



# UNISCI Discussion Papers

## AZERBAIJAN'S TOUGH FOREIGN POLICY CHOICES

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Sandwiched between regional powers, such as Russia, Iran and Turkey, Azerbaijan has always faced external pressure and influence. This trend has further increased with the independence of the country in 1991. To add to this rivalry, the United States and European Union joined the competition for rich oil and gas resources of the Caspian sea, thus turning the Caucasus region into the new area for the "Great Game." Yet, it is the relationship with the rival Armenia and the post-September anti terror war that play the most important roles in the foreign policy of the country. Azerbaijani leadership remains challenged on ways to balance its foreign policy between Russia and the West on one hand and the Islamic world and the US on the other.

### **1. The restoration of Azerbaijan's independence and emergence of foreign policy directions.**

In 1991, with the collapse of the Soviet Union and the fall of communism, Azerbaijan became independent. This can be considered as the restoration of the independence, as in 1918-1920 the first Azerbaijan Democratic Republic already existed, yet was crushed by the Red Army. The restoration of the independence was perhaps one of the greatest achievements in the history of the modern Azerbaijan, but it also brought new challenges and tasks ahead of the young country.

In 1992 Azerbaijan became the member of UN and the first diplomatic relations with such countries as Turkey, Iran, US, Pakistan, UK and France were set up. The country's leadership and its public were essentially confronted with difficult foreign policy choices: to move towards Russia, from which it just broke apart; to move closer to the Asian or Islamic world (Iran was next door) or to move towards Europe and the West. One can say that in the post-Soviet history of Azerbaijan, this was the first vital foreign policy choice that the country needed to make.

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Three factors shaped the foreign policy of Azerbaijan in 1992-1993 and effectively led to its pro-Western direction. First, the rise of anti-communist movements at the end of 1980s and the subsequent strengthening of the Popular Front movement, first alternative to the Communist party, brought Abulfaz Elchibey, the leader of the movement to power in June 1992. This Soviet era dissident was a true believer of pan-Turkism and fanatically supported the idea of integration of Azerbaijan into the alliance with Turkey. Secular model of Turkey, where both modern laws and the Islamic lifestyle managed to co-exist in peace and harmony for many decades was an attractive model for the Azerbaijani political leadership. Elchibey pushed for the recognition of Turkish language as the state language of Azerbaijan and adopted the Latin script to further move away from the Soviet legacy.

Secondly, the escalating war with neighboring Armenia over the Nagorno-Karabakh province of Azerbaijan, located within Azerbaijan but populated by mainly Armenians, quickly created the necessity in Azerbaijan for foreign allies. Moscow, the traditional ally of Armenia in the Caucasus, supported the occupation of the Azerbaijani territories by the Armenian military formations and thus created much anti-Russian sentiments in Azerbaijan. The majority of people and the country's leadership strongly believed that it was due to the Russian military help that Armenia was able to successfully occupy Nagorno-Karabakh and therefore resisted any kind of idea of integrating into the alliance with the Russian Federation. In fact, Azerbaijan declined from entering the newly created Commonwealth of Independent States (CIS), a loose union of former Soviet Republics, dominated by Moscow.

Finally, the disappointment with the Communist ideology and the anger over the military repression in Baku in January 1990 by the Soviet army that killed over 160 civilians pushed many people to look for alternative ideology for Azerbaijan's development.

Thus, all three above mentioned factors essentially led Azerbaijanis to believe that the development by the Turkish model and the integration into the Euro-Atlantic institutions was not only the right way to develop the country but also the only way to secure Azerbaijan's independence from Russia.

Interestingly enough, Iran, a country that shares Shia branch of Islam with Azerbaijan, was also rejected as a foreign policy direction for Azerbaijan. President Elchibey strongly despised Iran and its oppression of the 30 million Azerbaijani minority in the country. In addition to that, integration with the West and invitation of the US oil companies into Azerbaijan was not welcomed in Iran, which considered Azerbaijani-American relations unacceptable for the region. Thus, Iranian-Azerbaijani relations took of the cold start.

## **2. Past ten years: Constantly evolving foreign relations with the regional players.**

### **2.1. The case of the United States and EU.**

Washington was quick to recognize the independence of the former Soviet Republics and provide financial and military assistance to them. Yet, Azerbaijan became the only republic of the former USSR, which was denied the direct governmental aid from the US. The legislative bill about this, which became famous Section 907 of the Freedom Support Act, was passed under strong lobbying efforts of the powerful and wealthy Armenian Diaspora in the US. All efforts by the Azerbaijani government and the US administration to reverse the discriminatory



act of the US Congress failed due to the close relations between the lawmakers and the Armenian lobby groups.

Section 907 significantly hindered the bilateral relations between the Azerbaijani and US governments. The US Administration was unable to provide technical assistance to the Azerbaijani government in the fields of economic, political and social reforms. Moreover, the humanitarian assistance to the refugees and IDPs of Azerbaijan was also mainly handicapped due to the prohibition to involve the Government structures into the humanitarian aid.

Unlike the government, business structures, particularly oil companies, were quick to build close ties with the Azerbaijani government. Azerbaijan, as the cradle of the petroleum industry and a country, that still possesses large amounts of oil and gas reserves in the Caspian sea, became an attractive piece for the multinational energy firms. BP, Texaco, Shell, Exxon, Chevron, Halliburton, McDermott, Amoco, Statoil and other companies quickly moved into the region and established partnership with the Azerbaijani government. In 1994, the first and the largest Production Sharing Agreement (PSA) was signed with the consortium of major oil companies for the exploration of Azeri-Chirag-Guneshli oil fields in Azerbaijan, thus bringing the American presence into the region. In the subsequent years, more than 20 other PSAs were signed as well.

Together with these, the interests of the American government into Azerbaijan have increased. The energy policy of the US was one of the two factors that shaped up the foreign policy of the US in Azerbaijan and the Caucasus region in general. The other one was the desire of the US to prevent the former Soviet republics into falling into the Russian influence and going back to the restoration of the Soviet Union.

Another major issue that further increased the American presence in Azerbaijan was the issue of the oil and gas pipelines. Both Azerbaijani and American governments supported the idea of building a new pipeline for exporting large volumes of Caspian oil by-passing the territories of Russia and Iran. This was done to reduce the dependence of Azerbaijan on Russia and creating the multiple pipeline network in the region. As a result of this vision, Baku-Tbilisi-Ceyhan (Turkey) BTC main oil pipeline and Baku-Tbilisi-Erzurum (Turkey) gas pipeline were proposed and strongly lobbied at the end of 1990s. In 1999 at the Istanbul summit of OSCE both American and Azerbaijani presidents, together with their counterparts from Turkey, Georgia and Kazakhstan signed a joint declaration on plans to build BTC. The actual construction works started in 2002 and are supposed to finish by 2005.

Thus, despite the limitation set by the section 907, American government showed a large interest into Azerbaijan since the early years of independence and steadily worked to increase the bilateral relations. The state visit of President Heydar Aliyev of Azerbaijan in 1997 to the US was a major milestone in the bilateral relation.

After the terrorist attacks in the US in September 2001, the US-Azerbaijani relations took off to a new, completely new and upgraded level. Azerbaijan immediately condemned the terror attacks and joined the US-led coalition on the war against international terrorism. Baku provided Washington with the right of air passage during the wars in Afghanistan and Iraq and also sent peacekeeping troops to both areas. Azerbaijan also arrested more than 30 international terrorists in its territory and deported more than 100 persons in suspect. The US in its turn froze the application of the section 907 of the FSA and was able to actively cooperate with the Azerbaijani government in many fields such as security, trade, governance and military. Azeri military started receiving a significant amount of US assistance (close to 4



million USD) in the fields of border troops training, coastal board training and equipment upgrade. Thus, one can say that the US and Azerbaijan turned from “friends” into “strategic partners.” And the little interest that the US showed to Azerbaijan and the Caucasus region in general in the beginning of 1990s (mainly due to the oil) transformed into the huge partnership due to the geo-strategic importance of Azerbaijan in the war against international terrorism.

European Union as an organization was not actively involved in Azerbaijan in 1990s and only in 2004 included Azerbaijan in its Neighborhood Policy. Yet major European countries such as France, UK and Germany have developed a strong presence in Azerbaijan. The visits of President Heydar Aliyev to these countries resulted in the increase of bilateral trade and political cooperation. Major European oil companies, such as TotalFina, Elf, BP, Eni, Statoil signed partnership agreements with Azerbaijan.

In 2000, after years of negotiations Azerbaijan became a full member of the Council of Europe. This is one of the greatest achievements in the history of the post-independent Azerbaijan and opens many opportunities for the integration of the country into the European institutions.

Azerbaijan also actively co-operated with NATO. It joined the partnership for peace program of NATO in 1994 and since then has tightened the cooperation with this organization. Although, officially Baku still refrains from open aspirations to the NATO membership, in reality, it sees membership in NATO as one of the foreign policy objectives. In 1999, Azerbaijan, for the first time, participated in the NATO peacekeeping operations in Kosovo. On several occasions, Azerbaijan hosted NATO workshops and military exercises in Baku. Thus, the cooperation with NATO is increasing year by year, which is another point of tensions with Russia and Iran.

## **2.2. The case of Russia.**

During the presidency of Boris Yelstin, the Russian-Azerbaijani relations were not at its best form and mainly one can blame the Russian side for this. Foremost, the Russian policy in the Caucasus in the early 1990s was chaotic and uncoordinated. Whereas the Russian Ministry of the Fuel and Energy supported the idea of working in close partnership with the Azerbaijani side, the Ministry of Defense at the same time provided ammunitions and armament to the Armenians thus angering Azerbaijani public and creating confusion what to expect from the Russian side. The fact that the Azerbaijani leadership was insisting on removing the Soviet, later Russian, military bases from the territory of Azerbaijan and in 1992 Azerbaijan became the first former Soviet Union republic that completely got rid of the Russian bases. This was not welcomed in Moscow.

Secondly, Russia actively used the ethnic conflicts in the Caucasus in order to maintain its political and economic control over the newly independent republics. This tool was obvious: Russian soldiers widely participated in the military warfare in Nagorno-Karabakh conflict between Armenia and Azerbaijan and the Russian policy in the Caucasus was wholeheartedly directed toward stirring up the conflict and weakening both sides. Similarly, the secessionist wars in Georgia and Moldova followed the same policy. This was not the best way to develop partnership with Azerbaijan and mainly indicated of neo-imperialistic policy of Russia towards Azerbaijan.



Russia was irritated at the fact that Azerbaijan closely cooperated with the US and Turkey on the development of oil and gas fields in the Caspian sea. Moscow was suspicious of Baku's plans to integrate with NATO and bring more American presence into the Caucasus region, which Russians considered "our own backyard."

An important milestone in Russian-Azerbaijani relations in the early 1990s was December 1994, when the first Chechen war broke out and the Russian army invaded Chechnya. Russians accused Azerbaijan and Georgia in supporting Chechens and therefore closed the border. This negatively affected the economy of Azerbaijan and the business interests of the Azerbaijanis. Food and gas prices increased in the country and the general welfare of the citizens suffered. Although the border was opened later, the policy of accusing Azerbaijan in supporting the Chechens was used in the subsequent years as well.

Another major blow to the bilateral relations was the Duma scandal in 1997 which revealed that the Russian army gifted weapons and arms worth \$1 billion to the Armenian army. Azerbaijani side protested this illegal act and called for the investigation of the incident. Azerbaijani President Aliyev even refused to attend the summit of CIS and later pushed for the creation of the alternative union of the former Soviet republics- GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova) with mainly pro-Western orientation.

Cool standoff between Russia and Azerbaijan continued until the end of Yeltsin's presidency. When Vladimir Putin was elected the President of Russia, the bilateral relations significantly improved. As former KGB officials, both Putin and Aliyev felt mutual sympathy to each other and thus developed a common language on ways to strengthen bilateral ties. Putin visited Baku in 2000 and Aliyev visited Moscow on several occasions after that. As a result of these visits, the agreement on the division of the Caspian sea and the rent of the Gabala RLS was achieved. Azerbaijan cut off any support for Chechen refugees and cultural centers in Baku. Trade between the two countries also increased and Moscow took more pragmatic approach towards the Nagorno-Karabakh conflict, mainly trying to stay neutral. The tool of ethnic conflicts was replaced by the tool of energy and business interests. At the moment, the Russian-Azerbaijani relations are normal, yet Moscow still feels irritated at Baku's plans to integrate with NATO and EU.

### **2.3. The case of Turkey and Iran.**

Close linguistic and cultural ties with Turkey quickly bound the two nations. "One nation- two countries" became the motto of Azerbaijani and Turkish Presidents throughout 1990s. Turkey was the first country to recognize the independence of Azerbaijan and render a significant amount of economic, military, political and humanitarian assistance to Baku. Turkish army trained the Azerbaijani soldiers and officers and Ankara imposed a trade embargo on Armenia for occupying 20% of Azerbaijani lands. BTC pipeline became another factor that closely bound the two nations.

Iran on the other hand did not show solidarity with Azerbaijan and continued trading and providing assistance to Armenia. Besides, Iran accused Azerbaijan in cooperating with the evil forces from the US and Israel, supporting the Azeri secessionist movement in Iran (Iran has close to 30 million ethnic Azerbaijanis). Azerbaijan in its turn was suspicious of Iran's intentions to spread Islamic influence in the country. The negative tone in the bilateral relations reached its peak in 2000 when the Iranian boats attacked the Azerbaijani vessel in the



southern Caspian, which was doing exploration works in Alov field. Subsequently, Iranian jetfighters repeatedly violated the airspace of Azerbaijan and threatened the security of Azerbaijan. Only after the Turkish and American political support, the Iranians backed down.

One can say that the Iranian-Azerbaijani relations lack trust and good-will intentions. Although normalized in the past 3 years, the bilateral relations still lag behind its potential. In the summer of 2004, Iranian President Khatami visited Azerbaijan and discussed with his Azerbaijani counterpart ways to improve the trade and political relations between the two neighbors.

### **3. Balanced Foreign Policy: Azerbaijan confronted with another tough choice.**

Looking back at the past decade of independence, one can say that Azerbaijan feels the necessity to conduct a balanced foreign policy. Tilting towards either Russia or the US or the Islamic world may cost Azerbaijan its independence or sovereignty. At the same time, Azerbaijani leadership can not ignore the difficult and complex geopolitical and geographic situation in which Azerbaijan finds itself. Making a sharp turn towards the West and NATO, as the neighbor Georgia does, can anger Russians and result in the deportation of close to 2 million Azerbaijani citizens that reside and work in Russia. Turning back into the dependence on Russia, like the other neighbor Armenia does, will mean that the great human sacrifices of the independence movement were in vain and that Azerbaijan is doomed to be Russia's puppet and stay away from the European integration. Aligning with the Islamic world will anger Americans and Europeans, which are the primary force behind the investments in Azerbaijan.

Thus, the former Azerbaijani president Heydar Aliyev well understood the complexities of the region in which Azerbaijan is located and therefore pursued so called "balanced foreign policy". This means that Azerbaijan equally cooperated with Russia and the West and tried not to anger one side or another. At the same time, Azerbaijan was insisting on the issues of national importance, such as the construction of BTC pipeline, which Russia opposed or the issue of the Russian military bases, which Baku was heavily pressured over. Integration with the Euro-Atlantic structures remains another priority of Azerbaijan's foreign policy and it continues to cooperate with Council of Europe and EU.

Nevertheless, the war on terror and increasing presence of the US in the Caucasus and Central Asia make significant changes to the balance of powers in the Caspian region. In the past several years, local media has been speculating that Azerbaijan and the US are engaged in a dialogue on the opening of the US military bases in Azerbaijan. The visits of the US Secretary of Defense Donald Rumsfeld and other high ranking officials of Pentagon to Baku in 2003-2004 further inflamed these rumors. In the summer of 2004 Washington announced that it plans to relocated several hundreds of US soldiers from Germany to other countries. Analysts believe that Azerbaijan is potentially one of the new host areas for the US bases. Washington argues that the relocation of the military bases is the requirement of the war on terror. Both Azerbaijani and the US governments deny, however, the plans to build American permanent military bases in Azerbaijan. It is a possibility, the analysts believe, that the military bases of the US in Azerbaijan will be of temporary, mobile nature.

In any case, the issue of hosting American military bases put Azerbaijan in a difficult foreign policy choice. On one hand, Azerbaijan actively cooperates with the US on the war on



terror and would like to host American bases to further secure its independence from Russia. At the same time, Iran and Russia fiercely protest this idea and threaten Azerbaijan with counter-action. Angering Russia and Iran and risking the stability in the country would not be the wise idea for the Azerbaijani leadership. Azerbaijan's new president Ilham Aliyev paid a visit to Russia in 2004 and ensured President Putin that Azerbaijan remains a partner for Russia and needs Russian support for the regional stability and prosperity.

For the time being, Azerbaijan maintains silence over this issue. Local media speculates that the tentative agreement between Baku and Washington is achieved. At the moment, Baku seems to be thinking over this issue and trying to get most benefits from this deal. One best solution for Baku would be Moscow's help in securing the peace deal over the Nagorno-Karabakh conflict. Baku widely views Moscow as a force behind Armenia and believes that Russia can influence Armenia and convince it to liberate occupied Azerbaijani territories. That is why Azerbaijani foreign minister Elmar Mammadyarov paid a visit to Moscow in the summer of 2004 to try to get Moscow's support for the liberation of Azerbaijani lands. In exchange, Baku seemed ready to refuse Americans in the idea of military bases. Yet, Moscow gave no concrete promise. This makes one think that the idea of American military bases in Azerbaijan will become a reality after all.

### **Conclusion.**

Azerbaijan's foreign policy is full of complex issues and requires a careful touch. Many experts compare it with the fine line that a person needs to walk in a mine field. But a closer look at the situation will reveal that in reality the above mentioned choices are only the methods, not goals in itself. The goals are the liberation of the occupied areas and securing Azerbaijan's independence. Any methods that will help to achieve these goals will be considered by Baku.