

# **BRUSSELS AND THE LAND OF FIRE. A BRIEF OVERVIEW OF THE DEVELOPMENT OF THE EU-AZERBAIJAN RELATIONS**

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## Abstract:

*In the relation to its most remote Eastern Partnership Country Azerbaijan, the EU builds on a more than 25-year-old cooperation and fostered political and economic ties. After Azerbaijan's decline of the Association Agreement with the EU in 2014 and the resulting backlash, a new Partnership and Cooperation Agreement (PCA) is currently being negotiated. This paper elaborates the history of the EU-Azerbaijan relations, recurring contentious issues like corruption, the human rights situation, the authoritarian trends and the Nagorno Karabakh conflict. Furthermore, the competition of Azerbaijan and the EU with other countries like Russia, China and Azerbaijan's direct neighbours in the South Caucasus are displayed to shed a light on the relation between Brussels and the Land of Fire.*

The relations between the EU and Azerbaijan started to develop in the early 1990s after Azerbaijan's independence from the Soviet Union. The joint work began with a Partnership and Cooperation Agreement (PCA) which was signed in 1995 and came into force in 1999. The PCA regulated the economic dimension between the EU and Azerbaijan and set the framework for the subsequent cooperation.<sup>1</sup>

The PCA was accompanied by EU endeavours regarding humanitarian and technical assistance and the reconstruction of conflict areas. At that time the EU was one of the first international partners to Azerbaijan, and due to its efforts legitimised its further engagement in Azerbaijan.<sup>2</sup>

Part of the EU engagement were joint economic projects like the Transport Corridor Europe-Caucasian, Asia (TRACECA) in 1993, an energy transport corridor project between the EU and several littoral states of the Caspian Sea and Central Asian countries<sup>3</sup>, as well

as an energy technical assistance program called Gas Transportation to Europe project (INOGATE) in 1996, which also operates in this region.<sup>4</sup>

Furthermore, the rapprochement of Azerbaijan to the West included cooperation with Western organisations. Azerbaijan joined the North Atlantic Cooperation Council in 1992, the Partnership for Peace (PfP) programme in 1994 and the Euro-Atlantic Partnership Council in 1997.<sup>5</sup> In 2001, Azerbaijan became a member of the Council of Europe (CoE).<sup>6</sup>

With this rapprochement towards Europe, Azerbaijan showed its integration potential into the European political community.<sup>7</sup> After the turn of the millennium, the integration of Azerbaijan in the EU was further deepened and contractually governed. In 2003, the EU Special Representative for the South Caucasus was sent out and shortly after in 2004 Azerbaijan was included into the European Neighbourhood Policy (ENP).<sup>8</sup> Through the ENP, neighbourhood countries like Azerbaijan work more closely with the EU on political, socio-economic and security issues and since then have gotten, inter alia, potentially greater access to the EU's market, regulatory framework and programmes.<sup>9</sup>

In 2009, one year after the European Commission Delegation to Azerbaijan opened in Baku, Azerbaijan became part of the Eastern Partnership initiative. Since then Azerbaijan and the EU worked in close cooperation on different issues and strengthened their relationship. Different agreements and contracts—especially in the energy and transport sectors—were signed, and issues like visa facilitation were negotiated.

1 "EU-Azerbaijan relations," European External Action Service (EEAS), accessed January 6, 2019, [https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/4013/EU-Azerbaijan%20relations](https://eeas.europa.eu/headquarters/headquarters-homepage_en/4013/EU-Azerbaijan%20relations).

2 Licinia Simão, *The EU's Neighbourhood Policy towards the South Caucasus. Expanding the European Security Community* (Cham: Springer International Publishing, 2018), 200f.

3 "Welcome to TRACECA," Permanent Secretariat of Intergovernmental Commission TRACECA, accessed January 6, 2019, <http://www.traceca-org.org/en/traceca>.

4 "In brief," INOGATE, accessed January 6, 2019, <http://www.inogate.org/pages/1?lang=en>.

5 "Relations with Azerbaijan," North Atlantic Treaty Organization (NATO), accessed January 6, 2019, [https://www.nato.int/cps/en/natohq/topics\\_49111.htm](https://www.nato.int/cps/en/natohq/topics_49111.htm).

6 "Azerbaijan // 47 States, one Europe," Council of Europe, accessed January 6, 2019, <https://www.coe.int/en/web/portal/azerbaijan>.

7 Simão, *The EU's Neighbourhood Policy towards the South Caucasus*, 188.

8 EEAS, "EU-Azerbaijan relations".

9 "European Neighbourhood Policy (ENP)," European External Action Service (EEAS), January 6, 2019, [https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp\\_en](https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en).

A stable and auspicious partnership with great potential for deeper cooperation in the future, one might think.<sup>10</sup> Nevertheless, when other Eastern Partnership countries like Ukraine, Moldova or Georgia signed Association Agreements (AA), Azerbaijan declined this opportunity in 2014.<sup>11</sup> There were several reasons for this decision. Since years, under the surface of the increasing cooperation there were different contentious issues between the EU and Azerbaijan which are still subject of current AA negotiation. Furthermore, the Russian intervention in Ukraine after its signing of an AA with the EU was also a crucial factor for Baku's decision – it was perceived as a warning signal to Azerbaijan. From the perspective of Baku, the threat of a Russian interference posed a greater risk than a potential benefit from an AA with the EU.<sup>12</sup>

Azerbaijan's rejection of the AA was a huge surprise for the EU. Until this moment, many EU officials were convinced that all EU Neighbourhood countries would be eager to sign an AA.<sup>13</sup>

But the EU maintained its pragmatic approach and instead of signing an AA with Azerbaijan, both sides agreed to negotiate an updated, comprehensive agreement, which replaced the PCA from 1999. The negotiations were launched at the beginning of 2017 and are still ongoing.<sup>14</sup>

During the current PCA negotiations some contentious issues, which have influenced the relationship before are expected to be discussed.<sup>15</sup> The divergent opinions of the EU and Azerbaijan affect different areas

which are essential to elaborate in order to understand the relationship between the EU and Azerbaijan.

## Economy

In terms of economic output, population and surface, Azerbaijan is the biggest country in the Caucasus region.<sup>16</sup> In 2017, the roughly ten million Azerbaijanis generated a \$40.7 billion GDP. In the beginning of the 21st century, Azerbaijan recorded an enormous economic growth. In 2004, the gross domestic product (GDP current US\$) was approx. \$8.6 billion. Ten years later, in 2014, it reached its peak with \$75.2 billion. This development came to a harsh end in 2015, when the oil price dropped and Azerbaijan's economic growth decreased significantly. Since 2016, Azerbaijan's economy is recovering slightly and a GDP growth of 0.1% was recorded in 2017.<sup>17</sup> According to the World Bank, in 2018 the economic growth will continue to increase slightly and in the medium-term Azerbaijan will continue to record growth.<sup>18</sup>

These developments have affected EU-Azerbaijan relations in a considerable way. The EU is Azerbaijan's main economic partner, its biggest export and import market and its major foreign investor in the oil and non-oil sectors. Moreover, the EU is launching the EU4Business initiative to support the Azerbaijani government regarding the country's business and investment climate and to promote Azerbaijan's integration into international organisations like the WTO.<sup>19</sup>

10 Anar Valiyev, "Azerbaijan's Policy towards EU Integration: Unrecognized Strategic Partner," in *Geopolitics and Security. A New Strategy for the South Caucasus*, ed. Kornely Kakachia, Stefan Meister and Benjamin Fricke (Tbilisi: Konrad-Adenauer-Stiftung 2018), 128. <https://dgap.org/en/think-tank/publications/further-publications/geopolitics-and-security>.

11 Georgi Gotev, "Azerbaijan's rejection of EU association was an eye-opener for Brussels", Euractiv, February 11, 2016, <https://www.euractiv.com/section/armenia/news/azerbaijan-s-rejection-of-eu-association-was-an-eye-opener-for-brussels>.

12 Valiyev, "Azerbaijan's Policy towards EU Integration", 133.

13 Gotev, "Azerbaijan's rejection of EU association was an eye-opener for Brussels."

14 EEAS, "EU-Azerbaijan relations".

15 In November/December 2018, when this article was written, the negotiations were still ongoing.

16 "The World Factbook," Central Intelligence Agency (CIA), accessed January 6, 2019, <https://www.cia.gov/library/publications/the-world-factbook/>.

17 "World Development Indicators (WDI)", The World Bank, accessed January 6, 2019, <http://databank.worldbank.org/data/source/world-development-indicators/preview/on#>.

18 "The World Bank in Azerbaijan," The World Bank, accessed January 6, 2019, <https://www.worldbank.org/en/country/azerbaijan/overview#3>; "The World Bank in Azerbaijan Country Snapshot", The World Bank, accessed January 6, 2019, <http://pubdocs.worldbank.org/en/686361539245387201/Azerbaijan-Snapshot-Oct2018.pdf>.

19 "Facts and Figures about EU-Azerbaijan Relations," European External Action Service (EEAS), accessed January 6, 2019, [https://eeas.europa.eu/sites/eeas/files/eap\\_factsheet\\_azerbaijan\\_eng\\_web.pdf](https://eeas.europa.eu/sites/eeas/files/eap_factsheet_azerbaijan_eng_web.pdf); Valiyev, "Azerbaijan's Policy towards EU Integration," 138.

## Transport and Energy

In terms of business, oil and gas are the crucial factors of the EU-Azerbaijan relations. The EU considers Azerbaijan to be an “important energy partner”.<sup>20</sup> The country supplies 5% of the EU’s total oil demand, and the EU is the biggest importer of Azerbaijani oil and gas.

This energy cooperation is based on a Memorandum of Understanding included in a Strategic Partnership between the Republic of Azerbaijan and the European Union in the field of Energy (2006) and a Joint Declaration on the Southern Gas Corridor (2011). The Southern Gas Corridor is a gas transport corridor linking Caspian, Central Asian and Middle Eastern gas to Europe and aims at diversifying the energy supply and at securing Europe’s energy provision.<sup>21</sup> This energy cooperation is receiving yet further significance in the spotlight of Europe’s energy security discourse because the Southern Gas Corridor is the only practicable corridor for Caspian oil and gas to Europe that leads through Azerbaijani territory and not through Iran and Russia. Azerbaijan is very aware of this position and uses it for its own advantage in negotiations with the EU.<sup>22</sup>

This shows that Azerbaijan benefits enormously from one major factor: its geographical position. Azerbaijan is located at the intersection between European and Asian transport corridors. This was recognised early by Azerbaijan’s government and soon after the country’s independence the goal to make Azerbaijan a transport hub and bridge between Europe and Asia was proclaimed. With this in mind, it is reasonable that the most noteworthy contribution to the economic ties between the EU and Azerbaijan remains the EU sponsored transportation projects, which aim at connecting the EU with the Caucasus and Asia. Since the beginning of the relations, the EU helped to bring this goal forward.

20 EEAS, “EU-Azerbaijan relations.”

21 Ibid.

22 Amanda Paul, “The EU and the South Caucasus 25 Years Since Independence,” Heinrich Böll Stiftung European Union, accessed January 6, 2019, <https://eu.boell.org/en/2016/11/25/eu-and-south-caucasus-25-years-independence>.

Since its adoption in 1993, the EU has invested approx. \$800 million alone in the TRACECA programme for new capital investments. But TRACECA also had to face several problems like border delays and controls, custom offices or corruption. This, as well as the drop of the oil price and the resulting decrease of profits led to Azerbaijan’s decision to look for new ways to stimulate the project. The decision was made to include other cooperation partners to improve economic ties with Central Asian states.<sup>23</sup>

Potential partners were easily found. In 2015, China, Kazakhstan, Azerbaijan, Georgia and Turkey agreed upon a new container transportation route—the Trans-Caspian International Transport Route (TITR). This development can be viewed ambivalently from the perspective of the EU. On the one hand, TITR could be reviving the TRACECA project; On the other hand, the EU was not actively involved in the implementation process. This development goes hand in hand with the latest development in Azerbaijan.<sup>24</sup> In the last ten years, Azerbaijan has made huge investments in infrastructure and transportation projects like railroads, ports, airports and roads to achieve its goal of becoming the most important transport hub between Asia and Europe.

With this approach, Azerbaijan pursues a double strategy regarding relations with the EU. In becoming both an important energy supplier for the EU on the one hand and an important transportation hub on the other hand, Azerbaijan aims to improve its position in its relationship with the EU.

In this sense, Baku also profits from its geographical position. Besides the European Union, other regional integration projects like the Eurasian Economic Union (EEU), driven by Russia, and the Belt and Road initiative (OBOR), launched by China, are interested in improving their relations with Azerbaijan.

Officially, Baku tends to get closer to the EU and the decrease of the oil price and Azerbaijan’s economic crisis in 2015 affected

23 Valiyev, “Azerbaijan’s Policy towards EU Integration”, 138-141.

24 Valiyev, “Azerbaijan’s Policy towards EU Integration”, 140.

this trend. Azerbaijan opened its business market and tried to revive its economic activity. But so far, no final decision has yet been taken.

EU engagement in terms of economic assistance supporting the country's efforts towards a more diversified economy could be an opportunity to strengthen the position of the EU.<sup>25</sup> Otherwise, Azerbaijan may turn towards other regional integration projects. Still, it would be over-simplified to assume that the EU should simply increase its engagement in Azerbaijan. There are other developments, foremost domestic issues, in which the EU and Azerbaijan have divergent opinions, and which are obstacles for a deeper cooperation.

## Corruption

Azerbaijan faces several domestic problems. Systematic and institutionalised corruption is one of the substantial ones. Transparency International ranks Azerbaijan on its Corruption Perceptions Index 2017 on position 122 out of 180.<sup>26</sup> Corruption and an international money laundering operation, which included four offshore companies in the United Kingdom and an amount of \$2.9 billion even led to the title "The Azerbaijani Laundromat" from the Global Anti-Corruption Consortium who uncovered these grievances.<sup>27</sup>

For the European public, the corruption issue became apparent due to the "caviar diplomacy" incident.<sup>28</sup> The think-tank European Stability Initiative published how Azerbaijan had lobbied and bribed officials of the Council of Europe (CoE) with the goal of receiving a good attestation from the

organisation in terms of human rights and democratic legitimacy, including reports about political prisoners, election monitoring, etc.<sup>29</sup> The Independent investigation body on the allegations of corruption within the Parliamentary Assembly confirmed in April 2018 that several members of the CoE Parliamentary Assembly (PACE) broke the 'code of conduct' of the CoE and stated that there was the "strong suspicion" that some of them were "party to activity of a corruptive nature".<sup>30</sup> Moreover, there are police investigations, for instance in the case of the former Italian deputy to PACE Luca Volontè who is accused of taking in bribes from Azerbaijan in the amount of €2.9 million.<sup>31</sup> These incidences show that corruption is not solely a domestic issue for Azerbaijan. Instead, the extensive entanglements with Europe make it an obstacle for further EU- Azerbaijan cooperation as well.

## Authoritarian leadership and the human rights situation

Azerbaijan's goal to increase its economic and political network with other countries and the self-promotion as a legitimate democracy contrasts with what Halbach describes as the "internal [...] hardening of the political system."<sup>32</sup>

After the re-election of the President in 2018 and two changes of the constitution to consolidate his power, Ilham Aliyev has continued to lead Azerbaijan with an iron fist. In 2003, Aliyev succeeded his father Heydar Aliyev as President, who came to power in 1993 after a coup against the

25 Valiyev, "Azerbaijan's Policy towards EU Integration", 141ff.

26 "Corruption Perception Index 2017," Transparency International, accessed January 6, 2019, [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017).

27 "The Azerbaijani Laundromat," Organized Crime and Corruption Reporting Project (OCCRP), accessed January 6, 2019, <https://www.occrp.org/en/azerbajani-laundromat/>.

28 "Caviar Diplomacy. How Azerbaijan silenced the Council of Europe," European Stability Initiative (2012), accessed January 6, 2019, [https://www.esiweb.org/index.php?lang=en&id=156&document\\_ID=131](https://www.esiweb.org/index.php?lang=en&id=156&document_ID=131).

29 Ibid.

30 "Report of the Independent Investigation Body on the allegations of corruption within the Parliamentary Assembly," Independent investigation body on the allegations of corruption within the Parliamentary Assembly, 147, accessed January 6, 2019, <http://assembly.coe.int/Communication/IBAC/IBAC-GIAC-Report-EN.pdf>.

31 Jennifer Rankin, "Council of Europe members suspected of corruption, inquiry reveals," The Guardian, April 22, 2018, <https://www.theguardian.com/law/2018/apr/22/council-of-europe-members-suspected-of-corruption-inquiry-reveals>.

32 Uwe Halbach, "Aserbajdschan zwischen Verhärtung im Inneren und Vernetzung nach außen," SWP-Aktuell 2018/A 26, Mai 2018, <https://www.swp-berlin.org/publikation/aserbajdschan-zwischen-verhaertung-und-vernetzung/>.

former president. The Aliyevs had worked continuously to strengthen the power base of the family clan, which was last apparent in Ilham Aliyev making his wife Mehriban vice-president.

On Azerbaijan's way towards a patrimonial authoritarian regime other political actors and institutions were not able to hinder them.<sup>33</sup> Since the Aliyev regime came to power in 1993, there has not been a single competitive election.<sup>34</sup> The judiciary is under full control of the government and the split opposition camp faces marginalisation and repression through the state media.<sup>35</sup>

Non-governmental and human rights organisations can't work properly because of restrictive regulations and shutdowns through arbitrary political prosecution. The media has to deal with restrictions or is already under control of the government, and websites are partly blocked. The LGBTI+ community faces repression and abuse from authorities and an increasing number of independent journalists and bloggers get arrested. According to Azerbaijani human rights defenders the number of political prisoners is increasing since years. Currently around 150 people are in prison on politically motivated charges.<sup>36</sup>

Several Azerbaijani human rights activists and civil society organisation are accusing the Azeri government of manipulating the EU through energy and trade interests. They argue that instead of fostering a real democratisation process, the EU is accepting authoritarian rule and socio-economic grievances under the guise of formal democratic structures.<sup>37</sup>

Nevertheless, due to the developments in terms of human rights, European and EU institutions were forced to act. In September 2014, the European Parliament adopted a

resolution on the persecution of human right in Azerbaijan. Concrete measures to improve the human rights situation, the release of the political prisoners and no further politically motivated arrests were demanded.<sup>38</sup>

Even the Council of Europe (CoE)—which was criticised for the corruption incidents and a very controversial rejection of a human rights resolution on Azerbaijan in 2012—had to react when Baku was not willing to accept decisions from the European Court of Human rights yet again. The CoE Committee of Ministers announced on 5 December 2017 that it was going to open an unprecedented infringement proceeding, which ultima ratio could lead to a procedure of exclusion from the organisation. In general, Azerbaijan often declares the criticism from Europe as conspiracy theories and lobbying of Armenia, or simply rejects the accusations as interference in national matters.<sup>39</sup> However, this time, the EU-Azerbaijan relations suffered from a cool down after EU's criticism of the human right situation in Azerbaijan.<sup>40</sup>

## Nagorno Karabakh

Another controversial issue is the Nagorno-Karabakh conflict.<sup>41</sup> It is Azerbaijan's self-proclaimed most important topic in foreign policy. Baku aims to change the outcomes

33 Ibid.

34 European Stability Initiative, "Caviar Diplomacy. How Azerbaijan silenced the Council of Europe".

35 Halbach, "Aserbajdschan zwischen Verhärtung im Inneren und Vernetzung nach außen".

36 "Annual Report: Azerbaijan 2017/2018," Amnesty International, accessed January 6, 2019, <https://www.amnesty.org/en/countries/europe-and-central-asia/azerbaijan/report-azerbaijan/>

37 Simão, The EU's Neighbourhood Policy towards the South Caucasus, 205.

38 "European Parliament resolution of 18 September 2014 on the persecution of human rights defenders in Azerbaijan," European Parliament, accessed January 6, 2019, <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2014-0022>.

39 Halbach, "Aserbajdschan zwischen Verhärtung im Inneren und Vernetzung nach außen".

40 Paul, "The EU and the South Caucasus 25 Years Since Independence," 8.

41 Azerbaijan and Armenia are in conflict about Nagorno-Karabakh, an autonomous region within the territory of Azerbaijan but with a population with 95 percent of ethnically Armenian. In 1991, after the dissolution of the Soviet Union, the region declared its independence which resulted in a war between Armenia and Azerbaijan. This led to 30,000 casualties and hundreds of thousands of refugees. In 1993, Armenia secured the control of the region and also occupied 20 percent of the surrounding Azerbaijani territory. In 1994, a ceasefire was brokered by Russia between the two countries. The Nagorno-Karabakh remains a frozen conflict and the ceasefire is threatened by an increasing number of violations accompanied by hundreds of deaths. There have been negotiation and mediation efforts from different sides. Nevertheless, the conflict holds a high risk for escalation. "Nagorno-Karabakh Conflict", Global Conflict Tracker, accessed January 6, 2019, <https://www.cfr.org/interactive/global-conflict-tracker/conflict/nagorno-karabakh-conflict>.

of the war with Armenia and wants to regain full territorial integrity over the region. The EU's reluctant approach in this matter has led to repeated displeasure in Azerbaijan,<sup>42</sup> especially in the light of the latest actions of Russia, which is actively bringing forward the militarisation of the region. Moscow established a joint military force with Armenia and is selling weapons to both Azerbaijan and Armenia, which is promoting an armament race and threatening the already fragile ceasefire.<sup>43</sup>

In this regard, the EU fails to adopt a consistent approach. The EU has restrained to openly support Azerbaijan's territorial integrity, like it did in the cases of Georgia, Moldova and Ukraine.<sup>44</sup> Furthermore, from Azerbaijan's point of view, Europe's rhetoric focuses mainly on human rights and democracy and excludes the Nagorno-Karabakh issue.<sup>45</sup> This inconsistent stance, which different scholars describe as a "double standard" approach, has a negative effect on the EU-Azerbaijan relationship.<sup>46</sup>

### Further obstacles

There are other reasons why Azerbaijan is concerned about the EU. Because of the EU's increasing scepticism towards other neighbours like Belarus, Georgia, Moldova or Ukraine regarding their cooperation, Azerbaijan is unsure about its future relation with the EU. Baku is uncertain whether the EU will focus more on member countries instead of neighbourhood countries and whether the EU will be able to cope with its internal challenges in the future. The Brexit is only one example. Britain is a huge supporter of Azerbaijan and through its withdrawal from the EU, Baku fears to lose a proponent of many projects.<sup>47</sup>

Apart from domestic problems of the EU, the relationship between the EU and other states like Turkey also have an indirect impact on EU-Azerbaijan relations because Turkey's EU negotiations were a role model for Azerbaijan. Likewise, the dispute between the EU and Russia and Moscow's influence in the Caucasus affect the EU-Azerbaijan relations.<sup>48</sup>

### Conclusion

Even though Azerbaijan and the EU share common interests and are important business partners, there are several contentious issues in the EU-Azerbaijan relations. The economic links between Azerbaijan and the EU are expected to foster due to the new PCA. But the question remains whether progress will be made in terms of a common approach regarding corruption, authoritarian leadership, human rights, the Nagorno Karabakh conflict and other issues. Even if the PCA will find answers to these questions, other states like Russia, China, Iran and Turkey are still factors of the EU-Azerbaijan relations which need to be considered. It remains to be seen to what extent the PCA brings forward the relationship between the EU and Azerbaijan and if it will not only foster the economic ties but positively affect the human rights situation and the living conditions in Azerbaijan as well.

42 Simão, *The EU's Neighbourhood Policy towards the South Caucasus*, 189.

43 Valiyev, "Azerbaijan's Policy towards EU Integration," 136.

44 Simão, *The EU's Neighbourhood Policy towards the South Caucasus*, 201f.

45 Paul, "The EU and the South Caucasus 25 Years Since Independence".

46 Valiyev, "Azerbaijan's Policy towards EU Integration," 129; Simão, "The EU's Neighbourhood Policy towards the South Caucasus," 202; Paul, "The EU and the South Caucasus 25 Years Since Independence".

47 Valiyev, "Azerbaijan's Policy towards EU Integration," 132f.

48 Valiyev, "Azerbaijan's Policy towards EU Integration," 148f.

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