armenia's second largest trading partner after Russia with \$1 billion 241 million.¹¹ China is also one of the active

⁹ State visit of President Serzh Sargsyan to the People's Republic of China, Official website of the President of the RA, March 25, 2015, <https://www.president.am/ru/foreign-visits/item/2015/03/25/State-visit-of-President-Serzh-Sargsyan-to-China/>.

¹⁰ Nikol Pashinyan and Xi Jinping discussed a number of issues of further development of Armenian-Chinese relations, Armenia Prime Minister's official website, May 14, 2019, <https://www.primeminister.am/ru/press-release/item/2019/05/14/Nikol-Pashinyan-Chine-President/>.

¹¹ Bilateral Relations, China, MFA of RA, February 07, 2023, <https://www.mfa.am/en/bilateral-relations/cn>.

investors on the Armenian market, which currently includes the fields of education, IT, infrastructure, trade, and agriculture.¹²

It is evident that official Yerevan still has much work to do in developing its strategy for relations with China. In the foreign policy section of the National Security Strategy of Armenia adopted in 2007, only the following line is mentioned regarding China: Armenia will develop relations with the countries of the Asia-Pacific region, including China.¹³ And in the strategy approved by the government in 2020, the following is mentioned: we will consistently deepen friendly relations with the People's Republic of China through the development and expansion of multi-sector and mutually beneficial broad-based cooperation.¹⁴

We are sure that the relations with China have a great potential for development, grounded in broad cultural and geopolitical foundations. Although in many issues Armenia has missed its opportunities, there is still much to be done in this direction. Currently, China's main partners in the South Caucasus are Georgia and Azerbaijan. It will be challenging for Armenia to regain its former importance in Beijing's political agenda, especially given recent successes of Azerbaijan in the Nagorno-Karabakh issue, which have made it a more appealing partner for China.

China's relations with Georgia

Georgia's favorable geopolitical position offers good opportunities for developing economic relations with China. Each year, Georgia's economy becomes increasingly attractive to China, primarily due to Georgia's transit importance. Transport infrastructure in Georgia, including sea ports, can fill the logistical gaps in the Belt and Road Initiative. According to the assessment of the foreign political department of Georgia, the current pace of development in relations with China has been reported since 2012.¹⁵ Georgian Dream, Georgia's ruling party, is increasingly focused on strengthening relations with China. In May 2015, the government of Georgia published the development plan "Strong, democratic and united Georgia", emphasizing the special role of Georgia as a bridge in the construction of the Silk Road Economic Belt.¹⁶ In November 2016, the government of Georgia published the program "Freedom, rapid development and prosperity (2016-2020)".¹⁷ According to the document, cooperation between Europe and Asia through the Silk Road is of great importance, and cooperation with Eastern countries in the spheres of economy, trade, transport and energy offers significant benefits to Georgia.

¹² Bergmann, Sofia, Armenia in the Belt and Road Initiative, EVN Report, December 16, 2019, <https://evnreport.com/economy/armenia-in-the-belt-and-road-initiative/>.

¹³ National Security Strategy of Armenia 2007, <https://www.mfa.am/filemanager/Statics/Doctrinearm.pdf>.

¹⁴ National Security Strategy of Armenia 2020, <https://www.mfa.am/filemanager/security%-20and%20defense/AA-Razmavarutyun-Final.pdf>.

¹⁵ Bilateral visits, Embassy of Georgia to the People's Republic of China, May 24, 2018, http://www.china.mfa.gov.ge/default.aspx?sec_id=1185&lang=2.

¹⁶ For a strong, democratic and united Georgia: Government Program. Georgian Government, https://www.gov.ge/files/41_50258_481988_Strong,Democratic,UnitedGeorgia1.pdf.

¹⁷ Freedom, Rapid Development Prosperity, Government Platform 2016-2020, https://www.gov.ge/files/41_61087_816118_GoG_Platform_LKF_19_05_2017.pdf.

The Free Trade Agreement of 2018 was a great impetus for the intensification of relations between the two countries. Under this agreement, China purchased 75 percent of the shares in the Poti Free Industrial Zone. In the same year, trade between the two countries for the first time exceeded \$1 billion.¹⁸ The volume of trade between the two countries in 2021 amounted to 1 billion 625 million dollars.¹⁹ In 2022, it exceeded 2 billion dollars for the first time.²⁰ Currently, China is Georgia's third-largest trading partner after Turkey and Azerbaijan. The Georgian government hopes that the country's geographical position with several ports such as Batumi, Poti and Anaklia, will allow Tbilisi to function as the largest logistic center in the region. Chinese investments in Georgia are directly linked to Beijing's massive Belt and Road Initiative, a global transit network aimed at facilitating China's trade with the world.²¹ Before the war in Ukraine in 2022, most of China's trade with Europe was conducted through Russia. The importance of Georgia and the South Caucasus in China's transport initiatives has increased since 2022. We believe that the states of the region can use the current situation to increase their transit potential. Another opportunity for Georgia's transit role could be the new sea port, which is planned to build in Anaklia. It will have the capacity to receive large ferries, which the ports of Batumi and Poti do not have. However, construction, which began in 2018, was suspended two years later due to legal issues. Georgia's Prime Minister, Irakli Gharibashvili, announced plans to resume construction of the port by the end of 2023.²²

The development of economic relations with China also holds significant political importance for Georgia. It is an opportunity for Georgia to have additional balancing tools in terms of diversifying its dependence on the Russian and European markets. According to Tbilisi, the more players involved in the Georgian market, the more stable and secure the situation in Georgia will be.²³ In fact, Georgia is seeking to develop ties with China at the highest level. Georgia has a great potential to become China's main political and economic partner in the South Caucasus.

China's relations with Azerbaijan

China's relations with Azerbaijan are developing rather dynamically. Over the past five years, trade between the two countries has exceeded \$1 billion.²⁴ While in 2015 the

¹⁸ Embassy of Georgia to the People's Republic of China, Economic cooperation, MFA of PRC, http://www.china.mfa.gov.ge/default.aspx?sec_id=1183&lang=2.

¹⁹ China's trade with Georgia. Economic Complexity Ranking, <https://oec.world/en/profile/bilateral-country/chn/partner/geo> (accessed March 31, 2022)

²⁰ Trade between Georgia and China in 2022, Trading Economics, <https://tradingeconomics.com/china/exports/georgia> (accessed September 28, 2023)

²¹ Bergmann, Armenia in the Belt and Road Initiative.

²² When will the construction of the port of Anaklia start in Georgia? Sputnik Georgia, May 18, 2023, <https://sputnik-georgia.ru/20230518/kogda-v-gruzii-nachnetsya-stroitelstvo-porta-anakliya-277810775.html>.

²³ Growing interests of China in Georgia, Caspian Bulletin, April 01, 2018, <http://casp-geo.ru/rastushhie-interesy-kitaya-v-gruzii/>.

²⁴ As Armenia and Azerbaijan clash, where will China stand? SCMP, October 03, 2020, <https://www.scmp.com/comment/opinion/article/3103849/armenia-and-azerbaijan-clash-where-will-china-stand>.

trade turnover amounted to 561 million dollars, in 2016 it reached \$975 million, in 2017 – \$1.298 billion, in 2018 – 1.310 billion, and in 2019 – \$2.184 billion.²⁵ However, the trade balance between the two countries is in favor of China. While Azerbaijan's exports to China reached a record high, totaling \$752 million, imports from China surged to over \$1.432 billion. Trade between China and Azerbaijan in 2022 amounted to approximately \$1.2 billion.²⁶ Azerbaijan's exports consist mainly of crude oil and petrochemicals, while China exports a wide range of products. Chinese companies have invested \$800 million in Azerbaijan, whereas Azerbaijan's investments in China's economy are less than \$2 million. About 120 companies with Chinese capital operate in Azerbaijan.²⁷

China also invests in energy infrastructures passing through Azerbaijan. In 2016, the Asian Infrastructure Investment Bank (AIIB), headed by China, approved its largest loan for the construction of a gas pipeline connecting Azerbaijan with Turkey and Southern Europe. The AIIB provided a loan of 600 million dollars to the project of the Trans-Anatolian Gas Pipeline (TANAP), by which natural gas will be transported from Azerbaijan through the territory of Turkey, and then further to the markets of Southeastern Europe.²⁸ Azerbaijan's cooperation with Chinese companies gained a wider scope after an agreement on strategic cooperation in the transport and transit sector, which was signed with Azerbaijan Railways CJSC in April 2019 in Beijing as part of the Belt and Road Initiative.²⁹

The economic cooperation between China and Azerbaijan is not limited to trade. Azerbaijan has managed to implement several transport projects, that can bolster its participation in the Belt and Road Initiative. The most prominent of them is the Baku-Tbilisi-Kars railway. China has also launched several projects of constructing technologically rich areas (smart cities) in Azerbaijan. They can give new impulses to Chinese-Azerbaijani relations. Azerbaijan tries to hamper Belt and Road Initiative by proposing a more railway-oriented route crossing its territory, connecting the rail networks of Azerbaijan, Iran, and Russia, with the potential for future integration with India.

Azerbaijan is a key country in the China-Central Asia-West Asia economic corridor (CCW corridor). This corridor is one of the Belt and the Road's six economic corridors, involving five Central Asian countries, Iran and the Persian Gulf region, Transcaucasia and Turkey, and the Arabian Peninsula. Traditionally, transportation between China and West Asia has primarily relied on maritime routes. In contrast, the CCW corridor provides a land-based alternative to these conventional sea routes. To date, railways leading to the ports of Aktau and Turkmenbashi have been opened,

²⁵ Silk Road Briefing, Azerbaijan-China's Developing Trade & Investment Ties, April 19, 2022, <https://www.silkroadbriefing.com/news/2022/04/19/azerbaijan-chinas-developing-trade-investment-ties/>.

²⁶ Trade between China and Azerbaijan, Trading economics, <https://tradingeconomics.com/azerbaijan/imports/china> (accessed September 30, 2023).

²⁷ Shahin Cheferli, Azerbaijan-China relations. <https://bakuresearchinstitute.org/azerbaijan-china-relations/> (accessed April 28, 2023)

²⁸ Is China's Economic Expansion in the South Caucasus a Myth? The Diplomat, November 28, 2018, <https://thediplomat.com/2018/11/is-chinas-economic-expansion-in-the-south-caucasus-a-myth/>.

²⁹ Azerbaijan-China: 30 years of cooperation that can become an example for the world, China Daily, April 02, 2022, <https://www.chinadaily.com.cn/a/202204/02/WS62484315a310fd2b29e54ead.html>.

allowing cargo to be transported to the Baku International Sea Trade Port (NBIST port), and then onto Turkey and Europe.³⁰

China's policy towards the territorial disputes in the South Caucasus

China usually avoids making clear formulations regarding territorial conflicts. As a multinational state facing separatist challenges, China prioritizes preserving its territorial integrity. Therefore, Beijing's policy regarding territorial conflicts is quite cautious and guided by its political interests. Official Beijing has always stated that territorial conflicts in the South Caucasus must be resolved peacefully, through negotiations, in accordance with the norms of international law. Even at the height of the war in South Ossetia in August 2008, Chinese Foreign Ministry issued an official statement urging the parties to immediately negotiate.³¹ It is difficult to find a case in official Beijing statements where it directly blames one of the conflicting parties. Although separatism is not in China's interests, its response to Russia's recognition of Abkhazia and South Ossetia has been notably balanced and restrained.³²

China avoids establishing official relations with the unrecognized republics of the South Caucasus, limiting its interactions to the humanitarian sphere. However, China has some trade and economic relations with the unrecognized states of the South Caucasus. This is a characteristic feature of China's foreign policy - to establish economic relations with the maximum possible number of subjects, thereby obtaining certain levers of influence in these regions. Trade turnover between Nagorno-Karabakh and China, for instance, increased steadily in the years before the 2020 Nagorno-Karabakh war. Unfortunately, the war in Artsakh terminated the economic ties. In September 2023, following Azerbaijan's another aggression against Nagorno-Karabakh, the republic de facto stopped to exist.³³

China has semi-official ties with Abkhazia, driven by its economic interests in the region.³⁴ Abkhazia has appointed an honorary consul in China, based in Beijing. China's ties with South Ossetia are minimal. South Ossetia is landlocked, bordering only with Georgia and Russia. After the Georgian-South Ossetian war in 2008, the Chinese government provided humanitarian aid to South Ossetia.³⁵

It is possible that China may seek to strengthen its position in Abkhazia and South Ossetia in the future. Georgia pursues integration into NATO and the EU. Most of the

³⁰ Bai Lianlei, Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective, China Institute for International Studies, August 30, 2016, https://www.ciis.org.cn/english/SEARCHPROJECTS-Articles/202007/20200715_3623.html.

³¹ China demands ceasefire in South Ossetia, Vzglyad, August 10, 2008, <http://www.vz.ru/news/2008/8/10/194982.html>.

³² China concerned about situation in Abkhazia and South Ossetia - Chinese Foreign Ministry, Ria News, August 27, 2008, http://www.rian.ru/osetia_news/20080827/150721040.html.

³³ Under the Azerbaijani military threat, the president of the Republic of Artsakh signed a decree by which the republic ceases to exist from January 1, 2024. At this moment, almost the whole Armenian population of the region has left their homes (02.10.2023).

³⁴ On the meeting with the delegation from China. Press Release, Abkhazia MFA, November 12, 2019, http://mfaapsny.org/en/allnews/news/visits/o-vstreche-s-delegatsiy-iz-knr-/?sphrase_id=83104.

³⁵ Babayan, David, New Silk Roads in the Southern Caucasus: Chinese Geopolitics in a Strategic Region. October 06, 2014, <https://www.yalejournal.org/publications/new-silk-roads-in-the-southern-caucasus-chinese-geopolitics-in-a-strategic-region>.

members of these organizations have economic and cultural ties with Taiwan. If Georgia's western integration succeeds, it will inevitably face the problem of recognizing Taiwan's identity. Therefore, Beijing should aim to maximize its influence over Tbilisi to preempt this scenario.

As for the Nagorno-Karabakh conflict, official Beijing avoids political assessments whenever possible. The main focus of China is on an exclusively peaceful settlement, without any comments on the territorial integrity of Azerbaijan or the right of the Armenian people to self-determination. Beijing has the same position towards the Abkhazian and South Ossetian conflicts. Consequently, China refrains from direct participation in the resolution of the Armenian-Azerbaijani and the Russian-Georgian conflicts.

In the dialogue with Beijing on the Nagorno-Karabakh conflict, Baku usually starts from the following point of view: Nagorno-Karabakh is part of the territorial integrity of Azerbaijan. Therefore the main argument is the restoration of the lost territorial integrity of Azerbaijan. This approach is intended to elicit China's sympathy, given its own challenge in reclaiming Taiwan, which has been separated from its territory. However, this is a manipulation of this issue by Azerbaijan. Taiwan, with a Chinese-majority population, did not separate from China based on the principle of national self-determination but rather for political reasons with external support. The same situation was in Nagorno-Karabakh: more than 94% Armenian-populated region was annexed to Azerbaijan in 1921 by the decision of the Soviet Russia for political motives. Thus, it can be concluded, that Armenia and China have common interests in the issue of territorial conflicts. Both countries face challenges in reclaiming the territories, which artificially had been separated from their historical homeland. However, it is also important to note that Armenia's Prime Minister has recently recognized Nagorno-Karabakh as part of Azerbaijan's territorial integrity—a decision perceived by some as having been made under the threat of force, which is vulnerable from the perspective of international law. But this is another question of discussion, so we will not concentrate on it here.

China's policy was rather restrained during the war in Nagorno-Karabakh in 2020. The day after the conflict began, Chinese Foreign Ministry spokesman Wang Wenbin stated: "China believes that maintaining peace and stability in the region is in the interests of all parties, including Armenia and Azerbaijan. We hope that the parties concerned will show restraint and take measures to avoid further escalation of the conflict".³⁶ Certainly, expectations for China's involvement in the Nagorno-Karabakh issue were higher in Armenia. This belief stems from the understanding that the conflict extends beyond a simple Armenian-Azerbaijani dispute. In the war, Turkey was one of Armenia's main rivals. Turkish President Recep Tayyip Erdogan, who has pan-Turkic aspirations to unite all Turkic-speaking nations from Southeast Europe to Central Asia, has openly expressed his support for Azerbaijan throughout the war.³⁷

Given Turkey's pan-Turkic aspirations, as well as the fact that China is home to tens of millions of ethnic Turks - the Uighurs, Erdogan's ambitions pose a direct threat

³⁶ The Ministry of Foreign Affairs of China urged to avoid escalation of the situation in Nagorno-Karabakh, REGNUM, September 28, 2020, <https://regnum.ru/news/polit/3075224.html>.

³⁷ Erdogan vows struggle until end of Karabakh occupation, Anadolu Agency, October 02, 2020, <https://www.aa.com.tr/en/azerbaijan-front-line/erdogan-vows-struggle-until-end-of-karabakh-occupation/1993513>.

from China's security perspective as well. While these threats may not be immediate, Turkey is trying to gradually increase its influence in Central Asia, particularly in Turkmenistan, Kazakhstan, and Kyrgyzstan. The latter two provide Turkey and Azerbaijan with land access to the Turkic-speaking population of China. Turkey seems to have assumed the role of leader of the Turkic world, and its leader Recep Tayyip Erdogan has repeatedly accused China of massacring the Uighurs.³⁸ On this background, decision-makers in Yerevan should try to convince China, that a strong Armenia could serve as a barrier to pan-Turkic plans. However, it should be also recognized that Turkey is one of China's most important partners in the BRI.³⁹

The agreement signed between Armenia and Azerbaijan on November 9, 2020 inspired some hope that the Azerbaijani side is on the path of normalizing relations with Armenia. This agreement envisages a complete unblocking of communication channels, which is also beneficial from the point of view of the Belt and Road Initiative. During the last three years, the strategy of pressure implemented by Azerbaijan towards the Republic of Armenia and Nagorno Karabakh leaves few opportunities for regulating Armenian-Azerbaijani relations. If the parties can achieve a final settlement of the conflict, it could open new avenues for the Belt and Road Initiative. We believe, that as a result of the final settlement of relations between Armenia, Turkey and Azerbaijan, China can be one of the winners. Growing cooperation and stabilization in the region can give additional guarantees to international megaprojects initiated by China.⁴⁰

In fact, given the aggressive statements from Baku and Ankara against Armenia after the end of the war, as well as the violation of the ceasefire by Azerbaijan, the above-mentioned scenario lacks optimistic prospects. Azerbaijan continues to blackmail Armenia with the prospect of renewed war if the latter refuses to fulfill its demands. The main demand from Turkey and Azerbaijan to Armenia is to grant access to the "Zangezur Corridor," which would include Turkish control mechanisms—something that is contrary to the interests of official Yerevan.

Conclusion

- ❖ China's interests in the countries of the South Caucasus are continuously growing. However, the region is far from gaining strategic importance for it. China mainly develops its economic and humanitarian ties with the countries of the region. We believe that if these relationships continue to develop, there may be potential for increased cooperation in the political sphere as well.
- ❖ China's policy in the South Caucasus is restrained by Russia's traditional influence in the region. Official Beijing is quite cautious about interfering with Russia's interests in the South Caucasus. In fact, Russia and China have a tacit

³⁸ "Father Muslim" vs. Heavenly. Erdogan stood up for the Uyghurs (in Russian), Liberty Radio Russia, February 14, 2019, <https://www.svoboda.org/a/29770229.html>.

³⁹ Zangezur corridor to provide new link between Turkey and Azerbaijan, Anadolu Agency, June 01, 2021, <https://www.aa.com.tr/en/economy/zangezur-corridor-to-provide-new-link-between-turkey-azerbaijan/2260088>.

⁴⁰ Khrami Nima, How China gains from Armenia-Azerbaijan war, Eurasianet, December 02, 2020, <https://eurasianet.org/perspectives-how-china-gains-from-armenia-azerbaijan-war>.

agreement to share influence in the South Caucasus and to avoid conflicting interests. However, we are sure, that in case Russia's influence in the South Caucasus weakens, China has a huge potential to fill the political and economic vacuum that would result. For many years, the South Caucasus was generally regarded as a low-priority region for China, as Beijing viewed it as a geopolitical battleground between the West and Russia. This has changed with the launching of the Belt and Road Initiative.

- ❖ As for territorial conflicts in the South Caucasus, China adheres to a firm, constructive, neutral approach to their resolution. We believe, that it is in the interests of official Beijing to bring peace to these conflict zones, since they are located along East-West transport routes, which are of strategic importance to China. The settlement of territorial conflicts in the South Caucasus can provide additional guarantees for the successful implementation and further uninterrupted operation of China's transport and energy projects in the region.
- ❖ China's soft power policy is quite effective in the region. While China mainly relies on strengthening ties in the linguistic, cultural and humanitarian spheres in Armenia, the economic tools of soft power are more active in the other two countries of the region.
- ❖ After the 2020 war in Nagorno-Karabakh, China's South Caucasus policy has transformed. On the one hand, Beijing is strengthening its relations with Azerbaijan, which emerged stronger from the conflict. On the other hand, China is showing a relatively restrained political behavior. We believe that this reflects China's typical foreign policy behavior, and the latter is still waiting for the proper time to increase its presence in the region.
- ❖ The Russian-Ukrainian war that began in 2022 may create new economic opportunities for the countries of the South Caucasus, as the "Russian route" is threatened, and China is looking for alternative communication routes to Europe.

The growing influence of Turkey in the region can be another threat, especially after the war of Nagorno-Karabakh in 2020. Currently Turkey seeks to actively participate in all regional infrastructure initiatives, including East-West transport communication projects. Therefore, the primary task for official Yerevan should be to increase cooperation with China, Russia, and other power centers in order to effectively curb Turkey's political and economic ambitions in the region.

When examining China's relations with the countries of the South Caucasus through a comparative lens, we can come to the following general conclusion: in terms of education and culture, Beijing is more active in Armenia, which is also supported by the civilizational factor. Economically, China's relations with Georgia have proved more successful due to the latter's transit significance. Meanwhile, given the current geopolitical situation, Azerbaijan has a significant opportunity to establish itself as a new transit route for China. In fact, countries in the region are still competing to redistribute their roles in China's foreign policy agenda. Each country in the region has its own competitive advantages.

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