

Azerbaijan: Striking a Balance between Russia and the West

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Introduction

Russia's aspirations in the Caucasus were always clear – these territories remained Russia's backyard despite post-Soviet developments and the will of these states to further detach themselves from Russia's sphere of influence. Azerbaijan was and remains no exception. It is part of the once “Big Caucasus”. It is no surprise that Russia's current president Putin is assertive in trying to keep Western influence out of his “back yard”, as he restores the former Soviet Union territories, given that a similar policy was pursued during Yeltsin's presidency, too. The difference is that Putin invests much more resources in the policy.

But unlike some of Russia's neighbours in the south, Azerbaijan, a former Soviet Union state, has been playing a balanced if not cautious game from the very start of its independence. During the first years of Azerbaijan's independence, there were no exchanges of official visits between the two countries. It was only in January 2001 that President Putin finally came to Azerbaijan. The Azerbaijani leadership was aware that Russia's intentions were nothing but hostile from the start (with the exception of

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Part I

The Common Neighbourhood: Vying for an Independent Choice

Dmitry Medvedev who did far more than his predecessors in mediating the conflict between Armenia and Azerbaijan), given the history of the relationship and involvement especially as “Russia remained faithful to the traditional policies of ‘divide and rule’”².

Despite the Russian influence, the Azerbaijani leadership centred its foreign policy on closer ties to the West. In contrast to the era of Elchibey (president in 1992/93, who underestimated Russia’s interest in the region as a whole), Heydar Aliyev, in power from 1993 to 2003, focused on consolidating and centralising power. This gave him the space to design a balanced foreign policy but not without concessions to Russia. During Heydar Aliyev’s initial years as president, “balancing the interests of the regional as well as other world powers was, according to Aliyev, the main way of securing Azerbaijan’s independence. By resisting Russian military presence in the Republic and signing the 1994 oil contract, Azerbaijani leadership provided the foundation for Western presence in the Caspian region and thus, substantially contributed to the realisation of the major projects in the region: TRASEC, the Great Silk Road, alternative pipelines and GUAM”³.

In an article titled “The Former Soviet Union Two Decades On”, Azerbaijan is included in the “Neutral Bloc” as opposed to “Pro-Western Bloc” and “Pro-Russian Bloc”. Along with Azerbaijan, the countries on the list of the “Neutral Bloc” also include Uzbekistan and Turkmenistan. The article argues that all three coun-

² Leila Alieva, “Reshaping Eurasia: Foreign policy strategies and leadership assets in post-Soviet South Caucasus”, *Working Paper Series*, University of California, Berkeley, 2000. Available at:

http://iseees.berkeley.edu/bps/publications/2000_01-alie.pdf

³ *Ibid*, p. 24.

tries included in this group were and are energy producers, which allows them to exercise independence in economic and foreign policy and while each has some energy tie with Russia, it does not limit itself to partnership just with Russia nor does it engage in military alliances or allow the presence of foreign troops⁴.

So far, Azerbaijan has managed to keep the Kremlin happy and Brussels engaged. Azerbaijan opted for the Trans Adriatic Pipeline (TAP) instead of the ambitious and strategic Nabucco; the country's leadership also stayed out of the Russia-backed Eurasian Economic Union (ECU) and even pushed out Russia's last standing military presence out of the country by not renewing the lease over an old radar plant in Gabala. Azerbaijan also decided to stay out of the Common Security Treaty Organization (CSTO) and initiatives that focused on protecting the common borders of the CIS states.

However, none of these decisions is based solely on the motive of keeping Russia happy. There are other nuances at stake. Azerbaijan is in a state of conflict with its neighbour Armenia over Nagorno Karabakh, and Moscow so far has supported Armenia despite Russia's involvement as co-chair of the OSCE Minsk Group. Russia sells weapons both to Armenia and Azerbaijan, which also buys military equipment from Israel.

Azerbaijan's dim human rights record and the mounting crack-down on its civil society keeps it on the radar of the Western countries and its institutions – close enough to know the reality on the ground, and yet far enough to play the energy and security cards when needed.

⁴ “The Former Soviet Union Two Decades On”, *Stratfor*, 21 September 2014. Available at: <https://www.stratfor.com/analysis/former-soviet-union-two-decades>

Part I

The Common Neighbourhood: Vying for an Independent Choice

Unhappy with the verbal pressure, Baku wants to have an exit door in case the West decides to apply sanctions rather than continue to issue what until now have been generic statements of concern. But an exit door to where remains a bigger question. On 1 May 2015, Shahmar Movsumov, executive director of the State Oil Fund, said after the Extractive Industries Transparency Initiative (EITI) decided to downgrade Azerbaijan from “full-fledged member” to “candidate”, that the country’s leadership was considering withdrawing from membership of the organisation. What will exiting the EITI give Azerbaijan? And will Azerbaijan start exiting all international organisations it has joined over the years, once harsher measures are taken against the country as a result of the dismal rights record, on-going crackdown and corruption levels?

Neither/nor

Azerbaijan’s foreign policy approach can be characterised as “cordial”. It stands neither with the West, nor does it see itself anywhere close to Russia. In his analysis, Salvatore Freni describes Azerbaijan as “the only former Soviet republic that can neither be described as ‘pro-Russian’ nor as ‘pro-Western’. Azerbaijan managed to maintain cordial relations with Moscow, without having to sacrifice its economy, politics and foreign policy to Kremlin demands” writes Freni. While this last argument can be checked against present day political reality in Baku - the atmosphere in the capital has been rather balanced, especially in terms of economic, political and foreign policy related matters - Azerbaijani leadership has been very careful in its statements and policies towards Russia, as well as its sentiments with the West. This is evident in what Amanda Paul describes as “choosing not to choose” strategy. “Azerbaijan is the only one [of the six countries in the EU’s Eastern Partnership (EaP)] that has not chosen to definitely

align itself with either the EU or Russia”⁵. This decision however, stems from Azerbaijan’s strategic geographic location and its potential energy route to Europe and beyond, Paul says.

While Azerbaijan refused to renew the lease on the Gabala Radar Station with Russia, which served as the latter’s early warning missile defence system, the country signed up to establish a system of collective security following a visit by Russian Defence Minister Sergei Shoigu on 14 October 2014. At numerous international events and gatherings, the country’s leadership has asserted its position, leveraging the country’s pivotal location, energy resources, and other assets, while building a state independent from foreign leverage and a capital that would become the centre for regional commerce⁶.

Mother Russia

In a speech at the Russian-Armenian Interregional forum in December 2013, Russian President Vladimir Putin spoke highly of the long-standing co-operation between the two countries. He spoke of traditions, friendship and bilateral relations. But it was his closing remarks that really highlighted Russia’s influence not just in Armenia but also in the Post-Soviet space at large. “As for the Trans-Caucasus region, Russia will never leave this region. On the contrary, we will make our place here even stronger. We will strengthen our position here, drawing on the best of what

⁵ Amanda Paul, “Azerbaijan and the Two EUs”, *EUObserver*, 6 July 2014. Available at: <http://blogs.euobserver.com/paul/2014/07/06/azerbaijan-and-the-two-eus/>

⁶ Richard Weitz, “Global Insights: Putin’s Baku Visit Highlights Complex Russia-Azerbaijan Ties”, *World Politics Review*, 20 August 2013. Available at: <http://www.worldpoliticsreview.com/articles/13175/global-insights-putin-s-baku-visit-highlights-complex-russia-azerbaijan-ties>

Part I

The Common Neighbourhood: Vying for an Independent Choice

our forebears left us and with the support of good relations with all countries in the region, including Armenia”⁷. Surely Putin was not just being sentimental.

While it could be argued there is less Russian soft power in Azerbaijan, Russian leverage on the country and its leadership is still very strong. Russia plays an important role in negotiating a peace deal with Armenia over Nagorno-Karabakh and so far (for 21 years) it has demonstrated a strong interest in maintaining its influence in the region vis-a-vis Nagorno-Karabakh, a priority for Russia higher than ensuring a conflict-free region. Why else would it not object to the changes in the make-up of the Minsk Group? While there is no fully-fledged guarantee that Russia will back up Armenia in the event of full-scale war between Armenia and Azerbaijan, the uncertainty keeps Aliyev restrained (even though military spending has been increasing).

Perhaps if it were not for Russia’s open and on-going support and ties with Armenia, the relationship between Russia and Azerbaijan would go beyond gas deals and the human relations aspect. It is not news that official Baku has been unhappy for a while now with Russia’s role in the conflict and its role in the OSCE Minsk Group.

The most recent case of the power game between the two neighbours was the closure, after Azerbaijan declined to renew the lease, of the Russian-operated Gabala radar station. The two countries had been expected to renew the lease in December 2012. Russia had paid \$7 million annually for the previous lease. However, Azerbaijan thought to hike up the rent by tenfold,

⁷ “Putin’s speech at meeting of the Russian-Armenian Interregional Forum”, *kremlin.ru*, 2 December 2013. Available at: <http://eng.kremlin.ru/transcripts/6355>

which would have increased the cost to about \$300 million a year. This was not a deal Russia would accept. And despite year-long negotiations, the two neighbours failed to come to a mutually satisfying agreement. It is likely Azerbaijani authorities wanted Russia's one last standing presence out of its territory. Eventually Russia withdrew and, to save face, argued the plant was outdated anyway. Some at home saw this as a minor victory. But by kicking out the remaining Russian presence, Azerbaijan also lost its chance to use the plant as a means of pressure on the Kremlin in pushing for resolution of the Karabakh conflict.

Further, Russia remains Azerbaijan's second-largest trading partner. The largest energy companies of the two countries, SOCAR and Gazprom, signed an agreement in 2009 on the basis of which Azerbaijan exports its natural gas to Russia.

There was also the "five day war" of August 2008 between Russia and Georgia: Azerbaijan chose not to side with Georgia because of concern about Russian wrath toward Azerbaijan. The country's leadership was aware that siding with Georgia could potentially result in border closures, persecution of Azerbaijani migrants and provoking of anti-Azerbaijan hysteria in Russia⁸. Perhaps Putin's overdue second visit to Baku took place in August 2013, seven years after his previous visit, is the result of such "balance" in the relationship.

So energy is not the only source of ties. As Putin said during his August 2013 visit, human ties are the most vital. Further still, there are other factors in the relationship. Russia's greatest leverage in Azerbaijan is Azerbaijan's large migrant worker commu-

⁸ Anar Valiyev, "Azerbaijan-Russia: Friendship or Else", *Turkish Policy*, Volume 10, No.3, 2011.
Available at: www.turkishpolicy.com/pdf/vol_10-no_3-valiyev.pdf

Part I

The Common Neighbourhood: Vying for an Independent Choice

nity in Russia – over two million migrants. Already Russia has threatened to introduce a visa system and deport illegal migrants. There is also Kremlin’s satisfaction with the current leadership in Azerbaijan – it is much easier to deal with an autocrat like Putin himself rather than a more democratically oriented pro-Western leadership.

Azerbaijan and the West

Having explained the difficult relationship and the balance that Azerbaijan is trying to achieve and maintain with Russia, it would be fair to conclude that in Azerbaijan, there is an “equidistance” approach - neither with nor without Russia. Baku is careful in trying not to confront Moscow, knowing the possible consequences of a closed-door policy. The most dangerous of the possible outcomes being Russia’s unconditional and immediate support of Armenian troops in the frozen Nagorno-Karabakh conflict and the escalation of the conflict into a full-blown war especially in the light of the most recent deadliest clashes of August 2014.

The country’s relationship with the West is of a different nature. Official Baku does not want to distance itself from Europe or the US. The country’s leadership puts a lot of effort into portraying itself as an increasingly European - culturally, economically and politically. Whether it is succeeding at this is another question, but it is certainly trying very hard to come across as European and yet to strike a balance between the two political powers, in the meantime acting as an independent state.

In fact, Azerbaijan can be described as a hybrid of the two worlds - unlike Russia, Azerbaijan certainly wants to modernise, especially visually, and in particular in Baku with its high-rise buildings, architecture and infrastructural development. Much is

invested in revamping the image of the country abroad through cultural events, with a focus on modernisation and the quickly changing nature of the country. And yet domestically, official Baku in many ways mimics Russia's internal crackdown, absence of the rule of law and political suffocation, and just like Russia, Azerbaijan is failing to modernise politically. In just a little less than a year, the Azerbaijani government has managed to lock behind bars the country's most prominent representatives of civil society, journalists, rights activist and bloggers. Many rights watchdogs estimate the current number of political prisoners in Azerbaijan at more than 90 - which is more than Belarus and Russia, combined. There are currently 20 prisoners of conscience recognised by Amnesty International. The Committee to Protect Journalists included Azerbaijan on the list of the 10 most censored countries.

The country's leadership is very well aware that up until now, shipping natural gas from Azerbaijan to Europe was a commercial issue, not to mention a strategy of Aliyev senior but in the light of recent events and the escalation of tension with Russia, it is becoming a strategically critical issue as well, with Azerbaijan being perhaps the only feasible major energy alternative to Russia⁹. If all goes according to the current deal between the EU and Azerbaijan, the EU will rely on Azerbaijan for more than 70% of its energy supply by 2030¹⁰. However, in the long term, once relations with Iran normalise and that country becomes an important hub for energy, Azerbaijan's role might be undermined.

⁹ George Friedman, "From Estonia to Azerbaijan: American Strategy after Ukraine", *Forbes*, 26 March 2014. <http://www.forbes.com/sites/stratfor/2014/03/26/from-estonia-to-azerbaijan-american-strategy-after-ukraine/>

¹⁰ Jacqueline Hale, *EU relations with Azerbaijan: More for Less?*, Open Society Institute, May 2012. Available at: <http://www.opensocietyfoundations.org/sites/default/files/eu-relations-azerbaijan-20120606.pdf>

Part I

The Common Neighbourhood: Vying for an Independent Choice

Azerbaijan's interest in the West is not a new phenomenon. The country's kindled relationship with the West was already visible in the early years of its energy exploration. The 1994 signing of the "Contract of the Century", where most of the companies involved were of Western origin, was one of the initial attempts to become different from the rest of the post-Soviet states. And what better way to achieve this goal than by tapping into the country's vast energy resources.

Yet, that was the only Western partnership in which the country was interested. Fast forward to present day Azerbaijan and the country's current leadership is still interested only in very minimal and specific sectoral co-operation - certainly there is no debate about joining the EU or NATO. Instead there are discussions about opting for just visa facilitation and a strategic partnership. Clearly, the country's leadership wants to act on its own, striking a careful balance, which might eventually prove difficult to maintain.

What now?

Azerbaijan, aware of its potential as an energy alternative to Russia, is keen on providing the necessary supply, so long as its dismal human rights record at home is not criticised by the potential partner in the energy deal, namely the EU.

While the EU is also interested in having Azerbaijan as its partner, the criticism by international human rights watchdogs, the country's visible and deteriorating rights record, and the lack of action to tackle these grievances put the Union into a questionable position – does the EU concern itself with the autocratic regime of its partner and with the 90 political prisoners in jail, or is it merely following its energy interest?

Azerbaijan has learnt if not mastered, how to respond to growing international criticism. Often it responds to the criticism by pointing out EU's lack of engagement with Azerbaijan in the context of Nagorno Karabakh. This, according to Amanda Paul, is a "thorn in relations"¹¹.

The unwillingness on behalf of Azerbaijani authorities to implement any of the political commitments and their insistence on cherry-picking areas of collaboration is underlined in the government's refusal to sign the Association Agreement with the EU. "What kind of a partner is it – 'associated member'?" President Aliyev said during the World Economic Forum in Davos. This was his response following European Commission refusal in 2013 to sign an agreement on Strategic Modernisation Partnership without signing an Association Agreement¹².

In reality, Azerbaijan did not want to sign the Association Agreement because the country did not want to be closer to EU standards and norms, but rather - as President Aliyev said - to pursue its own independent policy, standards and norms. The US, as a big supporter of the Baku-Tbilisi-Ceyhan pipeline, is cautious – again as a result of Azerbaijan's poor human rights record – and cares more about avoiding the emergence of a new hegemonic state. It is not surprising that already in 2012, US Secretary of State Hilary Clinton described Putin's Eurasian Union as "a move to re-Sovietize the region"¹³.

¹¹ Amanda Paul, "Azerbaijan and the Two EUs", *EUObserver*, 6 July 2014. Available at: <http://blogs.euobserver.com/paul/2014/07/06/azerbaijan-and-the-two-eus/>

¹² "President Aliyev: Azerbaijan refused from EU Association for the higher level of partnership", *abc.az*, 21 January 2015. Available at: <http://abc.az/eng/news/78895.html>

Policy recommendations

Russia's insecurity means that Putin will always be ready to take risks, Ukraine being the best example of this. In the context of the Russia–Azerbaijan relationship, Putin can go back to the traditional “divide and rule” policy and stir the conflict over Karabakh. Therefore a combined action must be taken by the EU to contain Russia's further plans to expand its ‘empire’ and continue destabilizing the region. Especially when the security and stability of countries like Azerbaijan is at stake as a result of the on-going Karabakh conflict and Russia's leverage over this conflict. Azerbaijan's economic model is not sustainable. Despite promises to diversify its economy, so far the country's leadership has failed. The EU should push the country's leadership towards more diversification and away from dependence on the country's hydrocarbon reserves.

The EU should enhance its measures to hold the country's strategic interest accountable to democratic values and human rights. The “hugging” vs. “holding” policy should shift – the EU should continue to engage with Azerbaijan and assist the country in areas that are important for its modernisation such as governance and the rule of law but it should not dismiss the deteriorating rights record and should push for accountability¹⁴.

¹³ “Clinton calls Eurasian Integration an Effort to Re-Sovietize”, *Radio Liberty*, 7 December 2012. Available at: <http://www.rferl.org/content/clinton-calls-eurasian-integration-effort-to-resovietize/24791921.html>

¹⁴ Jana Kobzova, Leyla Aliyeva and Dan Kennedy, “The EU Must Actively Engage with Azerbaijan and hold it to its commitments. Otherwise it risks being a tacit supporter of an autocracy”, *Europb Blog*, London School of Economics and Political Science, 25 May 2012, <http://blogs.lse.ac.uk/europb/2012/05/25/eu-azerbaijan-oil/>