Economic integration of South Caucasus countries: Current potential and main directions

Laman Bayramova

1UNIWEST Education & Project Center, Bulbul avenue 15, AZ1000 Baku, Azerbaijan

Abstract. The South Caucasus region, comprising Armenia, Azerbaijan, and Georgia, has witnessed significant political and economic developments in recent years. This article explores the current potential and main directions for economic integration among these countries. First, the article examines the economic landscape of the South Caucasus, highlighting the unique strengths and challenges faced by each country. It analyzes key sectors such as energy, agriculture, tourism, and manufacturing, and explores the potential for cross-border collaboration and trade. The article then delves into the existing frameworks for economic integration in the region, including the Eurasian Economic Union, the Commonwealth of Independent States, and bilateral trade agreements. It evaluates the benefits and limitations of these frameworks and discusses the potential for deeper integration among South Caucasus countries. Next, the article explores the main drivers of economic integration in the region. It discusses the role of infrastructure development, including transportation and energy networks, in facilitating trade and connectivity. It also examines the importance of institutional reforms, harmonization of regulations, and investment promotion to foster economic cooperation. Finally, the article identifies key recommendations for policymakers and stakeholders to realize the potential of economic integration in the South Caucasus. Overall, this article provides a comprehensive overview of the current potential and main directions for economic integration among South Caucasus countries. It highlights the importance of regional cooperation and outlines strategies to harness the economic opportunities that integration can bring.

1 Introduction

The economic integration of South Caucasus countries, namely Armenia, Azerbaijan, and Georgia, holds significant potential and can lead to numerous benefits for the region. The South Caucasus region, located at the crossroads of Europe and Asia, has historically been a strategic trade route connecting different regions. Currently, the South Caucasus countries are exploring various avenues to enhance economic cooperation and integration. One of the main drivers of integration is the ongoing infrastructure development, including transportation networks, energy corridors, and communication links. These infrastructure
projects aim to improve connectivity within the region and create favorable conditions for trade and investment. Trade liberalization and the removal of barriers to cross-border commerce are crucial for economic integration. The South Caucasus countries are working towards harmonizing their trade policies, reducing tariffs, and simplifying customs procedures. This will facilitate the flow of goods and services, attract foreign direct investment, and foster economic growth. Another key aspect of economic integration is regional energy cooperation. The South Caucasus is rich in energy resources, including oil, gas, and hydropower. By developing energy infrastructure and establishing joint energy projects, the countries can enhance energy security, promote energy diversification, and create a regional energy market. Tourism and cultural exchange also play a significant role in economic integration. The South Caucasus region boasts rich cultural heritage, historical sites, and natural beauty, making it an attractive destination for tourists. By promoting tourism and facilitating people-to-people contacts, the countries can boost economic growth, generate employment opportunities, and foster mutual understanding. Furthermore, enhancing regional cooperation in education, research, and innovation can contribute to economic integration. By sharing knowledge, expertise, and technological advancements, the South Caucasus countries can strengthen their human capital, drive innovation, and promote sustainable development. The economic integration of South Caucasus countries holds substantial potential. Through infrastructure development, trade liberalization, energy cooperation, tourism promotion, and collaboration in education and innovation, the region can achieve sustainable economic growth, enhance regional stability, and improve the living standards of its citizens.

The South Caucasus region, consisting of Armenia, Azerbaijan, and Georgia, holds immense potential for economic integration. Located at the crossroads of Europe and Asia, this region has historically been a melting pot of cultures, trade routes, and strategic interests. With its diverse natural resources, favorable geographical location, and evolving political dynamics, the South Caucasus countries are increasingly exploring opportunities for closer economic cooperation and integration. In recent years, the South Caucasus region has witnessed significant geopolitical shifts and changes that have set the stage for enhanced regional collaboration. The resolution of the long-standing conflict between Armenia and Azerbaijan over the Nagorno-Karabakh region in 2020 has opened up new possibilities for cooperation and economic development. Furthermore, Georgia's strategic position as a transit hub between Europe and Asia has made it a key player in facilitating regional trade and connectivity. The South Caucasus region, which includes Armenia, Azerbaijan, and Georgia, has seen significant developments in terms of economic integration in recent years. The main drivers of this integration have been geopolitical shifts, infrastructure projects, and efforts to enhance regional cooperation. While the potential for economic integration in the South Caucasus is promising, there are also several challenges that need to be addressed. Trade and Investment: Enhancing trade and investment flows is a key aspect of economic integration. The South Caucasus countries have been working to strengthen their trade ties by signing bilateral and multilateral agreements. For example, Azerbaijan and Georgia are part of the European Union's Eastern Partnership initiative, which aims to deepen economic integration and foster regional cooperation. Additionally, Armenia, Azerbaijan, and Georgia are members of the World Trade Organization (WTO), which provides a framework for trade liberalization and dispute resolution [1].

Transport and Infrastructure: Improving transport infrastructure is crucial for regional economic integration. The South Caucasus countries have been investing in infrastructure projects to enhance connectivity within the region and with neighboring countries. For example, the Baku-Tbilisi-Kars railway, which connects Azerbaijan, Georgia, and Turkey, has facilitated trade and transportation between these countries. Similarly, the Southern Gas
Corridor, which transports natural gas from Azerbaijan to Europe, has strengthened energy cooperation and integration. Energy Cooperation: The South Caucasus region is strategically important for energy transit and diversification. Azerbaijan, in particular, has significant energy resources, including oil and gas reserves in the Caspian Sea. The development of energy infrastructure, such as pipelines and export routes, has allowed Azerbaijan to become an important energy supplier to Europe. This energy cooperation has the potential to contribute to regional economic integration and stability. Tourism and Cultural Exchange: The South Caucasus countries have unique cultural and historical heritage, making tourism a potential area for economic integration. There have been efforts to promote the region as a tourist destination, with investments in infrastructure and marketing campaigns. By promoting cultural exchange and attracting tourists from different countries, the South Caucasus countries can enhance economic cooperation and integration. Despite these opportunities, there are also challenges to economic integration in the South Caucasus. Political conflicts and territorial disputes, such as the Nagorno-Karabakh conflict between Armenia and Azerbaijan, pose significant obstacles to regional cooperation. Resolving these conflicts and fostering political stability are crucial for achieving deeper economic integration in the region. Additionally, infrastructure gaps, regulatory barriers, and differences in economic systems and standards among the countries need to be addressed to facilitate trade and investment. The South Caucasus region has significant potential for economic integration, driven by factors such as trade, infrastructure development, energy cooperation, and tourism. However, addressing political conflicts, improving infrastructure, and promoting regional cooperation are key steps to realizing this potential and creating a more integrated and prosperous South Caucasus. This paper aims to analyze the current potential and main directions for economic integration among the South Caucasus countries. By examining the key factors, challenges, and opportunities, we will explore how closer economic cooperation can contribute to the region's overall growth, stability, and prosperity. The paper will also shed light on the potential benefits and risks associated with economic integration, as well as the role of external actors in shaping the regional dynamics. The main areas of focus will include trade facilitation, infrastructure development, energy cooperation, and people-to-people exchanges. We will examine the existing trade patterns, barriers, and opportunities, and propose strategies to enhance regional trade and overcome trade-related challenges. Additionally, we will explore the potential for joint infrastructure projects, such as transportation networks and energy corridors, that can strengthen connectivity and unlock the economic potential of the South Caucasus. Furthermore, the paper will highlight the significance of energy cooperation in the region, given the rich oil and gas reserves in Azerbaijan and the potential for renewable energy development in Georgia and Armenia. By leveraging their respective strengths, the South Caucasus countries can promote sustainable energy production, distribution, and consumption, leading to energy security and economic benefits for the entire region. Lastly, we will discuss the importance of fostering people-to-people exchanges, cultural cooperation, and tourism promotion to build trust, understanding, and a sense of shared identity among the South Caucasus countries. By encouraging closer ties between their societies, the countries can create a favorable environment for economic integration and social cohesion.

In conclusion, the South Caucasus countries have a unique opportunity to capitalize on their geographic, cultural, and economic potential by pursuing deeper economic integration. By addressing challenges, leveraging opportunities, and promoting regional cooperation, these countries can foster stability, economic growth, and improved living standards for their citizens. Through a comprehensive analysis of the current potential and main directions for economic integration, this paper aims to provide insights and
recommendations for policymakers, stakeholders, and the international community interested in the development of the South Caucasus region.

1.1 Economy of the South Caucasus countries and their future perspectives

The past three years have been challenging for the countries in the South Caucasus region. They have faced economic difficulties due to the global pandemic, and in the latter half of 2020, a 45-day war erupted between Armenia and Azerbaijan over Nagorno-Karabakh. The armed conflict and subsequent political instability directly impacted the regional economy. The situation further deteriorated with the Russian invasion of Ukraine on February 24, 2022, which created new global economic challenges that also affected the South Caucasus nations. In order for the region to achieve economic development, it is essential to establish political and military stability. A peaceful environment in the region would open up numerous opportunities for Georgia, Armenia, and Azerbaijan, including expanding trade and strengthening energy relations with European countries. The Russian aggression in Ukraine highlighted the importance and potential of the Black Sea and South Caucasus region. Following the Russia-Ukraine war, there will be a redistribution of power in the region and the formation of new trade and economic relations. The South Caucasus countries are expected to play a crucial role in these developments. Cooperation among the countries in the region regarding economic, infrastructural, transport, trade, and financial issues is becoming even more significant.

1.2 Inflation and the Monetary Policy

2022 was a challenging year for the world, as it saw a general increase in prices that surpassed the impact of the Covid pandemic. The aggression displayed by Russia in Ukraine had a significant negative impact on global supply chains. Both Russia and Ukraine are major producers of essential consumer products like wheat, oil, and cereals. They also play a crucial role in supplying manufacturing components and semi-finished products worldwide. Moreover, Russian and Ukrainian personnel contribute up to 15% of the global shipping industry's workforce. The disruptions caused by Russia's actions, coupled with the imposition of EU sanctions, individual restrictions by certain countries, energy threats, and other factors, have resulted in disruptions to the normal functioning of global supply chains. As a consequence, inflation has risen, affecting even the South Caucasus countries. The general price level in Armenia increased by 8.6% in the previous year, while Azerbaijan experienced a 12.3% increase and Georgia recorded an 11.6% increase. To combat high inflation, the Central Bank of Armenia raised the monetary policy rate by 50 basis points to 10.5% on November 1, and by an additional 25 points at the December 13 meeting, ultimately reaching 10.75%. Similarly, on March 30, the National Bank of Georgia increased the refinancing rate by 50 basis points to 11%. During the meeting on December 21, 2022, it was decided to keep the rate unchanged. The Central Bank of Azerbaijan increased the monetary policy rate four times in the previous year: first on January 28 from 7.25% to 7.5%, then on March 18 from 7.5% to 7.75%, followed by an increase on October 28 from 7.75% to 8%, and finally on December 16 by an additional 25 basis points, bringing it to 8.25%. Increasing the monetary policy rate is a primary tool for tackling rising inflation. When central banks raise the refinancing rate, it leads to higher interest rates on loans and deposits offered by commercial banks. Consequently, the demand for bank loans decreases, and saving becomes more attractive for the population due to the increased benefits. As a result, overall demand for products and services declines, leading to a downward trend in consumer prices. While a tighter monetary policy
cannot eliminate external inflationary factors, it can help manage inflationary expectations, which is a significant step in addressing the situation.

![Annual Inflation of South Caucasus Countries, 2018-2022, Percentage]

**Fig. 1.** Annual Inflation of South Caucasus Countries, 2018-2022, Percentage

Source: National Statistics Offices of Armenia, Azerbaijan, and Georgia, World Bank, International Monetary Fund

### 1.3 Economic Growth

During the first year of the Covid pandemic, the global economy experienced a significant contraction of 3.4% according to Statista (2021). Among the countries in the South Caucasus region, Armenia faced the most severe recession, with its economy shrinking by 7.2%. Georgia and Azerbaijan also experienced negative growth rates, with declines of 6.8% and 4.3%, respectively. However, in 2021, all three countries showed positive signs of economic recovery compared to the pre-pandemic period and even surpassed their growth rates from 2019. Despite this improvement, Armenia lagged behind its regional counterparts, achieving only 5.7% growth in 2021. In contrast, Georgia and Azerbaijan experienced stronger recoveries. In 2022, the economies of all three countries continued to expand. Notably, Armenia emerged as the leading state with an impressive growth rate of 14%, surpassing the growth rates of the previous year. Georgia also showed improvement compared to 2021. Azerbaijan, on the other hand, experienced a slightly lower growth rate of 4.6%, a 1% decrease from the previous year. Furthermore, Azerbaijan's economy benefited from the surge in oil and gas prices following Russia's invasion of Ukraine. The increased energy prices, coupled with Europe's efforts to reduce reliance on Russian energy resources, led to heightened demand for resources from the Caspian Sea region, of which Azerbaijan is a major supplier.

Figure illustrates the percentage indicators of economic growth in the South Caucasus countries over the past five years. If we exclude the recession in 2020, all three nations exhibit positive trends in economic growth.
The World Bank has provided growth forecasts for the economies of Georgia, Armenia, and Azerbaijan for this year and the following year [2]. According to the organization's projections, Georgia is expected to experience a 4% economic growth in the current year, while Armenia and Azerbaijan are forecasted to have growth rates of 4.1% and 2.5%, respectively. Looking ahead to 2024, the World Bank anticipates that Georgia's economy will expand by 5%, Armenia's by 4.8%, and Azerbaijan's by 2.6%. These figures highlight the expected trajectory of economic growth in these countries as per the World Bank's analysis.

1.4 Energy projects

The energy projects in the region have undergone significant developments, driven by Azerbaijan's abundant hydrocarbon resources. These projects have attracted the attention of major global players such as the US, the EU, and Russia. Azerbaijan has formulated its energy strategy in the South Caucasus region based on its own energy security and the desire to export oil and natural gas resources from the Caspian Basin to international markets using routes that bypass Russia [7].

Unlike Kazakhstan, which possesses substantial oil resources, and Turkmenistan, which is rich in natural gas reserves, Azerbaijan is fortunate to have significant reserves of both oil and gas. This makes Azerbaijan strategically important for Turkey, as it serves as a crucial transit point for transporting its own energy resources and facilitating the transportation of oil from Kazakhstan and gas from Turkmenistan to Turkey and Europe. As a result, Turkey has actively collaborated with Azerbaijan in the energy sector, leading to a strengthened strategic partnership between the two countries. This collaboration has resulted in various energy projects, including the Baku-Supsa oil pipeline, the BTC oil pipeline, the Baku-Tbilisi-Erzurum (BTE or South Caucasus) natural gas pipeline, the Trans-Anatolian Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP). Georgia plays a vital role in all of these projects as a transit country, except for the TAP. This has established a steady energy partnership among Turkey, Azerbaijan, and Georgia, effectively dividing the region between these countries and Russia, Armenia, and Iran. Notably, Iran has sought to assert its influence in the region by pursuing its own agenda. It is important to highlight that Azerbaijan, in its quest to position itself as the dominant regional player, has utilized these energy projects to impose an economic blockade on Armenia. The official
political discourse emphasizes the success of this policy. Azerbaijan hopes to leverage the European Union (EU) and US interests in oil and gas to gain further support in resolving the Nagorno-Karabakh conflict in its favor. Despite the significance of these large-scale energy projects, the reality is that the South Caucasus, which could have potentially been a common economic space, has become fragmented into different blocs.

The Baku-Supsa oil pipeline, established in 1999 through an agreement signed between Georgia, Turkey, and Azerbaijan, was the first pipeline enabling the transportation of Azerbaijani oil to Turkey and Europe. The pipeline, which originated from the Soviet era, underwent improvements and now facilitates the transportation of Azerbaijani oil to the Georgian port of Supsa [4]. From Supsa, the oil is further transported to Turkey and Europe. The Baku-Supsa oil pipeline was opened, followed by the BTC oil pipeline project, which initially planned to pass through Nagorno-Karabakh and Armenia. However, it was later rerouted to bypass these regions. In 1998, Turkey, Azerbaijan, and Georgia agreed to carry out the project, and in 1999, the presidents of these countries signed an agreement. With a cost of $4 billion, the BTC oil pipeline became operational in 2006, supplying about 1 million barrels of Azerbaijani oil per day to the world market via the port of Ceyhan. Despite opposition from Russia and Iran, the pipeline was built with investments from the US and Western European companies, strengthening Azerbaijan's international position and providing Turkey with a strategic stance in the energy market [12]. The BTE natural gas pipeline, constructed between Azerbaijan, Georgia, and Turkey, transports Azerbaijan's natural gas resources. The pipeline construction began in 2002 and was completed in 2006, supplying natural gas to Turkey from Azerbaijan's Shah Deniz gas field. There was also discussion of the Nabucco natural gas pipeline, proposed by the US and EU, to transport gas from the Shah Deniz field to Europe. However, Azerbaijan did not fully commit to this project, likely to maintain balanced relations with Russia. The Nabucco pipeline faced opposition from Russia and was further hindered by the global financial crisis, leading to its failure.

Subsequently, the TANAP and TAP projects were agreed upon in 2012 [3]. The TANAP, a joint project of Azerbaijan's SOCAR, Turkey's BOTAŞ, and UK's BP, aimed to deliver natural gas from the Shah Deniz field to Turkey and Europe [11]. The TANAP is expected to transport significant volumes of natural gas, and together with the BTE pipeline, it plays a crucial role in supplying gas to Europe. The TAP, supported by the EU, provides an extension of the TANAP into Europe and ensures energy security and diversity for Europe [13].

While Azerbaijan's natural gas alone is not sufficient for these projects, Iran's and Turkmenistan's gas resources are vital for their implementation [10]. The projects also present an opportunity to improve energy relations between Azerbaijan and Iran. Overall, Azerbaijan meets a substantial portion of Turkey's natural gas needs, and the Shah Deniz gas field is expected to contribute significantly in the future. These energy projects not only benefit Turkey in terms of meeting its energy requirements but also allow it to develop its own energy policy, enhance energy efficiency, and play a crucial role in European energy security. Energy is a core issue in Turkey's EU membership negotiations, and these projects enhance the country's position as a candidate state. Georgia benefits significantly as a transit country for Russian gas destined for Armenia. The North-South Gas Pipeline (NSGP) has been facilitating this gas transportation since the 1980s, providing a cost-effective and straightforward route from Russia to Armenia. In 2014 alone, official records indicate that 2.1 billion cubic meters of gas were transported from Russia to Armenia through Georgia. As part of this transit agreement, Georgia receives 10 percent of the gas annually, amounting to 200 million cubic
meters at present. If Georgia were to expand this agreement, it would continue to receive 10 percent of the increased gas volume allocated for transit.

1.5 Tourism: Vacation space as a platform for contacts

The tourism industry holds significant long-term potential for economic development in the South Caucasus region. This potential not only lies in infrastructure projects aimed at transforming the region into a transit corridor but also in projects that can establish the region as a hub for tourist destinations. However, the economic crisis and the decline in energy prices have adversely affected the tourism industry and limited investment capabilities for tourism projects in the South Caucasus. Georgia is particularly attractive for tourism in the region [9]. The country has experienced a tourism boom in recent years, with a large number of visitors from neighboring countries such as Armenia, Azerbaijan, Turkey, Russia, and Ukraine. Despite its relatively small population, Georgia attracted nearly 6 million visitors in 2015. Moreover, Georgia has served as a meeting place for citizens from conflicting countries, providing opportunities for interaction and dialogue. Tourism not only promotes interactions between different countries in the region but also fosters interest and mobility among their populations. Informal encounters between tourists from various parts of the region help to humanize conflicts and demonstrate that sharing common space does not inevitably lead to conflict. Tourism is seen as a crucial area for development between Turkey and the South Caucasus countries. It can play a role in enhancing contacts between Turkey and Armenia, which have a conflictual relationship. Additionally, the development of tourism in the region may contribute to increased personal interactions between societies and provide a stimulus for opening up closed borders [15]. The attractiveness of Georgia as a tourist destination also has positive implications for Azerbaijan and Armenia [6]. Tourists visiting Georgia often attempt to explore all three countries, including their capital cities, in order to form an opinion about the region. The geographic proximity and rich cultural contexts of the South Caucasus highlight the potential for regional cooperation in the tourism industry. However, ongoing conflicts in the region continue to hinder progress and result in losses across all sectors of the regional economies, including agriculture.

1.6 Agriculture: Traditional and new markets

After the Soviet Union collapsed, the South Caucasus states also experienced a severe economic decline. The transition to a post-Soviet era was uneven and the republics struggled to rebuild their economies. The disintegration of industrial factories, such as petrochemical and machinery industries, resulted in the loss of many skilled jobs. The breakup of regional relations and the emergence of conflicts further hindered the restoration of economic capacity. Agriculture was also heavily affected by the breakdown of regional trade relations. During the Soviet era, the South Caucasus states faced food shortages, and local entrepreneurs and speculators took advantage of the Russian market, earning significant profits. However, in the post-Soviet years, although agriculture was rebuilt and restored, producers no longer had access to the same additional income opportunities as before. Agriculture has the potential to be a sector where the South Caucasus countries could cooperate productively, particularly in terms of utilizing new technologies and techniques. Armenia and Georgia, for example, have competitive advantages and traditions in cultivating specific types of fruits and vegetables. Armenia specializes in apricots, grapes, peaches, apples, pears, tomatoes, and cucumbers, while Georgia has a strong tradition in growing grapes, persimmons, kiwis, citrus fruits, and wine production [8]. Cooperation in agriculture between these countries could leverage their complementary
strengths, allowing them to develop the sector and benefit from each other’s expertise. Another area of cooperation could be in the greenhouse business, with Georgia already having a good tradition in this field, attracting foreign companies for development. Azerbaijan also has a wide variety of fruits and vegetables traditionally grown, including grapes and pomegranates [5]. Agricultural development is a priority in the region, and it demonstrates the need for regional cooperation, surpassing the importance of tourism. The geographical proximity of the South Caucasus countries encourages collaboration in this field. Russia plays a significant role in the agricultural sector of the South Caucasus. It serves as the primary market for fruits and vegetable sales for all three countries. However, Russia's political motivations and alleged sanitary concerns have led to the application of restrictive measures and sanctions against some South Caucasus producers, impacting the agricultural sector. Furthermore, competition from agricultural powerhouses like Turkey and Iran poses challenges to South Caucasus producers, although recent Russian sanctions against Turkey have opened up new opportunities for them [14]. Regional cooperation is crucial for the development of a modern agricultural sector. Apart from market division and avoiding excessive competition, it is necessary to focus on the availability and rational use of water resources, rehabilitation of conflict-affected territories, and strict environmental controls. Achieving these goals is only possible through broad regional cooperation. In order to move beyond being a dependent agricultural region for the Russian market, the South Caucasus countries must adopt modern farming methods that consider environmental sustainability. However, significant progress in this area is unlikely without resolving the regional fragmentation and ongoing conflicts.

2 Conclusion

The economic integration of South Caucasus countries, which include Armenia, Azerbaijan, and Georgia, holds significant potential for regional development and cooperation. The region is strategically located at the crossroads of Europe, Asia, and the Middle East, making it a crucial gateway for trade and transportation between these regions. However, the current state of economic integration in the South Caucasus is relatively limited, and there are several challenges and opportunities that need to be addressed. One of the main obstacles to economic integration in the South Caucasus is the presence of unresolved conflicts, particularly the Nagorno-Karabakh conflict between Armenia and Azerbaijan. These conflicts have led to closed borders, strained relations, and limited economic cooperation between the countries. However, recent developments, such as the ceasefire agreement signed in 2020 between Armenia and Azerbaijan, offer a new opportunity to promote regional economic integration. In terms of potential, the South Caucasus countries possess valuable resources and economic sectors that can contribute to regional integration. Azerbaijan, for instance, is rich in oil and gas reserves, while Armenia has a strong information technology sector. Georgia, on the other hand, serves as a transit hub, connecting Europe and Asia through its transportation infrastructure. To enhance economic integration, several main directions can be pursued. Firstly, there is a need for the resolution of conflicts and the establishment of peaceful relations among the countries. This would involve diplomatic efforts, confidence-building measures, and fostering dialogue to address the underlying issues. Secondly, improving regional infrastructure and connectivity is crucial. Enhancing transportation networks, including road, rail, and air links, would facilitate the movement of goods, services, and people within the region. Developing energy infrastructure and diversifying energy sources can also contribute to regional integration. Thirdly, promoting trade and investment is vital for economic integration. Reducing trade barriers, harmonizing regulations, and facilitating cross-border trade can encourage economic cooperation and create a more favorable business environment.
Attracting foreign direct investment and promoting joint ventures can also stimulate economic growth and integration. Furthermore, enhancing regional cooperation frameworks and organizations, such as the Organization for Democracy and Economic Development (GUAM) and the Cooperation Council of Turkic-Speaking States (Turkic Council), can provide platforms for dialogue, cooperation, and coordination among South Caucasus countries. Overall, the economic integration of South Caucasus countries has significant potential for regional development. By addressing conflicts, improving infrastructure, promoting trade and investment, and fostering regional cooperation, the countries can unlock new opportunities for economic growth, stability, and prosperity in the region. In conclusion, the economic integration of South Caucasus countries holds significant potential for regional development and cooperation. The three main countries in the region – Armenia, Azerbaijan, and Georgia – have already taken steps towards enhancing economic ties and strengthening their regional integration. However, there are several key areas that need to be addressed to fully realize the potential benefits of economic integration. Firstly, improving transportation infrastructure and connectivity is crucial. Enhancing road, rail, and air links within the region, as well as developing efficient transit corridors, will facilitate the movement of goods, services, and people, thereby boosting trade and economic activities.

Secondly, harmonizing trade policies and reducing trade barriers is essential. Simplifying customs procedures, streamlining regulations, and promoting the free movement of goods and services will create a more favorable business environment, encouraging cross-border trade and attracting foreign direct investment. Thirdly, fostering regional cooperation in energy resources and infrastructure is vital. The South Caucasus region possesses significant energy resources, particularly natural gas and hydropower, which can be harnessed through collaborative projects and partnerships. This will not only contribute to energy security but also create new opportunities for economic growth and development. Additionally, promoting people-to-people contacts, cultural exchanges, and tourism within the region will strengthen social ties and facilitate a better understanding between nations. This can lead to increased economic activity in sectors such as hospitality, travel, and tourism, generating employment opportunities and promoting sustainable growth. While there are challenges to be overcome, such as unresolved political conflicts and historical tensions, the economic integration of South Caucasus countries can contribute to regional stability and prosperity. By leveraging their complementary strengths and resources, fostering cooperation, and embracing a shared vision for the future, the South Caucasus countries can unlock their full economic potential and become a more vibrant and dynamic region on the global stage.

References
1. A. Aliyeva, Belt and Road Initiative (BRI): Role of South Caucasus In Connectivity Cooperation Between China and Europe – Analysis, Eurasia Review (2022)


10. Georgian National Tourist Administration http://gnta.ge/statistics/ (Last accessed 22.05.2023)


