

**CHARLES UNIVERSITY IN PRAGUE**

**FACULTY OF SOCIETAL SCIENCES**

Institute of Economic Studies



**Bachelor thesis**

**2016**

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**Millennium Development Goals:  
Comparison and Analysis of Armenia,  
Azerbaijan and Georgia**

*Bachelor thesis*

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## **Abstract**

**This thesis analyses three South Caucasus countries: Armenia, Azerbaijan and Georgia. The main point of analysis is the eight Millennium Development goals created by United Nations, during Summit on September 8, 2000. Each of the countries will be analyzed individually and then compared with each other to see the strong and weak points of each of the countries in the process of reaching the eight MDG goals. I will try to include all-important factors, which may play role in distinguishing those points. The main goal of my thesis is to prove and try to show that my hypotheses, which are mentioned below in the thesis proposal are really actual and might benefit the South Caucasus region.**

## **Abstrakt**

**Tato práce analyzuje tři Zakavkazské státy: Arménii, Ázerbajdžán a Gruzii. Analýza bude zaměřena primárně na plnění osmi Rozvojových cílů tisíciletí vytvořených na Summitu OSN 8. září 2000. Každá ze zemí bude analyzována zvlášť a poté budou tyto země navzájem porovnány a budou identifikovány silné a slabé stránky jejich snahy o dosažení osmi Rozvojových cílů. Pokusím se zahrnout všechny důležité faktory, které mohou hrát roli při rozlišování těchto stránek. Hlavní cíl této práce je dokázat, že mé hypotézy, které jsou zmíněny níže v tomto návrhu, jsou skutečně aktuální a mohou být pro Zakavkazský region prospěšné.**

## **Keywords**

**Armenia, Azerbaijan, Georgia, Millennium Development Goals, MDGs, poverty, hunger, education, gender equality, child mortality, maternal health, diseases, sustainability, global partnership.**

## **Klíčová slova**

**Arménie, Ázerbajdžán, Gruzie, Rozvojové cíle tisíciletí, chudoba, hlad, vzdělání, rovnost pohlaví, dětská úmrtnost, zdraví matek, nemoci, udržitelnost, globální spolupráce**

**Range of thesis: 59 pages, 96,718 symbols.**

## **Declaration of Authorship**

1. The author hereby declares that he compiled this thesis independently, using only the listed resources and literature.
2. The author hereby declares that all the sources and literature used have been properly cited.
3. The author hereby declares that the thesis has not been used to obtain a different or the same degree.

Prague, May 8,2016

Hayk Bunatyan

# Bachelor Thesis Proposal

## Topic Characteristics:

There are eight Millennium Development Goals, which were created by United Nations, during Summit on September 8, 2000. Targets of the goals are various, starting from ameliorating extreme poverty throughout the world to environmental issues. In my Bachelor Thesis I will make a comparison between and analysis of three countries: Armenia, Azerbaijan and Georgia. I will try to show and explain how each of the countries was able to reach or not the UN goals and compare the results. I think that would be interesting to compare exactly these countries, because they are located in the same region and all three are considered to be fast developing countries. Some have more prospective some have less. During comparison all factors will be taken into account and data will be collected from possibly most reliable databases.

## Hypothesis:

My first hypothesis is that theoretically Azerbaijan has the biggest potential to lead in some positions, because of its natural resources, geographical position, etc.

My second hypothesis tells that gender equality is more promoted and developed in Armenia and Georgia rather than in Azerbaijan. For which the main reason is religion.

And finally my third hypothesis tells that economic partnership between these three countries will lead to faster common development in all aspects. By saying partnership is meant the use of natural resources, strong productions, geographical position, etc., for common good.

## Methodology:

The main method of my thesis is the comparison of countries and analyses of acquired data.

## Outline:

1. Introduction
2. Review of each of the countries, showing the past and the current situation in the achievement of the goals. Both statistical and theoretical data will be used during the analysis.
3. Comparison of the results considering political geographical, economic and all other factors. Explanations and personal suggestions.
4. Prove of mentioned hypothesis.
5. Conclusion.

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## **Introduction**

The aim of my thesis is to conduct a comparative analysis of three Southern Caucasus countries; Armenia, Azerbaijan, and Georgia. I will discuss UN goals and how each of these countries managed to accomplish given challenges and draw a conclusion by comparing the results recorded in each country. I have specifically selected those three countries due to their geographic location and because all three of them are considered the rapidly developing countries taking into consideration their withdrawal from the Soviet Union and involvement in regional territorial conflicts.

Eight Millennium Development Goals were created during the summit organized by the United Nation in September 2000. Aims of these eight goals were everything from the reduction of extreme poverty rates to addressing world's environmental concerns.

The pan-European region was able to accomplish a lot during 1995 to 2015 timeframe by improving the economic situation, social, environmental, and health indicators in all three countries. Despite of the vast amount of successful changes, there was still a lot to do in order to be able to accomplish the Millennium Development Goals (MDGs).

There are several important factors involved with the achievement of MDG goals by the year of 2016;

- The speedy of 2007-2008 financial crisis and new crisis policy adaptations;
- The support from national/local governing officials and their willingness to implement new policies focusing on MDG goals
- The amount of foreign assistance and regional cooperation.

The current EU countries or new EU member States have a higher probability to meet their corresponding MDGs, while the task may be tougher for the countries with emerging economies whose MDGs deal with poverty reduction and regional health improvement.

My studies are especially targeted towards the region of Southern Caucasus.

The Relationship between European Union and South Caucasus began to evolve right after the collapse of the Soviet Union. One of the pioneer agreements signed by both sides was the Partnership and Cooperation Agreements. The goal of this agreement



was to empower the democracy in the region and foster the regional economic development in post Soviet countries.

Right after independence from the former Soviet Union, all three countries in the region underwent several economic problems and regional conflicts. In my opinion, the Millennium Development Goals created by United Nations are one of the key tools, which can positively impact all three countries and contribute to their rapid economic development, and help the region to integrate faster into the domain. My bachelor thesis will discuss three hypothesis regarding MDG goals and the region of South Caucasus.

The *first hypothesis*: Given its vast reserve of natural resources, its geographical location, and international partnerships Azerbaijan has the biggest likelihood of becoming region's economic leader

The *second hypothesis*: The gender gap and inequality is higher in Azerbaijan than in Georgia and Armenia due to its culture, traditions, and religious practices.

And finally *my third hypothesis*: Successful economic collaboration will quicken the development in the region if all three countries establish mutual partnerships through successful conflict resolution.

In my thesis, I have used a mixture of descriptive, explanatory, analytical, and comparative methodologies, as they describe the region explains the need for potential economic collaboration.

The bachelor thesis consists of three chapters. The first part reviews each country by discussing its past and the current economic situation and the road to the achievement of MDG goals. The review includes secondary data derived from various sources. The second part of my work is dedicated to the comparison of the results obtained by the MDG goals in each country. All these results include political geographical, economic, and environmental factors. I have also included personal recommendations at the end of each chapter. And in the final third part I have tried to provide support for my hypotheses and deeper explanation.

# 1. Comparative analysis of the potential of the South Caucasian republics in the context of the Millennium Development Goals

United Nations, founded after the major global war, whose job is to secure peace and integrity in the world, reunited again in 2000 in New York City.<sup>1</sup> This is when the *Millennium Declaration* and the *Millennium Development Goals* (MDGs) were signed; it included eight main goals to be reached by 2015. The goal was set for everyone starting from third world countries to the capitalists and countries practicing perfect democracy. The objective was to achieve the minimum progress plan that the MDGs stand for.

The General Assembly, by its resolution 53/202 of 17 December 1998, decided to elect «*The Millennium Assembly of the United Nations*», and to organize a Millennium Summit of the United Nations. The Summit took place on Wednesday September 6<sup>th</sup>, 2000 at New York's UN headquarters. The main document, unanimously adopted, was the *Millennium Declaration*, which contained a statement of values, principles, and objectives for the international agenda for the twenty-first century.<sup>2</sup> Besides eight common goals, it also set deadlines for many cooperative measures like freedom, equality of persons and nations, tolerance, respect for the nature, etc. Together they formed the six fundamental values of nowadays so called international relations.

Aside from disarmament and peace endorsement Summit participants agreed upon reinforcing the state of order in which events would confirm to the law and guaranteed to agree with ICJ to provide resources to the UN for peaceful solutions of conflicts, disputes and war against terrorism.

The Summit committee also decided to join forces into a new global partnership in order to decrease extreme poverty, which also led the Millennium Summit, also known as the *Millennium Development Goals (Appendix 1)*.

Those eight Millennium Development Goals (MDGs) that vary from reducing the extreme poverty to the prevention of HIV/AIDS and providing primary education,

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<sup>1</sup> Millennium Summit (6-8 September 2000). [http://www.un.org/en/events/pastevents/millennium\\_summit.shtml](http://www.un.org/en/events/pastevents/millennium_summit.shtml)

<sup>2</sup> United Nations Millennium Declaration. 55/2. General Assembly Distr.: General 18 September 2000

all have a target -2015. Those entire eight goals have one main humanitarian theme, which is to help the ones in need.

The Millennium Declaration also included countries located in Caucuses such as the Republic of Armenia, Georgia, and Azerbaijan. Those three countries are equally consigned to perform the MDG meanwhile addressing their specific needs as well.

According to UN Armenia, Georgia, and Azerbaijan who joined the Millennium Declaration, are facing a challenging task nowadays, which is to accomplish the Millennium Development Goals (MDGs) by 2015. The realization of these goals becomes even more challenging for those countries due to the impact of the global economic and financial crisis.

### ***1.1. The Republic of Armenia.***

The MDG campaign started in Armenia in October 2002 and the UN gathered its resources in order to meet Armenia's needs. The MDG network became popular with the help of local NGOs and media whose main objective was to raise awareness in the country targeting especially the proletariat about the ongoing MDG goals. Since the reduction of poverty and human development were two main MDG target areas, everything started to nationalize and work towards those main improvement strategies in Armenia. The RA government was the main body in charge with the active involvement of national experts who contributed to the improvement.

Following the MDG campaign, in 2003 the government of RA agreed to ***Poverty Reduction Strategy Paper*** (PRSP), which later became the first policy document where MDG's achievements were formally reflected.<sup>1</sup> Later in 2005, the first nationalized ***MDG Status Report*** was available which instituted the future framework for Armenia. With the help of Armenian government MDG's reforms and the agenda were later integrated into country's main policies. Another honorable MDG achievement was an all-inclusive planned project on the country's long-term development, which is called ***Sustainable Development Program*** (SDP), which was adopted in 2008 and is considered a core document for MDG achievements.

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<sup>1</sup> Republic of Armenia Poverty Reduction Strategy Paper. Yerevan, 2003. <http://www.gov.am/files/library/22.pdf>

In September 2010, the *Second MDG National Progress Report* took place in Armenia, in the UN Office in Yerevan.<sup>1</sup> This time the authors of the report were locals—a company called «AVAG Solutions» Ltd. and it was custom-built by the UNDP, in partnership with the Armenian authorities. This report included three alternatives regarding medium term development in Armenia (from 2009 to 2015). The bottom scenario or the alternative was planned taking into consideration the midterm macroeconomic outline decided by IMF and the government of RA in July 2009.

In December 2009 National Assembly approved a Budget Law, which included short-term macro economic and fiscal projections. The second alternative plan, which was a little high-ended, was designed based on the assumption that Armenia will come back to the growth path predicted by the SDP and other pre-crisis documents starting from 2012. This version as a rule that acts in accordance with the previous lower case one, besides that GDP contraction in 2009 was predicted to be at level of -20% on a year-on-year basis in contrast with -15.6% in which is the second alternative's prediction.

*Table 1. GDP and Growth Rates in 2009-2015: Pre- and Post-Crisis Projections in Different Scenarios*

	2009	2010	2011	2012	2013	2014	2015
	<i>in billion drams, 2008 constant prices</i>						
Baseline scenario	3,079	3,116	3,225	3,371	3,522	3,681	3,846
High case scenario	3,079	3,156	3,314	3,546	3,794	4,060	4,344
Low case scenario	2,917	2,952	3,055	3,193	3,336	3,486	3,643
SDP projections	4,011	4,352	4,700	5,047	5,395	5,748	6,108
	<i>year-on-year percentage change</i>						
Baseline scenario	-15.6%	1.2%	3.5%	4.5%	4.5%	4.5%	4.5%
High case scenario	-15.6%	2.5%	5.0%	7.0%	7.0%	7.0%	7.0%
Low case scenario	-20.0%	1.2%	3.5%	4.5%	4.5%	4.5%	4.5%
SDP projections	9.2%	8.5%	8.0%	7.4%	6.9%	6.5%	6.3%

Source: Sustainable Development Program, Armenia: IMF Country Report No. 09/2014 and new projections in different scenarios.

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<sup>1</sup> Armenia Millennium Development Goals National Progress Report 2005-2009  
Yerevan 2010.  
[http://www.un.am/res/UN%20RC%20Annual%20Reports,%20UNDAFs,%20MDGs/MDG%202nd%20report\\_eng.pdf](http://www.un.am/res/UN%20RC%20Annual%20Reports,%20UNDAFs,%20MDGs/MDG%202nd%20report_eng.pdf)

*Target 1* of the MDG is directed towards the poverty reduction by the year of 2015, after the achievement of the desired outcome, the results are going to be compared with the ones dating back to 1990.

*Target 2* of MDG goals perfectly aligns with Global MDG framework and it's established metrics.<sup>1</sup> *Target 2's* subsection A talks about accomplishing high employment rates and better work conditions for women and young adults. This subsection was integrated to MDG Goal (Target 1) and updated to meet the requirements for the Global Framework (see Fig. 1).<sup>2</sup>

During the years of 1999 to 2008 Armenia went through a massive stabilization period, which reduced the poverty in the country.

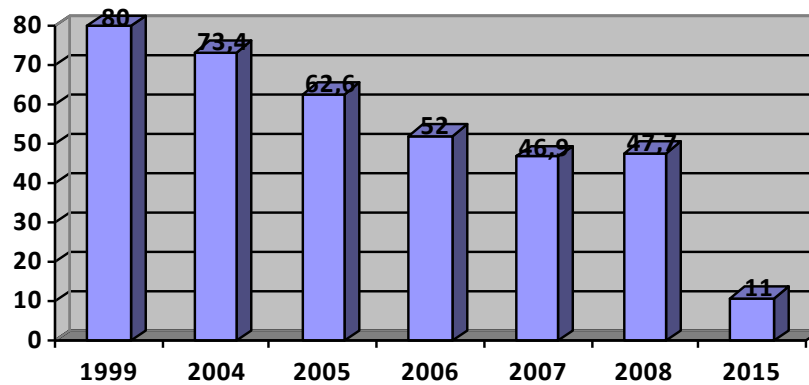
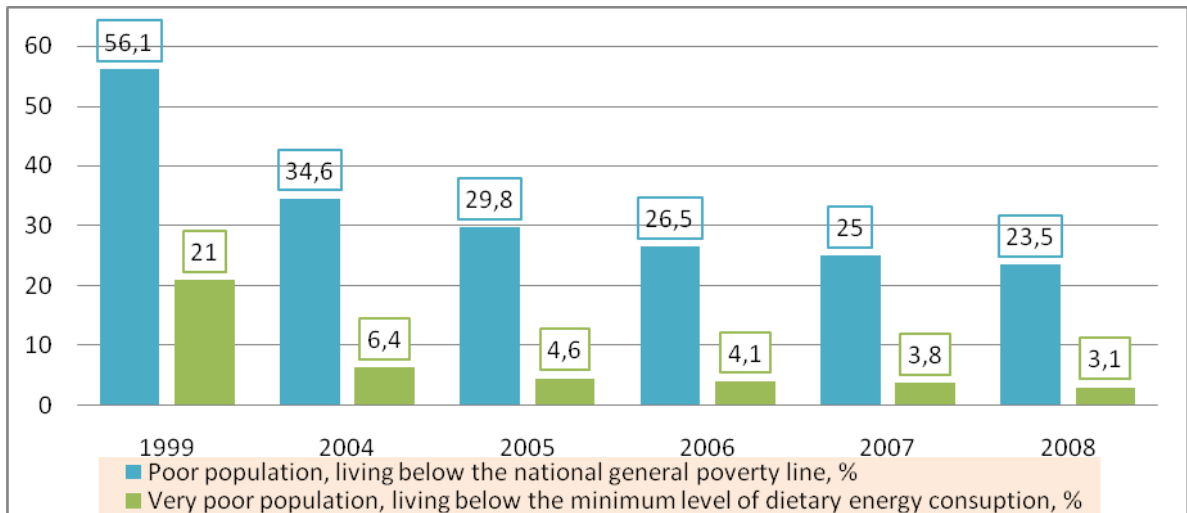


Fig. 1. Proportion of population below 4,30 USD per day, %

The amount of the population living below the average poverty line was reduced more than two thirds compared to the year 1999 (5.1% to 23.5%), but these results were still far from the desired outcome that had been set as a benchmark since almost 25 percent of population lived in poverty in the year of 2008 (see Fig. 2).

<sup>1</sup> «Millennium Development Goals: Nationalization and Progress», National Report, Yerevan, 2005

<sup>2</sup> Armenia Millenium Development Goals National Progress Report 2005-2009 Erevan 2010.



**Fig. 2 Reduction of Proportion of Population below the National General and Food Poverty Lines in 1999-2008, %<sup>1</sup>**

The percentages also went down for nutrition and food consumption levels (almost 6.8). For instance, if we compare years 2008 and 1992, we can see that during the year 2008, only 3.1 percent of the population was below the national poverty and food consumption average line whereas in 1999, this figure the numbers were indicating almost 21 percent. Despite of successful percentage reduction, roughly around 100,000 people still faced the problem of insufficient daily calorie intake in 2008 in Armenia and especially in rural areas.<sup>2</sup>

When we compare these ratios with the period during the years of 2008 – 2013, we are able to observe a major downfall in many aspects of the country's economic situation. There are several factors have affected the industry breakdown which are exhibited in graphs shown bellow. As showed in graphs, years 2009 and 2010 were years with the highest economic growth reported in the country but the closer Armenia got to the year of 2015 the less growth was the country able to report and especially in rural areas. In the year of 2010, rural areas had outnumbered the urban, which is not a very common thing to happen in the history of the Armenian economy (see Fig. 3).<sup>3</sup>

<sup>1</sup> National Statistical Service of the Republic of Armenia <http://www.armstat.am/en/>

<sup>2</sup> UNDP in Armenia <http://www.am.undp.org/content/armenia/en/home/mdgoverview/overview/mdg1/>

<sup>3</sup> National Statistical Service of RA <http://www.armstat.am/en/>

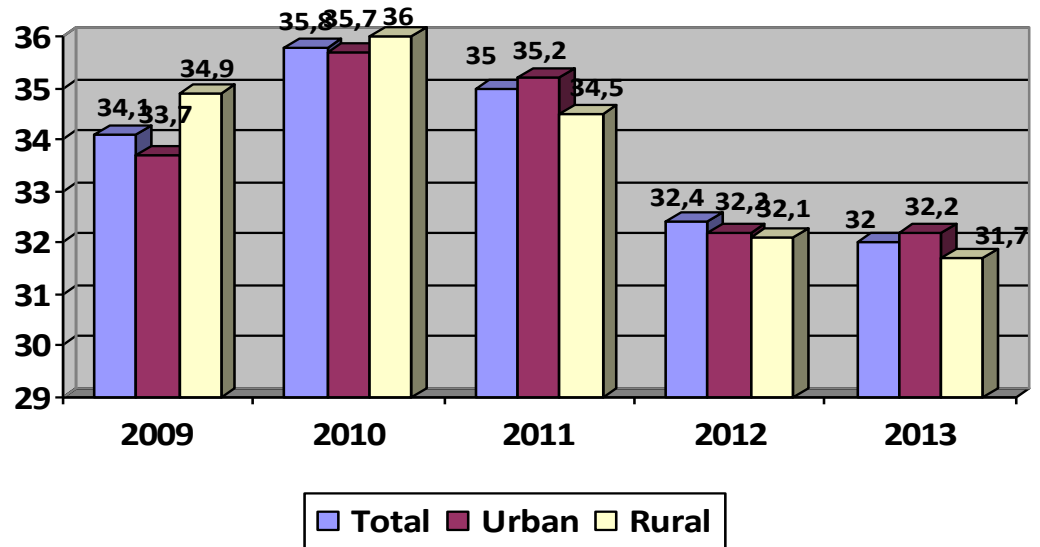


Fig 3. Poverty Indicators in Armenia, 2009 - 2013 (%)

The majority of this economic growth was due to the aid from the World Bank, which played a major role for the country especially during 2010. All of these positive growth indicators resulted reduction of the percentage of population living below the 4.30 USD per day norm (PPP adjusted). The numbers were reduced almost by 1.7 times (from 1999 to 2008 about 48%).

**Gender equality and empower women.** Gender has always been a controversial issue in almost every country whether it is the wage gap or discrimination based on one's gender. As for Armenia, gender discrimination in terms of education and employment is almost nonexistent, but the amount of female involvement in the country's politics, public activism, and leadership is tremendously small. As a result of increase in abroad educated Armenians, heavy lobbyism from Nongovernmental Organizations, and external influences, this issue has been raised to the government sector level, several times and discussed in several public policy matters. Women's more active involvement in the country's political life can definitely decrease the amount of government corruption taking place in Armenia and is a great tool for developing a healthy and civil society. Table 2 shows the amount of women who are officially registered under "Unemployed" meeting the criteria that has been set by MDG.

Table 2 Officially registered unemployed by sex in Armenia (average 1000 p/y)

Officially	registered	2	2	2	2	2
------------	------------	---	---	---	---	---

unemployed,	009	010	011	012	013
Male	2	2	2	1	1
	3,2	4,9	2,0	8,6	5,6
Female	5	5	5	4	4
	8,2	8,4	1,9	6,4	3,0

Source: National Statistical Service of RA <http://www.armstat.am/en/>

As shown in the table, there are more unemployed females than males in the Republic of Armenia. Generally, this type of a problem is due to either lack of financial or economical resources, or is a matter of passive society involvement where females are accustomed to being housewives whereas males are the main providers of the household.

**Education.** The primary education in the Republic of Armenia (kindergarten and middle school) is free and accessible for every RA citizen. The government since the first days of the establishment of the third Armenian republic in 1990 has guaranteed this right. The main educational goal or the struggle that the country has been facing was to provide public access to high school, university undergraduate and graduate programs also the postgraduate education to all RA citizens without any economical or financial withholdings. MDG clearly states that the country's economical growth is highly affected by the level of education in the country.

The graph from fig. 4 shows the number of students in high and middle school establishments (the counts had been taken at the beginning of the academic year). Public and state sponsored schools and high school have a much heavier attendance rate than any other educational institutions in Armenia including private schools and colleges.

The net enrolment ratio (*NER*) in elementary schools is roughly around 79 percent, which is recorded to be the lowest benchmark in the region of Caucuses. But on the other hand, Armenia is the only country in the region whose middle and high school *NER* (the net enrollment ratio) is higher compared to elementary school ratio.<sup>1</sup>

But sadly, only 84 percent of middle school-aged children are enrolled into an educational institution and this number is almost as low as the percentage in Georgia, falling into lowest 25 percent for the CEE/CIS region. Like many other countries in the

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<sup>1</sup> Hayrapetyan Grigor, Baghdasaryan Vardan, Integration of European Higher Education System and Participation of Armenia in this process, Centre of European Law and Integration  
[[http://www.celi.am/eng/Portals/0/Documents/European\\_Higher\\_Education&RA\\_eng.pdf](http://www.celi.am/eng/Portals/0/Documents/European_Higher_Education&RA_eng.pdf)]



Caucuses, Armenia upholds a near to the ground NER for pre-school education (32 percent). See the graph bellow.

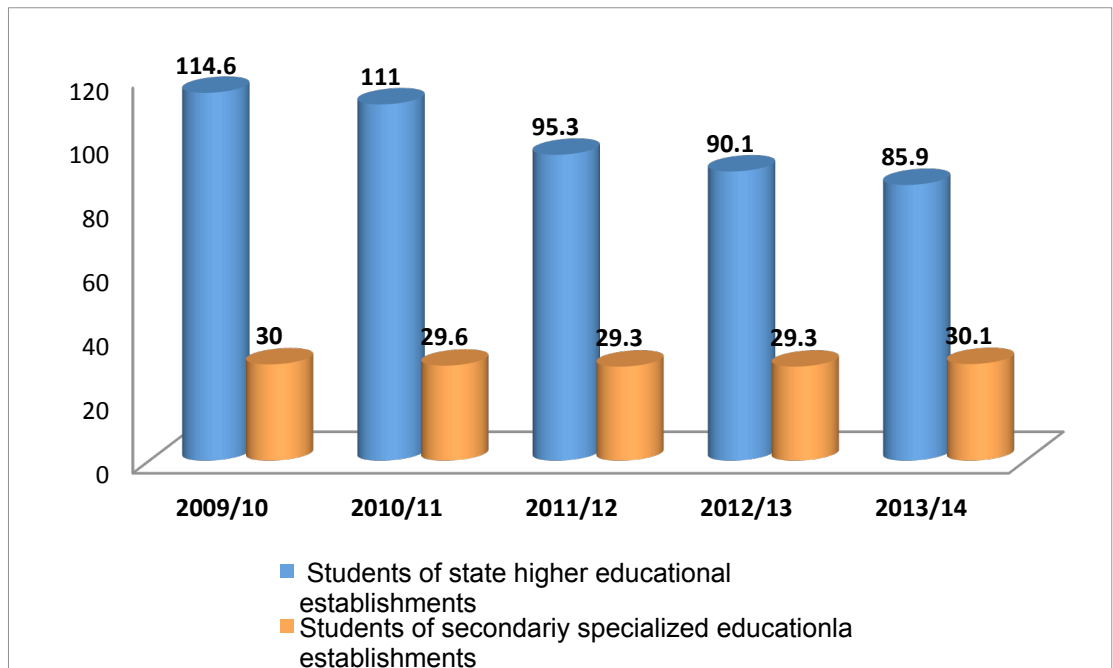


Fig. 4 Number of students in kindergarten, middle and high schools (at the beginning of academic year)

***Environmental stability*** The most important environmental goal for the Republic of Armenia is to reduce at least by half the number of people who don't have access to safe drinking water and sanitation. In Armenia this goal mainly tries to address the environmental preservation of *Lake Sevan* (Armenia's national fresh water lake) especially targeting to raise water levels and preventing the lake swamping.

Access to drinking water is particularly important in rural areas of the country. While back in 2003 a joined water supply chain was able to provide water for almost 95 percent of people living in urban and suburban areas of the country, rural districts still suffered from the water problem having only 80 percent of the rural population able to access drinking water and functioning sanitation systems. The government of RA together with MDG has set several benchmarks, which will allow everyone to measure the achievements and be able to compare results.

Air pollution is another major arising concern in RA as the country starts developing and investing more its production factories. We can see from the table above that amount of pollution and hazardous materials leaking into the atmosphere from

stationary sources are growing, but the air pollution and carbon produced from mobile vehicles are decreasing (see table 3).

Overall, we can define that even though vehicles and devices with engines are throwing most amounts of harmful substances into the air and causing air pollution in RA, eventually that number is decreasing.

Table 3. Emissions of hazardous substances into atmosphere, 1 000t

	2009	2010	2011	2012	2013	2014
Emissions of hazardous substances into atmosphere, 1 000 t, of which:	35,1	63,9	69,3	59,8	4	261,4
From stationary sources	4,7	7,5	14,6	17,4	7	119,7
From vehicles	60,4	66,4	54,7	42,4	7	141,7

Source: National Statistical Service of RA <http://www.armstat.am/en/>

This is a major environmental problem in many countries and can only be solved by big changes in the system or by the introduction of solar or electronic vehicles, which are relatively expensive for third world countries like Armenia.

## 1.2.Azerbaijan.

The country of Azerbaijan, after its independence in 1991, has reported fairly solid development timelines and strong Gross Domestic Product (GDP) expansion since the year of 1996. From years 2011 to 2014 its GDP had an average of 11.49 percent with a maximum growth rate 40.40 in 2006 and minimum growth rate -3.80 percent during the fourth quarter of the year 2011. 2014 had reported similar GDP growth as the year 2013 in Azerbaijan. Many economists and financial experts are inclined to think that the even economic growth of the country is mainly due to its oil and natural gas resources, its business rulings and major investments in railroad systems. The steady growth has given the country a higher financial ranking in the world making the country

an upper-middle income holder. (GNI per capita has almost doubled during the years of 2008 to 2010).

Azerbaijan also has reported a soaring HDI score (human development index) reaching almost to 0.700 and putting the country in the rank 90s out of 187 countries. But unfortunately due to the financial crisis of 2007-2008, GDP growth has slowed up to 5 percent per thus making the MDG goals still applicable for this country

GNI per capita is defined as the gross national income converted into American dollars using the World Bank method of divided by the mid-year population. In the bar plot 5 we are able to see the rapid growth, the country by looking at the bar charts bellow. After the world started moving towards stability after the financial crisis of 2010, the economy of Azerbaijan also seemed to stabilize and was able to record its maximum GNI during the year of 2013.

Azerbaijan was able to gain several great investments and contracts, and one of them; the so-called “Contract of the Century” played a major role in the country's economic growth as a whole. “Contract of the Century” was signed in 1994 by the former president H. Aliyev. It was an agreement between Azerbaijan and the Western Oil Consortium and roughly some other 13 minor companies.

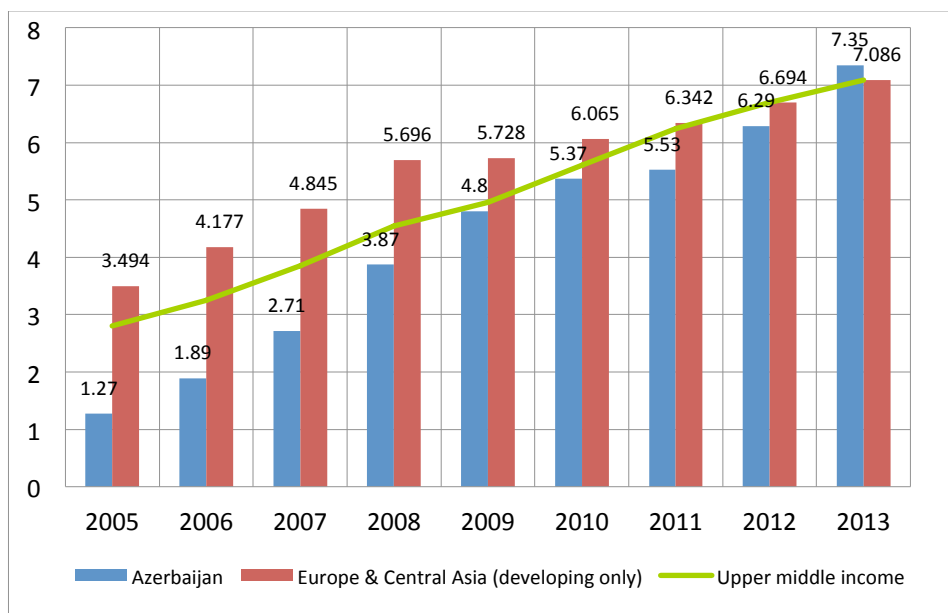


Fig. 5. GNI per capita development 2005 – 2013 (x1000 US\$)

This contract opened the doors for Azerbaijan to sell its oil reserves to the rest of the world, which gave a major boost to its economy. This boost also helped the state of

Azerbaijan reduce its poverty levels from 49 percent to 16 percent (2001 -2007) see the graph bellow.

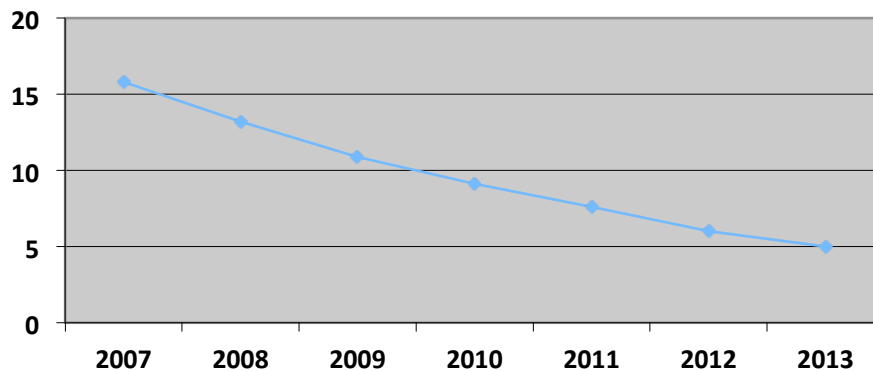


Fig. 6. Poverty headcount ratio at national poverty lines (% of population)<sup>1</sup>

In 1999, the former president of the state of Azerbaijan Heydar Aliyev established the State Oil Fund of Azerbaijan (SOFAZ) and ever since the majority of revenues coming from oil resources are flowing into that special purpose state organization. They use SOFAZ as a microeconomic management tool to control those revenues and its spending, as there does exist a concern that in Azerbaijan stating that those unrestrained incomes can potentially harm the country's economy someday. **Gender equality.** In order for women in Azerbaijan to be able to fully exercise their rights and move forward with their both publically and politically active lifestyles, the government of the State of Azerbaijan has decided to pay particular attention to its country's public policies and structures regarding gender equality and women's rights in Azerbaijan. Since its independence in 1990, Azerbaijan has been giving its official approval support to all important international documents related to the protection of women's rights including the UN *Convention on the Political Rights of Women* adopted in 1992 and the UN *Convention on the Elimination of All Forms of Discrimination against Women* (CEDAW) in 1995.

The State of Azerbaijan also has implemented several laws regarding gender equality, for example, the *Law on Guarantees of Gender*, which was adopted in 2006, and another law about domestic violence prevention back in 2010. Country's *National Employment Strategy* also works on encouraging gender equality in labor markets and society by introducing flexible working hours for women with children or single

<sup>1</sup> The World Bank. <http://data.worldbank.org/country/azerbaijan>

mothers. According to some recent data collected by the ILO (international labor organization) younger-aged females have much higher unemployment rate than younger males in Azerbaijan.

Also in the State of Azerbaijan, similar to many other countries, the time between a passed legislation becoming an actual functioning law is very large. Despite of the fact that during the last decade the economic situation of the country has been advancing without fail offering thousands of new employment opportunities to its people, women in the State of Azerbaijan still face the issue of gender inequality when it comes to employment and employee rights. As for MDG goals, even though the poverty rates have been reduced in large amounts, gender inequality still remains one of the main problems for Azerbaijan and a major area of concern for general public. Many people explain the inequality issue as a mind frame rooted in the country because of its male dominant culture. Being able to overcome the cultural barrier and establish equal working conditions for both male and female is important not only for Azerbaijan but to the European Union as well. On the other hand, while women are generally the victims of gender inequality, men also face gender difficulties especially in the rural areas of the country. UN defines gender equality as both men and women receiving equal treatment without any sex based discrimination.

In Azerbaijan average, middle class women are largely seen performing low-wage employment: mostly in education, health and social services. Most of this unequal work distribution is due to male dominant culture and patriarchal stereotypes regarding women, their roles and responsibilities in the family and society of the country. These cultural differences create a huge barrier for Azerbaijan in terms of being able to meet in the legal requirements for gender equality goal not to mention that it also affects women's role in the country's political life as well.

**Education.** Before the state of Azerbaijan joined the Soviet Union, their education incorporated intensive Islamic studies starting typically in kindergarten and continuing all the way to universities and colleges. During the times when Azerbaijan was part of the Soviet Union religious studies were set aside and the focus was more on core education; literacy rate and average schooling levels rose dramatically. According to the data collected by Soviet Union data centers, the literacy rate among males reached almost to a hundred percent and for females ages fifty and younger up to ninety percent. This data was collected in 1970 and compared to a UN development program

report written in 2009, which indicated that the State of Azerbaijan had a 95.1 percent literacy rate all over the country.

Another report collected in 1996 indicates that approximately 130,000 children were enrolled in kindergarten in the State of Azerbaijan, roughly around 1.5 million pupils were attending elementary and middle schools, and about 100,000 men and women had either a high school or a technical college enrollment. The number of university students rounded to 110.

In Azerbaijan, occupational education or so called vocational education forms part of a middle school which provides a diploma similar to the one that high school graduates receive in case students decide not to take part in high school curriculums. Besides high schools, there are also institutions that are called pre-college education and provide the basic knowledge one needs to know if they decide not to attend a university after high school. (See Table 4 for more details on education).

Table 4. Number of students at higher education institutions in Azerbaijan

<i>Number of students at HEI (academic year 2011/2012)</i>	
141 697	
<b>Public</b>	<b>Private</b>
123 354	18 343
<b>Number of HEI</b>	
51	
<b>Public</b>	<b>Private</b>
36	15

Source: European Commission. Higher Education In Azerbaijan

In Azerbaijan colleges and universities offer two types of programs: tuition-free and annual payments for both full and part time students. Tuitions differ from in each university and program that students are enrolled in. Also, in order to fuel education in Azerbaijan, the government offers various scholarships and grants to certain eligible students, which can be used either towards tuition or educational expenses. And the students with highest test scores sometimes are granted with the Presidential Scholarship, which is considered the highest educational reward in the country. Even though many students have to pay for their studies, almost all of them are eligible for free medical and therapeutically services during their years of study. However, Azerbaijan's current legislation does provide financial aid to families of students who are paying university tuition fees for their children. Only children coming from certain

territories of Azerbaijan (Kharabagh which is currently occupied by Armenian forces) and families of veterans who have passed away are eligible for tuition waivers and financial aids.

***Environmental stability.*** Starting from the year 1996, Azerbaijan has made major progress in protecting its bio and natural resources. Based on recent data provided, from the years 2002 to 2011, Azerbaijan was able to double its preserved natural areas from 5 percent up to 10.2 percent. Due to its massive attempts to recover the country's forests, huge amounts of re-forestation processes have also taken place during recent years. The year 2010 has marked a phenomenal record for Azerbaijan by providing access to improved population facilities for up to 82 percent of country's population. Note that this is almost 15 percent increase compared with the date from the year 2002. Also it gave Azerbaijan the highest ranking in terms of improved facilities access among upper-middle-income (UMI) countries.<sup>1</sup>

When it comes to air pollution, Azerbaijan produces almost the same amount of carbon dioxide per capita as most of high-income countries. The CO<sub>2</sub> production takes place during the use of concretes, liquids, and gas fuels. The growth of CO<sub>2</sub> air pollution is positively correlated with country's economical growth as more factories have been built in the country and more people have access to private transportation like cars. Taking into account the fact that Azerbaijan's economy largely relies on the production of hydrocarbon, its government should definitely focus on reducing the amount of air pollution and implementing rules that will result in a greener lifestyle (see Fig. 7).<sup>2</sup>

As we are able to note from previous charts and data, the State of Azerbaijan has been reporting stable environmental growth, which is only to some extent below the established norm (the green line shown in the bar plot). Another environmental ordeal for the country is its erosion (43% of the land) and sanitization (20% of regions) problems. These two problems play a major role in agricultural development of Azerbaijan as many having accessible sanitization and erosion free lands are almost vital for every village that is trying to grow.

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<sup>1</sup> UNDP in Azerbaijan. <http://www.az.undp.org/content/azerbaijan/en/home/mdgoverview/overview/mdg7/>

<sup>2</sup>The World Bank <http://www.worldbank.org/>

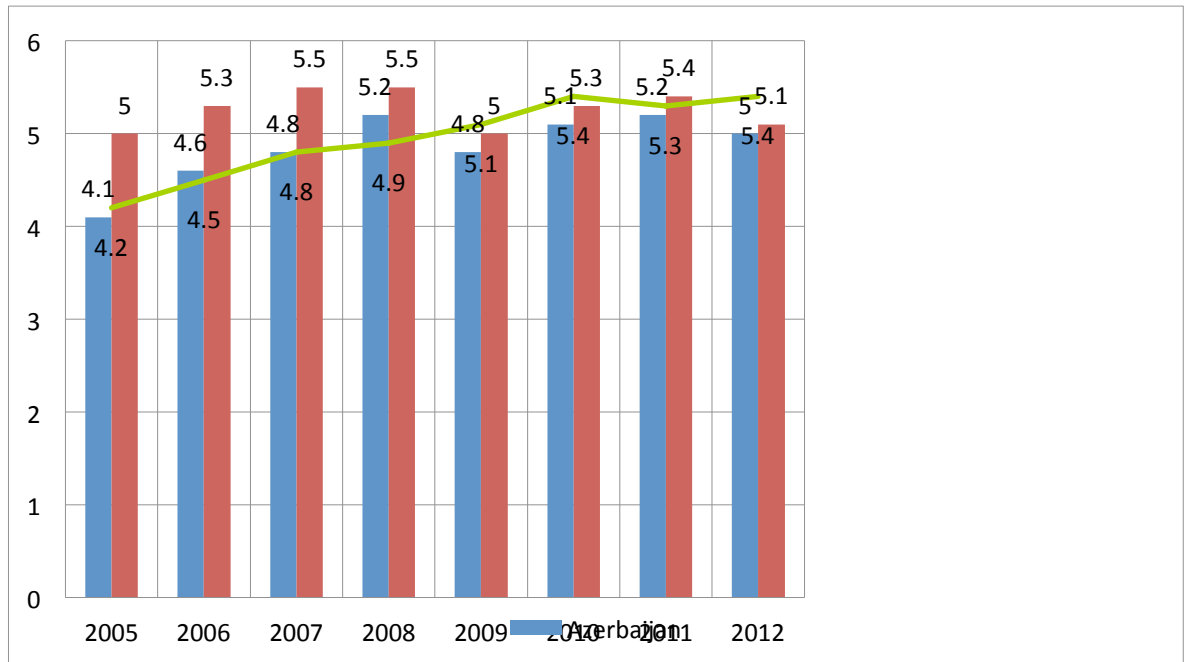


Fig. 7. CO2 emissions (metric tons per capita)

Fresh or drinking water availability is also a problematic area in the country. Even though there has been reported almost ten percent increase in drinking water supplies from years 2002 to 2012, still almost 30 percent of the population is in need of daily fresh water. Azerbaijan's water access is below the average for similar countries with middle-income levels, which indicates that the government must continue working on improving clean water supplying systems especially in rural parts of the country. Regard (Fig. 8).

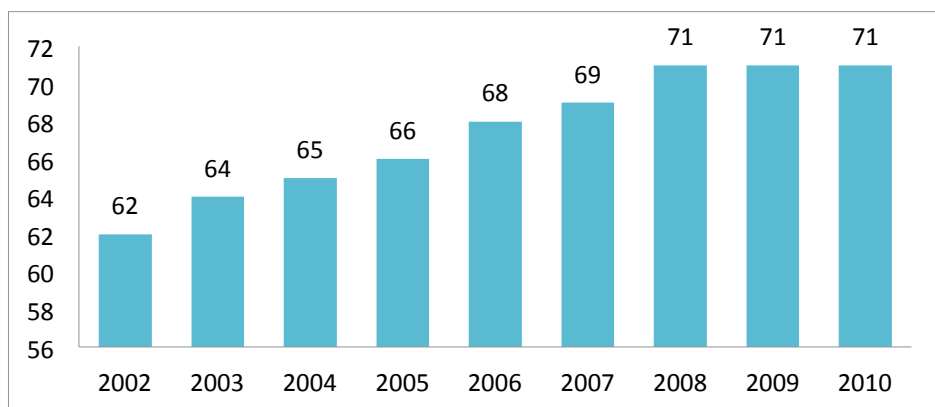


Fig. 8. Percentage of people with access to an improved water source<sup>1</sup>

<sup>1</sup> The World Bank <http://www.worldbank.org/>



Azerbaijan's geographic location provides the country with natural resources like oil and gas, which are the biggest economy boosters for the country and its people.

The Republic of Armenia was affected the most by the financial crises of 2007-2008. It did not affect Azerbaijan and the country was actually able to make several big investments abroad including Europe and the US. Those years were also tough on Georgia as the country lost two territories and also went under government change. All these factors left their negative mark on Georgia's economic growth during that period. Azerbaijan unlike it's neighboring many Eastern European countries suffered very little from the financial crisis and avoided GDP drop during those years. According to many financial analysts, the economic, stable growth of the country was mainly due to its huge gas, oil, and hydrocarbon reserves. Azerbaijan's government was able to successfully manage those resources to its country's own benefit.

### **1.3.Georgia.**

Georgia, located on the crossroads of Asia and Europe, is presently undergoing through several historic, economical, and political changes. The country recouped its position in Europe and among European countries by signing the "Association Agreement" with EU in 2014, which was based on common standards such as democracy, equality, and compassion. The Millennium Development Goals have been a hot topic for public sector discussion in Georgia for many years now as everyone is trying to advocate and advance them in the country. Even several state and government plans were formed in a way to optimistically effect. In order to accomplish Millennium Development Goals, the parliament of Georgia introduced the MDG Coordination Group in 2010. Later in the same year Parliament also distributed a useful manual in order to encourage government's engagement with the achievement of MD goals. UN agencies in Georgia, UNDP, and the European Parliamentary Forum on Population and Development also took part in that process.

The very first MDG report was written in June 2004 and in September of the following year the MDG Progress Report was published. Both of these reports are the product of Georgia's government's tight partnership with a variety of expansion allies. The statistics driven from these reports predicted the high likelihood of Georgia achieving it's Millennium Development Goals by the year of 2015. During the given

time period, no other official written reports were recorded from Georgia besides the Tbilisi MDG Report written by the city mayor's office with the help of UNDP which took place in 2007. The key objective of this report was to discover and exhibit the effectiveness of MDGs in terms of poverty recuperation and a tool for broad local development.

Starting from October of 2006, the United Nations Country Team has introduced several campaigns and strategies in order to endorse the MD Goals all over the country and in the public sector and try to emphasize the significance of every Georgian citizen's input in the accomplishment of the country's improvement goals. One of UNCT successful strategies was to get youth, entrepreneurs, the media, and the civic society of the country to actively participate in MDG awareness-raising actions.

This year very recently, on 22nd of March, the Gender Equality Council of Parliament of Georgia came up and publically shared the final results of the National Action Plan on Gender Equality that had taken place during the years of 2014 to 2016. The United Nations Development Program (UNDP) and the Government of Sweden were the main organizers and sponsors of this special event that took place in Georgia. During the event, the main achievements and challenges in this field were introduced by Manana Kobakhidze- the first deputy chairperson of the parliament and the chair of the Gender Equality Council and Shombi Sharp- the UNDP resident representative in Georgia. The main topic of the event was gender equality prioritization in the Georgian Government.<sup>1</sup> As a matter of fact, we can mention that major advancements have been reported in terms of new guiding principles and legislation as well the partnership between the Georgian government, donors, international organizations and civil society has been improved and advanced.

The time has finally arrived for converting all the success into action in terms of bringing more women into field politics, decreasing the wage gap between men and women in Georgia, and enlarging the number of female entrepreneurs in the country. Some historical data shows the countries that were able to obtain these types of objectives have better societies, an economy and functioning families.

In January of 2014 Georgian Parliament implemented a plan called National Action regarding gender equality in the country. This report especially focuses on the

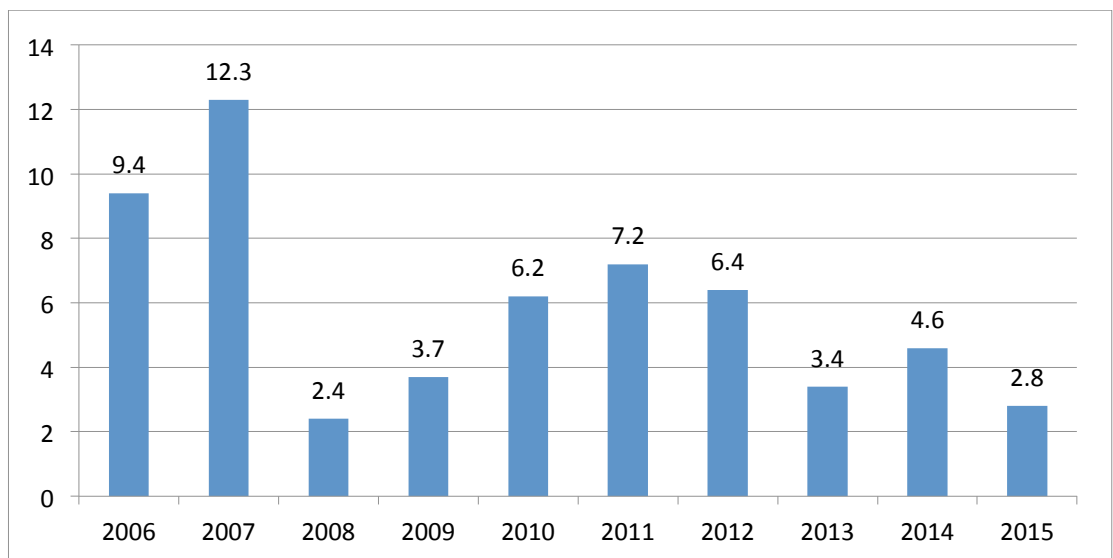
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<sup>1</sup> National Action Plan on Gender Equality: Annual Results/ March 22, 2016  
<http://www.ge.undp.org/>

realization of Georgia's achievements during the year of 2015 in terms of gender equality in social, political, and economic aspects as well as on the obstacles that the country keeps facing on its way to achieving these goals.

The government of Sweden with the support of UN Georgia is launching a program called *For Gender Equality*. UNDP, UNFPA and UN Women are the agencies that are involved in the apprehension of this project.

From the data obtained from reports, Georgia recorded a real growth of the gross domestic product in the amount of 2.9 percent in the year of 2015, while its GDP deflator increased by 5.2 percent. All of these resulted in a total of GEL 8 785.3 million for nominal GDP in (Fig. 9).<sup>1</sup>



**Fig. 9. Georgia GDP real growth rate (%)**

As you can see from the graphs, Georgia's GDP real growth rate during the years of 2006-2007 was quite high almost up to 12 percent, which unfortunately decreased up to 2.4 percent during the world financial crisis. The highest GDP growth rate in the country was reported during the year of 2011- 7.2 percent. After a close comparison with the GDP Per Capita the results show the following; (Fig. 10):

As we can see in graphs, the GDP Per Capita reported a growth. Starting from 2006 all the way to 2015 it has almost doubled, which indeed is a very positive indicator in terms of growth in the country.

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### Promote Gender Equality and Empower Women.

The Georgian labor code consists of anti-discrimination and protection sections. Several new amendments and changes have been introduced to the code that was put in action in the beginning of the year 2014. Most of the changes were related to the maternity leave, childbirth, and child-care.

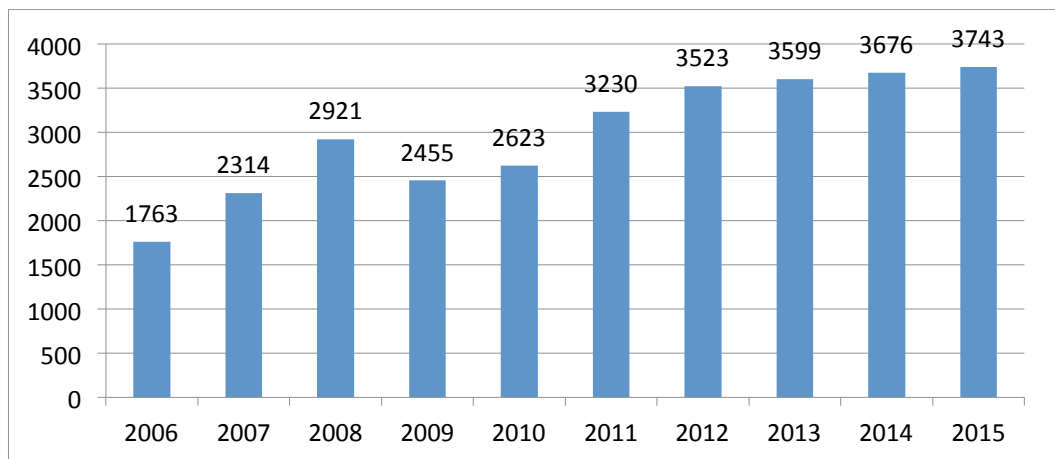


Fig. 10. Georgia GDP Per Capita (USD)

The amendments introduced the increase in unpaid maternity leave from 477 to 730 calendar days, and from 126 to 183 for paid calendar days. Also according to the amendments the state compensation for the entire paid 183 calendar days had been increased to GEL 1,000 (USD 625) compared to previous GEL 600 (USD 375) received during 126 day maternity leave.<sup>1</sup>

In 2011 a new resolution was adopted in Georgia regarding women's political party affiliation on a voluntary basis and every party which would have at least two female representatives out of 10, received an additional 10 percent increase in financing.

The hard worked pay off and the parliamentary elections in October 2012 resulted in women forming around 11 percent of parliaments newly elected members (150 total). This number is huge when compared to the results during the election of 2008 where women had formed only 6.4 percent of the parliament. Approximately 15 percent of candidates from all Georgian parties were women with a recorded three percent growth compared to the election year in 2008. Currently, there are seven women who have been elected as MPs (majoritarian) and represent different Georgian districts. During the elections of 2008, there was only one female representative, and only two

<sup>1</sup> National statistics office of Georgia <http://www.geostat.ge/index.php?action=0&lang=eng>

during the year of 2004. Additionally, the Prime Minister of Georgia had created a special position assisting on human rights and gender equality issues in the year of 2013 that would work on advancing the policies regarding gender equality and women's empowerment Georgia to a larger extent. Late in the same year, 49 new positions were opened on a municipal level whose responsibility was to endorse and shelter gender equality and women's empowerment. During the same time period also Public Defender's office opened a new department labeled as Gender Equality that had to put together an official strategy action plan for 2014-2015 in order to help out the PD office with gender related work and policies.

The level of poverty counted on individual bases had also decreased significantly from 21 percent to 14.8, which also resulted in the decline of extreme poverty levels ration falling from 6.7 percent in 2010 to 3.7 percent in 2012.<sup>1</sup>

- A declining trend has also been recorded in terms of extreme poverty among children in Georgia from 9.4 percent to 6 percent during the years of 2011 to 2013.

- Children who fall under underweight category are also less frequent in the country now

Another major humanitarian achievement was providing housing for over 2100 families of refugees in Georgia by the Ministry of Internally Displaced Persons from Occupied Territories, which makes about 8000 persons. Currently there are around 28,528 internally displaced people and families that have been provided with housing and another about 15,441 families were transferred into local villages and given personal living space ownerships. The recent elected government of Georgia has promised support and ensures the secure transition of IDPs and also work on changing their state dependent life style into independent one.

**Education.** The preschool education or so called kindergarten became accessible to almost 46 percent of Georgia's population during the years of 2011 to 2013, which is almost the double rate compared to 26 percent in 2003. Also public preschool education became free of charge for Georgian citizens. Recent conversion of the school system cycle in Georgia from ten years to twelve has helped the country to achieve some institutional consistency with current school education structures. The formation of agencies like the National Assessment and Examination Centre are to guarantee the compatibility of Georgia's national assessment systems with world standards. Centers

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<sup>1</sup> Georgia national report on progress towards achieving the Millennium Development Goals. September 2014

for international studies such as TIMSS, PIRLS and PISA have been working closely with Georgia in order to spot structure breaches and progress preparation for students.

Several education policies have been modified so they could meet the terms with international suggested standards. During 2013 around 190 educational program revisions were approved and accreditation and half of those programs came from high education institutes (about 51 percent). Also new system has been created and approved, which provides financing for occupational studies in any field for Georgian students. Alongside, projects for another 26 new occupational institutions were drafted in order to make sure that vocational or occupational education alternatives are available all over Georgian regions.

Starting the year 2012 comprehensive educational system became mandatory for all public schools in Georgia. Presently, every school in Georgia is equipped with skills necessary to offer hospitable setting to children and young adults with special educational needs (SEN) and disabilities. National Center for Teacher Professional Development is the organization in charge for providing commodities and information, which also organizes frequent training programs designed for teachers who work with special education students.

### **Global Partnership for Development**

Another major event for the country was the confirmation of the European Union -Georgia Association Agreement, which took place in July 2014 and also included the Free Trade Agreement (DCFTA), which entered the final execution stage in September 2014. Also during the year of 2013 the highest economic index was recorded throughout the history of Georgia. According to freedom index calculations, Georgia had moved up from so called “mostly free” category of countries to “moderately free” level. Another source coming from the Heritage Foundation mentions that Georgia's economy had the index score of 72.2 which ranked the country 21st freest during 2013. Georgia had reported enhancements in 6 out of the 10 spheres; investment freedom, public finance management, property rights, and monetary freedom. These advancements helped Georgia to gain the 12th position out of 43 European countries having a score, which had a higher mean than the region.

The National Bank of Georgia (NBG) carried out another major improvement. It had adopted several reforms in order to advance the regulatory structure of the country's financial system, to forward the techniques for international reserve management, and to supply better-organized and dependable payment systems in

between Georgian banks. Vast amount of major efforts were also carried in order to upgrade the outline for monetary policies. Starting September 2006 Georgia reduced the number of taxes on imported goods from 16 to only 3 (0%, 5% and 12%).

According to the survey conducted by World Bank Georgia was ranked as number one for the last 3 years. Several of its economical advancements included the launch of e-services in the country, e-filing alternative, of the ability of electronic access to technical records at the State Archive of Georgia etc.

In sum, just as stated, in the Millennium Declaration, Georgia has started to execute its obligations and add the Millennium Development Goals to its national development strategies by providing constant reports about the progress made in the country. In 2004, the country created its very first MDG Report that tailored to the international objectives and targets and was followed up with another report written in 2005. As the time went on, Georgia profoundly kept an eye on its main MDG target goals and despite of present obstacles and unresolved conflicts, the country was able to gain substantial success in the achievement of those goals.

## **2.Comparative analysis of Armenia, Georgia and Azerbaijan**

All these three countries that have undergone our analysis, Armenia, Georgia, and Azerbaijan, are vastly different from each other not only on a religious, historic, and cultural basis, but also with their economic policies for both domestic and international affairs. All three countries, due to their geographic location, are in the center of attention and interest for hegemonies and other first world countries. The region covering South Caucuses territory has always been in the middle of historical events dating back to B.C. times. This factor is especially vulnerable for Azerbaijan, as it possesses vast amounts of natural resources, which are valuable for many other countries.

The global financial crisis of 2007-2008 had the most negative impact on the economy of the Republic of Armenia. Georgia came second it terms of economical damage due to its recent government change and lost regions. As for the State of Azerbaijan, they were not only able to pass by the financial crises but were able to make huge interments in Europe and the US. Azerbaijan, luckily, did not undergo a GDP drop during the crises and recovery years despite of the country's problems with refugees and

people who were relocated within the country. The report shows only growing numbers in terms of GDP and economy during those years in Azerbaijan. And again, its natural resources like enormous oil and gas reserves were the biggest confounding factor causing Azerbaijan's economy to remain stable when the rest of the world experienced the financial crisis.

## **2.1. Biggest likelihood of Azerbaijan becoming region's economic leader**

**Hypothesis number 1:** Given its vast reserve of natural resources, its geographical location, and international partnerships Azerbaijan has the biggest likelihood of becoming region's economic leader.

The region residing in the area of South Caspian has the deepest soils and the largest oil and gas reserves in that region. Despite its rich assets the South Caspian territory also has inherited some major problems; the most significant and impactful ones are air pollution, has shown major signs of improvement during recent years, and the other big problem is the status of its legal ownership and the changing water levels, which especially seem to impact the fresh waters of South Caspian. Also, the State of Azerbaijan is the biggest and main producer of aluminums, steel, molybdenum, iron, copper, steel, lead and zinc, and many other industrial minerals.<sup>1</sup>

Georgia which is another South Caspian country, used to be the key producer of manganese using its mineral deposits from an area called Chiatura. It is believed that another region in Georgia called Marneuli still contains some natural resources such as copper and zinc. One can also find gold and silver in Georgia which is typically considered as «leftovers» from what other gold diggers have left behind from many years ago. The Caspian economy is also famous for its oil production, for manganese, and for growing tea, some tropical fruits like oranges, tangerines, and bananas, and for making wine and cognac. Since the State of Azerbaijan has the vast majority of gas and oil reserves in the territory, it has given the country some political and economic dominance and control compared to its neighbors.<sup>2</sup>

The South Caspian region also formed a part of The Soviet Union, including all three countries- Armenia, Georgia, and Azerbaijan. The region had the well-built

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<sup>1</sup> Ohannes Geukjian, *Ethnicity, Nationalism and Conflict in the South Caucasus*, 2012

<sup>2</sup> Official website of Azerbaijan Ministry- <http://www.azerbaijan.az/>



mining industry which was mostly based in the nowadays Caucuses. After the collapse of the Soviet Union in 1990, most of the mining industry experienced a major downfall as well. A major progress has been reported during the last five to seven years, but the production amounts are nowhere to be compared. These natural reserves and resources are considered a chief factor in the region's economic development, but the wealth of the resources is not spread equally among the entire territory of South Caspian making some of its countries rich and other comparably poor.

The Republic of Armenia, another country in the Caucuses region, once used to produce up to 30 percent of the entire molybdenum that was created by the Soviet Union and also was able to mine some gold deposits, copper, and zinc preserves. Armenia was also the largest producer of prelate and tuff (the pink colored Armenian stone used for building houses) and some other major industrial materials, which were important contributors to the Soviet economy. In addition, Armenia was also famous for its diamond cutting industry. Production has almost stopped nowadays as the country has no fuel material in order to continue on with that industry and boost its economy.

The State of Azerbaijan may be considered due to its location and resources. In the beginning of the twentieth century roughly 50 percent of the world's oil was extracted in Baku, Azerbaijan's capital, with the Batumi oil pipeline which was 833 km long and at that time was considered the one if the longest in the world.

Oil making and oil processing business enterprise has been successfully boosting Azerbaijan's economy in the recent decade or so. Azerbaijan's economy is also famous for its agricultural production such as cotton, vegetables, and cattle. They say Azerbaijan and its people have been born under a "lucky star" since oil is flowing everywhere which improves the country's economy on the go. They have also made Azerbaijan famous and somewhat powerful in international markets. Due to those resources the state of Azerbaijan calls itself "the land of fire". From the ancient times the fire worshippers and pagans from all over the world have been visiting the territory, which is in nowadays Azerbaijan in search of fire. Several temples have been dedicated to the world famous flames the country.

And even though the country has a rich production history in terms of natural resources, oil and gas are still its biggest assets. Oil brings not only money but also investors and tourists who are interested to see a far away the country filled with black gold. From the beginning of ancient times, several caravans used to travel to Azerbaijan and bring back oil. Nowadays instead of camels, planes and ships carry barrels of black

gold just as during old times. The State of Azerbaijan uses its oil not only for electricity production, but also for medical reasons.

Some medications, such as penicillin, made by certain bacteria that are also manufactured from chemicals, and many of them are made of petroleum (oil) products. The demand of oil is increasing year-by-year. The cause of the increase of oil demand is the continuous industrial development worldwide, starting from 20<sup>th</sup> century. Now the vast majority of cars, planes, and other devices used for mobility are either oil or gas based. People say that the world will stop revolving if one day we run out of all our natural oil and gas reserves. Due to its vital importance, oil unfortunately has become the main conflict initiator in the world since the beginning of the 20th century due to its scarcity. The countries that produce oil have a definite dominance in the world economy and politics due to its production rules and selling options. For example, the State of Azerbaijan is currently trying to implement huge energy and oil projects, which may or may not be welcomed by the rest of the world. One of Azerbaijan's recent achievements was the establishment of work connections with BP.

Oil and gas projects are now effectively being implemented in the State of Azerbaijan. Its natural gas and oil resources have made the country a mini hegemony in the Caucasus region for the most part in the sectors of road and rail networking expansion and for being the main energy project executor in the region. This is one of the main reasons, which show that the hypothesis mentioned above is really making Azerbaijan the economic leader of the region. Azerbaijan is also considered a regional pioneer for getting started with energy with great potentials not only for the country but also for foreign investors. According to Michael Croissant currently Azerbaijan is considered a chief economic role model not only for its neighboring countries but also for other developing countries by increasing political and economic relations between Europe and Asia.<sup>1</sup>

Also based on the official economic research data, the global financial crises left a huge impact on the world's hegemonic countries such as the United States of America, Peoples Republic of China and the Russian Federation. The State Statistics Committee indicates that after the negative trends of crises a noticeable increase in employment in Azerbaijan and creation of new jobs around the country has been reported. Statisticians report that under the State Program on social and economic

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<sup>1</sup> Michael P. Croissant, Oil and Geopolitics in the Caspian Sea Region, 2009

expansion for 2009-2013, roughly around 190,412 new jobs out of which 139,697 permanent were opened in Azerbaijan from January 2009 to July 1, 2011.

Another 43,790 jobs with 32,461 permanent were created in the State of Azerbaijan during the first half of the year 2011. 3.4 percent of these jobs came from new enterprises and organizations, 12.4 percent from existing businesses and organizations, 0.2 percent from restored projects, and finally individuals created 74 percent of jobs. The stats report that the country's regions create for 73.4 percent of the newly formed jobs in the country and 20.1 percent is concentrated in the capital Baku.

As expected, after all those positive changes, the biggest accountability and the foremost load of implementing actions against unemployment fell down on the shoulders of the private sector. Based statistical data, 96.3 percent of new jobs opened in Azerbaijan are in the non-governmental sector. Also the jobs considered permanent are concentrated in the non-oil part, out of which 5.3 percent involve construction field and 5.8 percent operations and revamping. Only 2.6 percent of employment was dedicated to the production work and agriculture, which identifies that Azerbaijan is still developing those segments of its economy and country.

Despite all those positive changes in Azerbaijan, the official unemployment rate is approximately 5.5 percent, which is anyways lower than the global unemployment rate. Currently the economically active population of Azerbaijan is around 4.7 million people. Out of those 4.7 million around 4.45 million people are considered to be employed.

Around 21.8 percent of the Azeri population is employed in manufacturing area-6.7 percent working in construction, and another 6.1 percent in the processing industry. Only 2.9 are currently employed percent in the agricultural sector, forestry and fishery mining industry, and natural resource distribution (gas, electricity), water, cleaning and recycling fields. Never the less, economic growth doesn't mechanically mean an appearance of new and decent jobs. To ensure an economic growth profitable for everyone, and to have decent employment conditions, there should be implemented some macroeconomic policies, which must be focused on solid actions in labor market both inside and outside of the country.

Unlike Azerbaijan, the industrial sector provides just 10% of Georgia's employment. The number of economically active population in Azerbaijan reached 4.8 million people whereas in Georgia the number is 2.1 million, and in Armenia only 1.4 million.

The index of countries and my first hypothesis show that theoretically Azerbaijan has the biggest leading potential in some areas, because of its natural resources, geographical position, employment, etc. and in achieving MDG goals.

## 2.2.Highest gender gap and inequality in Azerbaijan

**Hypothesis number 2:** Tells that the gender gap and inequality is higher in Azerbaijan than in Georgia and Armenia due to its culture, traditions, and religious practices.

Even though «*Millennium development goals*» has a list of objectives that are meant to be met by 2015, the goal regarding women's rights is one of the major aims that MDG is trying to reach.<sup>1</sup>The countries taken into account, Armenia, Azerbaijan and, Georgia, have their own strategies and special staff designed MDG requirements and that specific goal. Data from the *Pew Research Center's Global Attitudes Project 2011* and *Caucasus Barometer (CB)*, which is an annual nationwide face-to-face survey performed in Azerbaijan, Georgia, and Armenia by the *Caucasus Research Resource Centers (CRRC)*, have reported several vital matters regarding gender equality which seem to significantly impact those countries in the South Caucasus region. According to those reports countries Armenia and Azerbaijan tend to see women in a more traditional setting in society, which is often compared to women's role in Middle Eastern and Asian countries.

Georgia on the other hand is very modern and pro gender equality, which brings it closer to European and American cultures with more freedom and impartiality in society. But assumptions should not be only made based on these two research and polling sources since the situation in Southern Caucasus is a bit more complicated than we think. Another data providing source, the *Caucasus Barometer*, reports that gender image in that region is shady, and doesn't fit into a predictable picture of «equality vs. tradition»<sup>2</sup>.

Here are some examples of the following:

In general, the questions of gender equality and women rights are a bit

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<sup>1</sup> Millennium Development Goals- <http://www.undp.org/mdg/r>

<sup>2</sup> ILC, 2009, Gender Equality at the Heart of Decent Work: Sixth Item on the Agenda

controversial and tricky not only in the South Caucasus region, but also all over the world. Countries in that region have created a so-called general stereotype. For instance, Georgia is keened towards equality and equal rights for all women in society, but some traditional values do exist in that country. Whereas in Azerbaijan, equality and women rights are still displayed on a more cultural and traditional platform, targeting more goals like equality in education, especially trying to stay away from the bias when it comes to male children.

Armenia is somewhere in between Georgia and Azerbaijan, even though a lot of Armenians tend to think that the quality of life for females is better than of males in the country.

But this is just a general picture of what gender and equal women rights questions look in the South Caucasus area. Using more of the Caucasus Barometer in depth statistical analysis will demonstrate more insight towards this topic in Armenia, Azerbaijan and Georgia comparing their cases with examples from other countries, and of course provide more background to the issue of gender stereotypes and culture related trends in those areas.

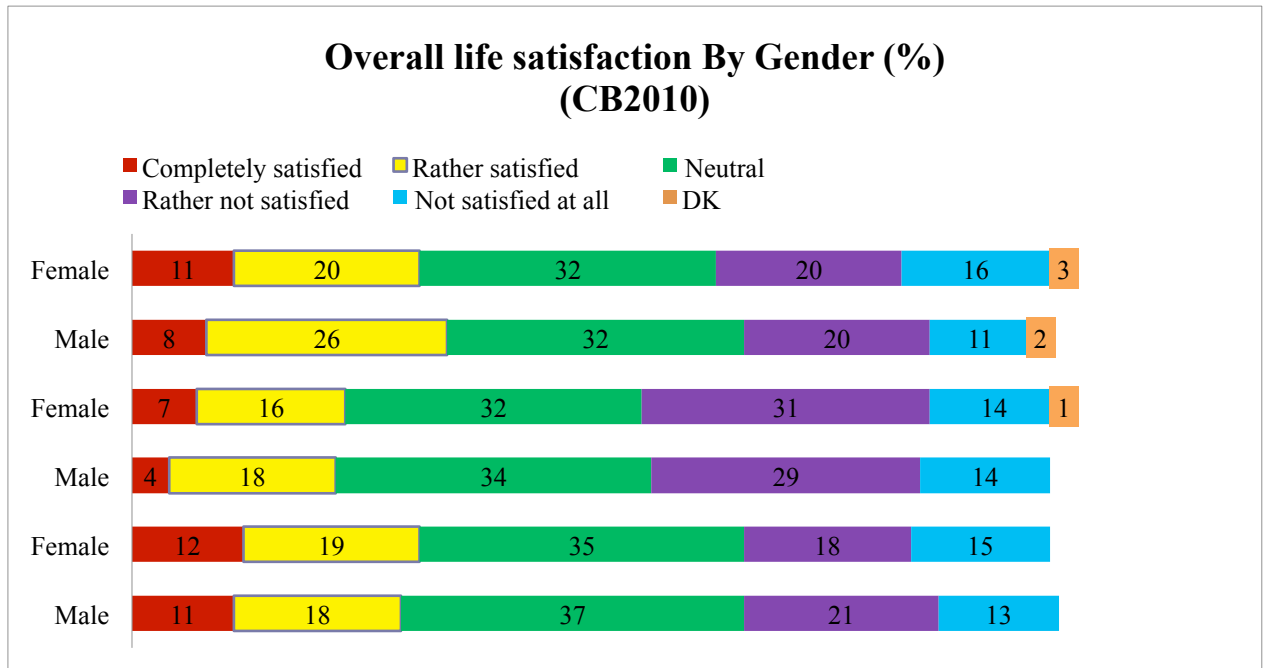
The picture is quite similar when it comes to the level of life satisfaction or the so-called «*level of happiness*» in those three countries when comparing men and women. The figure shows the results of some observations regarding male and female level of satisfaction in the countries of the South Caucasus. (*Fig.11*)

Even though some of the contemporary problematic areas and goals may be the same in this region, one should take into consideration the major differences between these three South Caucasus countries.

For instance, poll results show that in Azerbaijan one can see more traditional idea of gender roles with 40 percent agreeing that a university education is more important for boys and 57 percent disagreeing. In Armenia the number of traditional thinkers is a bit less with 30 percent agreeing and 68 percent disagreeing. Georgia is the leader in the list in terms of a country that has demonstrated the highest desire and effort to become an equal gender right supporter with only 22 percent of people agreeing that university is more important for boys, and 73 percent disagreeing.<sup>1</sup>

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<sup>1</sup> National Mechanisms for Gender Equality in South-East and Eastern Europe, Caucasus and Central Asia - <http://www.unece.org>



*Fig 11. Overall life satisfaction By Gender<sup>1</sup>*

The same trend has been reported in the job sphere as well. All three countries mutually agree on a traditional image that the main “money maker” or the person who should work the most should be the male of family. This can be considered a catalyst detail for Georgia, for example, as more Georgians say men should not have preferential access to jobs when they are scarce versus women. In addition, fewer men report having a job in Georgia than in Armenia or Azerbaijan’ 30 percent of people say they have a job, compared to 38 percent in Armenia and 39 percent Azerbaijan.

Compared to men, the number of employed women in the South Caucasus is still low. This can be also due to the fact that the most of the domestic (unpaid) work is on the shoulders of females. Yet, the GPG has decreased over time, possibly also due to fewer men having well-paid jobs because of the difficult economic times.<sup>2</sup>

Difference between the wage for man and woman in the labor market is called a wage gap. In general woman earn less than man, but according to ILO’s 2012/2013 report there was a decreasing tendency in the gap in the South Caucasus countries. The decrease of wage gap in the South Caucasus region was recorded to be one of the highest in the world. For example, Azerbaijan was ranked the first among the countries with biggest wage gap decrease rate. Armenia was ranked as the second, and Georgia as

<sup>1</sup> Caucasus Research Resource Center- <http://www.crrc.ge>

<sup>2</sup> OECD, 2011, Development in Eastern Europe and the South Caucasus Armenia, Azerbaijan and Georgia

tenth. Despite the positive trend, this decrease might be due to the fact that the professions men offer to nowadays market are not as demanded compared to the skills and preparation that females are ready to offer at a work setting. This is unfortunately a market driven change and not an improvement in equal rights battle.

Lately, Azerbaijan's parliament increased fines for unauthorized assemblies 50 times (like an Assembly of the Association for Protection of Women's Rights). Also, the government has banned those gatherings as well claiming that they cause a major distraction to the public order. Majority of those peaceful protests are to support equal rights and opportunities in the country. But women's rights defenders cannot even hold assemblies in Azerbaijan particularly after the parliament fixed strict fines. People, who stand up women's rights in Azerbaijan, automatically cannot qualify for government positions and they are persecuted by various methods<sup>1</sup>.

In Azerbaijan religion is one of the major factors when recognizing the inner relationship between men and women and deciding who has the main power or the majority of rights. Except of being the major factor, it also shows the higher inequality in genders in Azerbaijan, which is actually one out of two points in my second hypothesis.

Officially allowable and procedure credentials in Azerbaijan continue to add in certain rule and requirements that contradict the country's international requirement to the philosophy of gender equality. The state's approach to women's rights is limited. It mostly affects women with family responsibilities and does not include women from other vulnerable groups. Some women's groups try to address these issues; however, they often need the support of international institutions in order to be heard by the government. But first they need to educate and train those ordinary housekeeping whose interests and issues are not yet openly clear or discussed.<sup>2</sup>

Overall, Azerbaijan's society, which is transitioning from Soviet totalitarianism to the American and European democracy, is in the middle of overcoming labeling their behaviors in gender relations and instead building those relations on the basis of the democratic principles.

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<sup>1</sup> Georgia-Tbilisi official web-site- <http://humanrightshouse.org>

<sup>2</sup> Gender Attitudes in Azerbaijan- <http://planipolis.iiep.unesco.org>

### **3.Economic partnership between south Caucasus countries**

#### **3.1.Economic collaboration and partnership is a path to success**

*Hypothesis number 3:* Successful economic collaboration will quicken the development in the region if all three countries establish mutual partnerships through successful conflict resolution.

After the collapse of the Soviet and the failure to carry out successful economic strategies lifted up the potential for untested political liberalism. On the other hand, the hopes were set too high for many of post Soviet newly independent countries including South Caucasus with Armenia, Georgia, and Azerbaijan.

This region has a very high significance due to its geographic location; the area connects Europe and Asia. The first five or so years were somewhat an inopportune experience for the newly independent countries. Bumpy economic transitions from the Soviet Union, political anarchy and several ethno-territorial armed conflicts accompanied the region during its formation times.

Gradually, the disorder in the region slowed down and stabilized so the countries of South Caucasus started to develop on different economical grounds. After the successful endurance of the first five years which were mainly targeted towards country building and post collapse recovery, the three countries in the region up to date face a mixture of political and economic problems, and territorial clashes. In spite of frightening barriers that the region faces, it still has a full potential to become a fully democratic region with zero conflicts, and sturdy economy.

The earliest years of independence from the Soviet Union brought political problems and war with Armenia for Azerbaijan, which turned into a frozen conflict between the two countries in Southern Caucasus. At the end of 90s the situation in the region and especially for Azerbaijan became more or less stable, and during early 2000s the country entered its new oil era, which guaranteed an optimistic economic and political future for the country. The lofty revenues from oil sales helped to reduce the poverty rate in the country and lift the country's overall economic growth.<sup>1</sup> Baku-

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<sup>1</sup> Eradicate Extreme Hunger and Poverty: Where are We? UNDP in Azerbaijan. 2013



Azerbaijan's capital rapidly became a modernized metropolitan with large traffic and expensive skyscrapers. On the other hand, country's black gold was not able to be in charge of all the changes that took place in Azerbaijan after the collapse of the Soviet Union. Two of the country's main sources of income are oil and gas export revenues, which are negatively, correlated with poorly developed resource less areas of the country.<sup>1</sup> Azerbaijan is in an urgent need to diversify its economy as because of its high economic dependency on oil exports market, which has lately been very price sensitive. Several projections made by analysts predict reduction of oil reserves in the nearest decade for Azerbaijan, a decrease in profits gains from gas sales, and reduced revenues from TAP/TANAP projects weighted against the BTC pipeline. All of these metrics are a red light and a sign for an economic shift for the country. Despite of its modest advancements towards economic diversification, the future is promising for Azerbaijan.

Recent oil price drops have become a major economical earthquake for Azerbaijan's stability and have diminished its foreign currency reserves. This had also affected all other countries whose main source of income is oil including Venezuela.

Though there has been little progress on the economic diversification front, the future promises further progress. Currently flagging oil prices challenge economic stability by decreasing foreign currency reserves; on the other hand, they expose the vulnerability of all resource-reliant countries.

A good example of Azerbaijan's attempts to emphasize the importance of expanding its economy took place this year at Davos when president Aliyev told that the downfall of oil prices will force the government to shift gears.<sup>2</sup>

Another great indicator of future progress is Azerbaijan's plan to fund and encourage young Azerbaijani students to study at foreign universities. For the first round the program has planned to sponsor about 5,000 students who will later become a valuable asset to the country and contribute to its future.<sup>3</sup> Targeting the non-resource part of the economy will definitely require a high professionalism and industrious labor which Azerbaijan is hoping to gain by sending abroad its citizen for an opportunity to study in worlds top universities.

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<sup>1</sup>IMF warns Azerbaijan on oil dependence, business climate, Reuters

<sup>2</sup> Ilham Aliyev Interviewed by Victor Halberstadt, Davos 2015 - Regions in Transformation: Euroasia

<sup>3</sup> Azerbaijani Education Ministry Commence Implementation of State Program on Youth Education Abroad, Trend

An additional component that plays an important role in Azerbaijan's economic opportunities is the probable role of South Caucasus becoming a passage center to Central Asia. It's well known that East Asia and progressively more South Asia are considered crucially significant to the global economy thus Western countries will majorly benefit from the new established transit connection. South Caucasus' geographical location, in between Europe and Asia, has the potential to develop into a transit focal point similar to the historical Silk Road.<sup>1</sup> The BTK (Baku-Tbilisi-Kars) railway, which passes through Georgia, Azerbaijan, and Turkey could be the stepping-stone for this route.

Armenia, another country located in South Caucasus, is currently undergoing vast immigration, extensive unemployment and, poverty. Its neighbor Georgia had also gone through the same path but thanks to several well functioning economic policies it has become one of the most business-friendly countries and has even engrossed FDI.<sup>2</sup> With the prospect of South Caucasus becoming a transit center, can contribute to supplementary economic expansion for both Armenia and Georgia. The region's rising IT and tourism field will also contribute to this process.<sup>3</sup>

Of course all of these progressive ideas can only become real if three territorial conflicts get resolved in the South Caucasus region. The Nagorno-Karabakh conflict is the biggest one in the region, as this armed conflict has built a thick wall between two of three countries located in the South Caucasian and is big obstacle for regional integration.

The Russia-Georgia war is another proof of instability in the region and how all these conflicts postpone growth and the development of South Caucasus shrinking the economic prospective of each countries and the entire region. Not only the peace but economical stability also makes conflict resolution vital for the region. Nagorno-Karabakh's conflict particularly has a history of extensive and uncertain peace progression. After the ceasefire of 1994 a new generation of Armenians and Azerbaijanis has been facing the consequences of the so-called frozen conflict and has grown upset with the long-drawn-out conflict.

The new generation of both countries has a much more contemporary way of thinking, different from the Soviet influenced generation, many abroad educated young

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<sup>1</sup> Scenarios for the South Caucasus and Central Asia, World Economic Forum. September 2014

<sup>2</sup> 2015 Index of Economic Freedom: Georgia, The Wall Street Journal&Heritage Foundation

<sup>3</sup> Emil Danielyan, Armenia: IT Boom Bolsters Economic Prospects

men and women with liberal outlooks. They have participated in many cross-cultural projects, bonding peaceful relations with each other, and envisioning a conflict free Southern Caucasus. Also recent years have demonstrated that there are higher chances of establishing a healthy relationship between Turkey and Armenia than normalization of Armenian-Azerbaijani relations.<sup>1</sup> A potential meltdown in Armenian-Turkish relations can be a stepping-stone for renegotiating and revising relations between Armenia and Azerbaijan too, which would certainly lessen ongoing tensions in the region.<sup>2</sup> Another major role player in this matter is Russia whose political power seems to be flowing away in the region. Many countries actually blame Russia for being a barrier between the peaceful negotiations of two countries. Many western political analysts believe that the fewer Russia will intervene in this conflict, the higher will be the chances for Armenia and Azerbaijan to find a common ground. Armenia will benefit the most by resolving this conflict as it will open up many new opportunities for the country in terms of regional cooperation by incorporating the country into ongoing projects in the region and not only. Also a peaceful resolution of Nagorno Karabagh's frozen conflict will surely give a new lease of life to the Southern Caucasus.

When it comes for conflicts in Abkhazia and South Ossetia, including Abkhazia's new military and economic deal with Russia and the Crimea occupation, these recent events surely don't have a bright future in front of them. These events in South Ossetia and Abkhazia and the fear of being seized keep the area in an alarming situation despite of the efforts made by Georgian government trying to decrease Russian hostility.<sup>3</sup> The unblocking of the Abkhaz section of the Transcaucasia railway is currently under discussion and its fate is unclear. Optimistically thinking if positive negotiations are possible for a scenario like this, the opportunity will not only open a very important communication channel, between Abkhazia and Georgia, but will build a railway road Armenia giving an extra urge to the local incorporation.<sup>4</sup> The resolution of all three conflicts will only do well to the South Caucasus region and start an initiative of integration into future global transit routes like the Silk Road.

Separately from its political and economic issues, the South Caucasus also faces dispute in building up feasible political institutions. With a heavy history of political

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<sup>1</sup> Kemal Kirisci & Andrew Moffatt, A Turkish-Armenian Rapprochement? 2014

<sup>2</sup> Ünal Çeviköz, Turkish-Armenian relations need a new game-changer 2015

<sup>3</sup> Thomas Barrabi, Russia Abkhazia Treaty 2015

<sup>4</sup> Levon Nikolyan, Sukhumi-Tbilisi Railway Revisited

disputes, which all three countries carry with them since 90s, they still need build societies and achieve a state where the rule of law and democratic society are inevitable part of the country. They are all undergoing challenges similar to many others ex socialist countries especially when dealing with transparency, constructing a civil society, and building up a liberal state based on a constitution. ASAN state agency in Azerbaijan has been an extraordinary achievement in this context. ASAN's only aim is to deliver clear, speedy, and centralized public services. The agency offers a useful model for fighting against corruption and assures a much more democratic and liberal political future for the country.

Georgia achieved a major success during the peaceful transfer elections of 2013 by being able to reduce the corruption in the country, achieving a smooth transition of executive branch to a constitutional checks and balances system, and by strengthening its civil society.<sup>12</sup> These major accomplishments motivate and encourage us that many political problems despite of their corrupted nature can always be fixed or turned around

In conclusion, as mentioned above, the progress of a new generation who is liberal and democratic with strong western education gives hopes to everyone in the territory. These young adults aim to share their experience and knowledge with their home countries with a desire to see their homelands become more democratic and Europe like institutions. Their dream is moved by Western ideals of democracy, liberalism and pluralism. Let's not forget to mention that the Association Agreement with the EU helped Georgia to become the first Euro integrated country in the region and opening doors for a better South Caucuses.

Hopefully during next ten or twenty years the South Caucasus will overcome its current challenges, be free of territorial conflicts and develop a sturdy economy and strong democratic norms As a young adult coming from this region, it both rewarding and challenging to know that I am among the generation who tries to move the region to a better future.

The successful economic collaboration between the countries in Southern Caucuses region has numerous moving factors behind it, but as we saw, and will see further it is evident that successful economic collaboration will lead to success all of the three countries, which is actually the goal of my third hypothesis. Firstly, the historical ties that connect the region, energy import and export relations, and of course the social

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<sup>1</sup> Georgia-2013, Freedom House,

<sup>2</sup> Georgia's Constitutional Changes, International Crisis Group 2014

factors are inspiring the economic collaboration in the region. When looking at future economic perspectives of all three countries in Southern Caucasus, we cannot forget neighboring countries such as Iran, Russia, and Turkey that play a big role not only in terms of economical development but also as moderators in the region.

Recently several important projects have been taking place in Southern Caucasus, *BTC*, *BTE* and *BTK* and many more, which in terms of transportation are major investments which are a result of successful collaboration between the countries in the region. The only country that seems to be left out of these projects is Armenia due to its restrained diplomatic relations with Turkey regarding the Armenian Genocide and Azerbaijan over the Nagorno-Karabakh frozen conflict. Because of Armenia's passive cooperation, the importance of Georgia as a crucial transit link between Europe and Asia has majorly grown.

Diplomatic and economical relations between Turkey and Armenia have been unmoving since 1992 and despite of ongoing negotiations between the two countries in terms of recovering the relationship and establishing economic and diplomatic ties.

I will attempt to examine and talk about possible collaboration efforts in South Caucasus and about the probable establishment of economic ties between Azerbaijan, Georgia and Armenia. All three of these countries have reported massive growth and progress in the economic sector. Armenia for example has been actively involved with by joining the Eurasian Economical Union and the Tax Union, which has opened doors to easy trade between union countries and Armenia.

Even though the economic cooperation between Azerbaijan and Turkey has turned into several extra-large road and transportation projects there is still no free trade agreement between the two. This can become a problem in the future for the region development as Turkey has a big economy based on imports and exports and free trade agreement could make things much easier. Georgia also has been experiencing the similar free trade agreement issues with Turkey but they have achieved a progress in the process. Both of the countries no longer require visa for travelling, visiting, or business. Georgia has granted an easy airport access for Turkish citizens and in return Turkey has brought many small to medium sized business investors to Georgia, which boosts its economy.

Azerbaijan is expected to configure its relationships with its neighbors but little progress has been made so far. The country needs to put in more effort in order to expand the economic and diplomatic ties in South Caucasus. One of the reasons that

Azerbaijan has not been making progress in terms of relations is its present market structure. Its current market is ruled by few monopolies and bringing more competition in from its neighbors will not benefit the current market structure. Because of this, the government of Azerbaijan is not very excited in terms of international economic collaboration in the region.

Georgia, compared to its neighbors, has achieved several accomplishments in terms of becoming part of Europe but having trading partners and establishing good relations within the region is a challenge for Georgia because of low engagement from the side of Azerbaijan and Armenia. Looking at this picture from a bigger perspective the fact that all of these three countries are landlocked and need trading partners is unavoidable. Insufficient communications put a direct cost on regional and international trade for these countries limiting their abilities to participate in global market trading with imports and exports. The only exceptions are BTC and BTE, which transport oil and gas from Azerbaijan to world markets but joint multi-national companies have built them. This is because Azerbaijan is the only country in the region that has oil and natural gas resources. Currently, Azerbaijan and Georgia are the only option for resource transportation from East to West for international businesses and western countries. The reason is because of US sanctions on and because Armenia does not have open borders with either Azerbaijan or Turkey due to conflicts. Due to frozen diplomacy triangle where Armenia, Azerbaijan, and Turkey are in, no serious developments towards regional cooperation in the context of trilateral agreements among countries in South Caucasus have been made so far (BP, 2007). The borders are not likely to be opened in the near future taking into account recent events as well. Each country is determined to integrate into global organizations such as WTO, ECO, and BSCE boost their economy and trading options on their own. Taking all these into consideration, currently the most realistic attempts in terms of economic cooperation are among Turkey-Georgia-Azerbaijan, Armenia-Russia and Iran-Armenia.

The historical Silk Road, which connects Asia and Europe through the South Caucasus Countries passing through Azerbaijan and Armenia, has been an important trade road and transportation passage for centuries. The Transport Corridor Europe Caucasus-Asia (TRACECA) project, which is compared to the historical Silk Road, began in Brussels in 1993. The main three participants were Armenia, Georgia, and Azerbaijan, but some of central Asian countries like Kirgizstan, Tajikistan, and Uzbekistan also took part in the project trying to help with roads and ferry (Erdal,

2004). This type of inter-regional cooperation has been one of the key objectives of the TRACECA. There have been several attempts between Armenia, Georgia and Azerbaijan trying to reinforce the projects by TRACECA. For example Georgia and Azerbaijan have already applied to the European Commission to incorporate the new railway line in the TRACECA transport passage (Anjaparidze, 2005).

Interstate Oil and Gas Transport to Europe (INOGATE) is another program, which provides industrial aid and some investment support for constructing new channels in South Caucasus. Their main goal is the transportation of oil and natural gas from Caspian Sea to Europe.

Recent transportation expansions among South Caucasus countries have been penetrated with the BTC (Baku-Tbilisi-Ceyhan) oil-pipeline project, which later became a threshold for another railroad project BTE (Baku-Tbilisi-Erzurum). BTK (Baku-Tbilisi-Kars) railway project is currently considered the new East-West transportation corridor from Europe to Central Asia. About 10 years these types of projects were not realistic, but after BTC dreams became reality in a short period of time. Transportation projects are one of the core essentials for economic development in the region thus full collaboration from all parties is essential. Also in my opinion this new transportation passages will assist in solving the socio-economic and ethnic conflict problems in the region.

Let's pay a closer look at the BTC pipeline in order to understand its economical importance in the region. It is considered one the longest pipelines in the world and many high profile investors and businessman in the region have been heavily investing in it. BTC will have the capability to transport up to a million barrels of crude oil a day or 50 million tons if measured annually. The pipeline was officially opened in July 2006. Initially BTC which is 1,768 kilometer long, transported around 600,000 barrels per day. By the end of 2008 the number increased to one million barrels per day (BP, 2007). As you can see, the amount of crude oil that was supplied through the region has been playing an important role not only in South Caucasus but also internationally.

Nonetheless, like Oskana says local economic collaboration should be a long-term investment, rather than a speedy fix for immediate political compromises (Oksana, 2006:9). The establishment of the pioneer pipeline which connects the Caspian Sea and the Mediterranean, gave a massive economic benefits to the region. Another reasons the project's huge success and popularity was that BTC helped to avoid oil transportation through Turkey, which lately has been dangerous, and unstable on political grounds. A

special protocol also insures that the three host countries through which the pipeline is crossing will gain a share in benefits (CEC, 2007).

Both BTC and BTE missions are a proof that international corporations and big countries are interested in supporting the South Caucasian partnership. These projects can become historical and replicate the Silk Road giving South Caucasus region global importance.

Another interesting project is the South Caucasus Gas Pipeline (SCP), which shall start at Shah Deniz field and go to Azerbaijan, Georgia and then Turkey and other countries. SCP is supposed to be an additional link to BTC crude oil pipeline, which will also be connected to Turkish gas distribution system (CEC, 2007).

The Baku-Tbilisi-Akhalkalaki-Kars railroad passage is a way of connecting Azerbaijan and Georgia to China. This railroad will also enhance trade and business between Asia and Europe. A calculated estimation says that the rail will be able to transport up 10 million tons in a few years (Ziyadov, 2006). Armenia also could have been taking part in this project and take advantage from its numerous benefits, but because of political basis, it was left out of it. The fact that Armenia was not able to fully integrate into Southern Caucuses and its projects has affected the country negatively in many aspects - economical and financial.

Georgia on the other hand will benefit enormously from this project once the agreement is established and signed with Turkey. These types of expansions increase employment rate in the country, provide secure basis for international trading, and fuel further development in the region.

The construction of the Kars-Tbilisi-Baku railway line is another major regional accomplishment, which sadly leaves Armenia without any benefits that the country could attain from being a part of the railroad passage (Anjaparidze, 2005). Some ethnic conflicts can also be resolved with the help of these projects, but that is only a matter of future and successful political negotiations.

The regional economic integration can also bring a significant reduction of tariff and non-tariff barriers guaranteeing free flow of goods and services. The next step after regional integration can be labor mobility not only in the countries but also between them.

Freedom of trade among landlocked countries is especially important in my opinion due to their limited access to the sea and international trading. Neighboring countries Armenia and Georgia have relatively well-established economic ties. Georgia



is also trying to establish a successful relationship with Azerbaijan and also Turkey. Due to its latest conflict with Georgia, it is remarkably important for the country to be able to replace Russia with another successful trading partner. After the collapse of the Soviet Union and Georgia's independence, BTC and BTE pipelines have been able to create a big potential for Georgia in terms of increasing its international business operations with its neighbors and especially Azerbaijan.

Georgia has significantly decreased its trading ties with Russia, which was also negatively correlated with Turkey. Georgia and Turkey have recently been increasing mutual business operations. According to *Livejournal* in 2013 Georgia's foreign consisted of 17.9 percent from Russia, 15.2 percent from Turkey, and 9.3 percent from Azerbaijan (Livejournal, 2007).

To my understanding regional cooperation in South Caucasus, which forms a bridge between Europe and Asia using pipelines, can in the future become a possible source of partnership between Georgia and Azerbaijan. Armenia could potentially gain access to the pipeline as well if it restore its diplomatic relations with Turkey, which owns a major chunk of the pipeline. Turkey has also been trying to improve its relationship with Armenia by signing a border access agreement, which would open the long closed border between the countries giving Armenia more trading possibilities. But because of economic and well-established political ties with Azerbaijan, Turkey has stated several times that restoring relationships with Armenia also vastly depends on the resolution of Nagorno Karabagh conflict.

During the last two or three years the South Caucasus stepped into a new chapter after long and several post Soviet Union recovery years. One of the successful latest accomplishments was Georgia signing the Association Agreement (AA) with the European Union (EU) in June 2014 and Armenia entering the Eurasian Economic Union (EEU) in January 2015. Conflicts in South Caucasus have always been a major obstacle in terms of regional development. The 3-day war, which took place between Georgia and Russia, became a strong drive for EU to pay much closer attention to the region and its development projects. As a result in 2009, the European Union formed the organization called Eastern Partnership (EAP) in order to improve the relationships between countries, especially focusing on Southern Caucasus. Also after the re-election

of Russia's current president Vladimir Putin in 2012, Russia main goal has also been the integration into Eurasia.<sup>12</sup>

The active involvement from international entities also proves the fact that Europe and Asia transportation projects are very important for both Western and European countries especially in regards with energy safety policies.

The road and rail network and transportation information technologies in Southern Caucasus countries need to be revamped in order to meet international standards and foster more sustainable development. Information Communication Technologies (ITC) has become a matter of priority, especially in Azerbaijan taking into account the possibility of «Dutch Disease». Overcoming the decline in other economic sectors will lead Azerbaijan into a more developed and prosper the future.

When looking at numbers and rates in terms of trading, the numbers are very low in terms of trading in the region with the neighbors. A written report indicates that as of Strengthening 2007 several barriers and restrictions have been found which prevent the free trade within the neighbors. The regional economic collaboration among South Caucasus countries necessitates various very important advancements in democratization, in rivalry inside the market construction, and in clearness. All of these needs to be accomplished in order to be able to shape a safe economic, political and social setting for international businesses and investments.

Some say high politics is responsible for the weakening of regional ties as in South Caucasus and the attempts to integrate the region into the EU and EEU political classifications. By introducing two cutthroat projects, they jeopardize political liabilities within the region. This could also result in more bureaucratic customs offices within the borders of each country blockage easy trade in the region. This type of scenario could be a harmful blow especially for cross-border communities. A good example of a similar situation can be seen in a region called Samtskhe Javakheti. This part of Georgia, which borders with Armenia, is mostly inhabited with native Armenians or Armenian minorities. Here ethnic, economic and political borders overlap. Even though most of the inhabitants of this region are Russian citizens who work in Russia for the most part of the year, inter region trading has been the main source of income for these people since 1990. Nowadays with Armenia and Georgia having diverse economic and trading systems, the inhabitants in the region are worried about their future and their

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<sup>1</sup> Putin, V., «A new integration project for Eurasia: the future in the making», Izvestia, 3 Oct. 2011

capability to maintain source of revenue operating while shifting between pro Europe Georgia and Armenia who has recently joined Eurasian Economic Union. A central subject is the vagueness concerning the tangible impact on cross border trade with increased tax tariffs and new regulations regarding goods and services.<sup>1</sup>

Democratization, competition and transparency nowadays should center the amplified weight of regional cooperation and the trade between these three countries. These countries are considered the building blocks of South Caucasus.

Regional cooperation will get extra democratization during the development of coordination of the free market economy for Azerbaijan, Georgia, and Armenia. Surely, regional collaboration will redesign the market structures of the countries towards free-market economies.

This type of ideal and healthy cooperation will attract potential foreign investors will reduce corruption attempts. Since Georgia has made a wide range of modifications in its whole legislative system getting one step closer to EU, I believe that Georgia, in a given scenario is a good example of Azerbaijan and Armenia.

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<sup>1</sup> Markedonov, S., «Why Russia's «borderization» strategy makes Georgia so nervous», Russia Direct, 29 July 2015

## Conclusion

From the beginning of the 21st century, the South Caucasus region has been undergoing through a rapid development phase and been in the center of international attention. Many people often ask why this specific region and its development matters so much as they do not see its importance in connecting Europe and Asia. Several scientific articles and historical books are dedicated to this topic, which provide a detailed explanation to all the potential privileges that this region can offer to the world. My thesis also discusses the South Caucasian region and its importance not only for the European Union and Russia but also for many countries in Asia. The thesis investigates the main reasons why international arenas have recently given a massive importance to this region and what are the prospective projects that can be mutually beneficial not only for the region but also for the international arena.

The relationship with EU is different in all three South Caucasus countries due to different cultures, political preferences, and economic conditions. All these differences have many positive and negative impacts on countries' efforts to integrate into EU's community and the ability to adopt their policies and strategies. Georgia for example has chosen to integrate through Euro- Atlantic incorporation by discontinuing its long-term relationship with Russia. Azerbaijan, on the other hand, still has a comparatively shrewd foreign policy regarding its integration and collaboration with EU. While Georgia and Azerbaijan have been developing with EU, Armenia still remains isolated with two main borders closed, and strongly depending on Russia. Alas Armenia currently does not see joining the EU as an important factor for its foreign relations and policies.

As we can see from the first hypothesis, Azerbaijan is indeed ranked number one in the region in terms of economic development. This is due to their huge oil and gas reserves, but unless they work on expanding their economy beyond the natural resource consumption, and overcome the monopoly in the current market, then Georgia may soon surpass them, leading not only democratically but also economically in the region. The MDG goals indeed helped the country to overcome some of its gender and democracy problems, but there is still plenty of work that needs to be done.

Currently all three countries in the South Caucasus region, are not ready for EU membership, nor have future scenarios towards their integration. As for the United

States, NATO, and EU, the South Caucasus region has to offer resources in terms of energy and geographic transit location. Both the United States and Europe dynamically support the idea of regional teamwork between countries of the South Caucasus. One of the major factors that play a huge role for not only joining the EU but also becoming a well-developed country with a civil society is the ability to achieve gender equality in the country. Unfortunately none of the three countries in the region have fully overcome the gender problem. There is indeed a huge difference not only in the wage gap but also with women's involvement in politics, the results are nowhere near the desired outcome especially for Azerbaijan, which takes us back to the second hypothesis. Gender equality is one of the first steps for Azerbaijan to be able to fully integrate into EU and have a civil society. Despite of its leading role in economic sphere, the country is still behind when it comes to human rights and especially gender-based rights. The culture and the way people were brought up have a lot to do with unfair gender practices but there is still a huge hope for changes.

The ongoing territorial conflicts are a huge threat and can put the entire region under a huge threat. After almost 25 years, many of the conflicts still do not have any peaceful resolution. Some borders face the risk of armed violence any time, which can translate into a deep negative impact on the region as a whole. Somehow the conflicts are positively correlated with the ongoing competition between Euro Atlantic community and Russia. The bigger is the desire to have access to the region, the higher are the chances of conflicts to rise again.

Due to this unresolved conflicts, the borders between the two countries remain closed, which prevents the trade, roads, and economy to grow. Armenia will benefit more than Azerbaijan if the borders open up and a healthy relationship between two countries gets restored. This will reflect in Armenia's participation in new road projects and maybe cheaper access to natural resources. But unfortunately the problem still remains there representing a danger for everyone.

Anyhow, like I have mentioned in my third hypothesis, the result of timely resolution of this and many other regional conflicts can allow to finally establish peace in South Caucasus and all three countries Armenia, Georgia, and Azerbaijan will lastly be able to enter into a healthy state of business and economic collaboration without any clashes and disagreements.

In sum, all three countries have achieved major accomplishments in many fields despite of several failures and small outcomes.

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## Appendices

### Appendix 1: Millennium Development Goals

<b>Nº</b>	<b>Goals</b>	<b>Main actions</b>
<b>1</b>	<b><i>Eradicate extreme poverty and hunger</i></b>	<ul style="list-style-type: none"> <li>○ Reduce by half the proportion of people living on less than a dollar a day</li> <li>○ Reduce by half the proportion of people who suffer from hunger</li> </ul>
<b>2</b>	<b><i>Achieve universal primary education</i></b>	<ul style="list-style-type: none"> <li>○ Ensure that all boys and girls complete a full course of primary schooling</li> </ul>
<b>3</b>	<b><i>Promote gender equality and empower women</i></b>	<ul style="list-style-type: none"> <li>○ Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2005</li> </ul>
<b>4</b>	<b><i>Reduce child mortality</i></b>	<ul style="list-style-type: none"> <li>○ Reduce by two thirds the mortality rate among children under five</li> </ul>
<b>5</b>	<b><i>Improve maternal health</i></b>	<ul style="list-style-type: none"> <li>○ Reduce by three quarters the maternal mortality ratio</li> </ul>
<b>6</b>	<b><i>Combat HIV/AIDS, malaria and other diseases</i></b>	<ul style="list-style-type: none"> <li>○ Halt and begin to reverse the spread of HIV/AIDS</li> <li>○ Halt and begin to reverse the incidences of malaria and other major diseases</li> </ul>
<b>7</b>	<b><i>Ensure environmental sustainability</i></b>	<ul style="list-style-type: none"> <li>○ Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources</li> <li>○ Reduce by half the proportion of people without sustainable access to safe drinking water</li> <li>○ Achieve significant improvement in lives of at least 100 million slum dwellers by 2020</li> </ul>
<b>8</b>	<b><i>Develop a global partnership for development</i></b>	<ul style="list-style-type: none"> <li>○ Develop further an open trading and financial system that is rule-based, predictable and nondiscriminatory. Includes a commitment to good governance, development and poverty</li> </ul>

		<p>reduction-nationally and internationally</p> <ul style="list-style-type: none"> <li>○ Address the least developed countries' special needs. This includes tariff-and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction</li> <li>○ Address the special needs of landlocked and small island developing States</li> <li>○ Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term</li> <li>○ In corporation with the developing countries, develop decent and productive work for youth</li> <li>○ In corporation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</li> <li>○ In corporation with the private sector, make available the benefits of new technologies-especially information and communications tech</li> </ul>
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**Appendix 2: Comparative database of demographics and geography**

	<i>Azerbaijan</i>	<i>Armenia</i>	<i>Georgia</i>
<i>Country's degree of development</i>	79	95	80
<i>Population</i>	9,686,210	3,060,631	4,490,500
<i>Territory</i>	86,600	29,743	69,700
<i>GDP</i>	\$102,7 billion	\$20,6 billion	\$27,3 billion
<i>People living with HIV/AIDS</i>	10,400	3,500	6,600
<i>Unemployment rent</i>	5,8%	16,4%	13,7%
<i>Percentage of women in Parliament</i>	15,6%	10,7%	12%
<i>Human development index</i>	0,747	0,730	0,744
<i>Corruption Index</i>	29	37	52
<i>GDP per capita</i>	\$7100	\$3350	\$3490
<i>Economically active population</i>	4,8 million	1,4 million	2,1 million