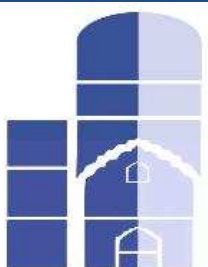


Azerbaijan's Security and U.S. Interests: Time for a Reassessment

Stephen Blank

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Introduction

Azerbaijan's overall geostrategic importance and significance to the U.S. are not or at least should not be open to question. Indeed, prominent thinkers fully acknowledge its importance. For example, Zbigniew Brzezinski stated that,

Azerbaijan can be described as the vitally important 'cork' controlling access to the 'bottle' that contains the riches of the Caspian Sea basin and Central Asia. An independent, Turkic-speaking Azerbaijan, with pipelines running from it to the ethnically related and politically supportive Turkey, would prevent Russia from exercising a monopoly on access to the region and would thus also deprive Russia of decisive political leverage over the policies of the new Central Asian states.¹

Elsewhere he described Azerbaijan as the "geographical pivot" of the entire Caspian region" and that it deserved America's strongest geopolitical support."²

Similarly Vladimir Socor has written, "Azerbaijan is the irreplaceable country as a gas producer for Nabucco's and the (Southern Gas) Corridor's first stage. Azerbaijan will again be irreplaceable as a transit country for Central Asian gas in those projects' follow-up stages."³ Meanwhile, the U.S. interest in ensuring that Russia does not monopolize Eurasian energy supplies to Europe goes back to the Clinton Administration. And the

¹ Amir Veiev, "The Israel-Turkey-Azerbaijan Triangle: Present and Future," *Central Asia and Caucasus Journal*, No. 8, 2000, <http://www.ca-c.org/journal/eng-02-2000/08.veliev.shtml>

² Zbigniew Brzezinski, *The Grand Chessboard: American Primacy And Its Geostrategic Imperatives*, New York: Basic Books, 1998, p. 179

³ Vladimir Socor, "Southern Corridor, White Stream: the Strategic Rationale," *Eurasia Daily Monitor*, October 30, 2009

objectives of strengthening the Caspian providers (among them Azerbaijan) and reducing Russia's ability to monopolize their supplies is a crucial geopolitical interest because it ensures the economic and political interest of America's allies and partners throughout Europe, prevents a recrudescence of a Russian empire, reduces Moscow's ability to influence these states away to move away from democracy, and creates more favorable conditions for the independence and ultimate movement of supplier states onto a more democratizing trajectory.⁴ Furthermore, Azerbaijan (like the entire Caucasus) could serve as a platform for U.S. and European power and values projection into Central Asia.⁵

Yet today American interest in Azerbaijan and the Caucasus as a whole has waned even though its importance has, if anything, grown over time while the challenges to it have also multiplied. Unfortunately and for no good reason, too many U.S. officials readily claim that the U.S. has no strategic interests in the states comprising the former Soviet Union outside of Russia and maybe Central Asia.⁶ This ignorant and disdainful argument is also compounded by the fact that the notorious Section 907 of the 1993 Freedom Support Act of 1993 remains on the books and explicitly prohibits U.S. government-to-government aid to Azerbaijan. This legislation, passed with the support of the U.S.' Armenian lobby, has not done Armenia any lasting good and undermined both Azerbaijani-U.S. relations and Washington's ability to act vigorously in support of its strategic interests in the Caucasus. Despite the claims of the Armenian lobby, repeal or at least suspension of this act would enable the U.S. to act more forcefully on behalf of genuine peace, economic improvement, and or democratic reform in the region, two objectives that are sorely needed by all parties.

⁴ Ilya Levine, *U.S. Interests in Central Asia Under George W. Bush: Democracy, the War on Terror, and Energy*, Doctoral Dissertation submitted to the Asia Institute and School of Social and Political Sciences, university of Melbourne, 2012, pp. 39-43 outlines the many expert and official sources that all subscribed to this outlook; Testimony of Leon Fuerth on Caspian Energy to the Senate Foreign Relations Committee, June 12, 2008, www.senate.gov

⁵ Richard Giragosian, "U.S. National Interests and Engagement Strategies in the south Caucasus," *South Caucasus: 20 Years of Independence*, Berlin: Friedrich Ebert Stiftung, 2011, p. 246

⁶ Conversations with U.S. experts and officials, 2010-13

Thus we encounter a paradox in U.S. policy where U.S. interest has diminished even though the security of Azerbaijan and of the energy routes that traverse it are acknowledged by scholars to be a vital U.S. interest. Regarding the first element of this paradox, the waning U.S. interest in the Caucasus as a whole, despite this broad acknowledgment of the area's criticality for U.S. interests, scholars believe the first Obama Administration's policy reflected an outlook of selective commitment whereby Washington can reduce its presence and interest in certain regions and choose carefully what its priorities are.⁷ In addition,

Ukraine and Georgia have never been very high on the list of U.S. priorities and probably never will be. They will always fall within the ambit of broader regional policies, whether these are directed toward Greater Eastern Europe or the Wider Black Sea area (WBSA), or even the more vaguely defined Eurasia. Contrary to some expectations, the WBSA, or the so-called Black-Caspian Sea region, has not become a priority for the United States. There has been no clear vision of U.S. interests in the region, and Washington is not really strengthening its presence in the area in a way that one might expect. --- The first thing the administration does when talking to its allies is try to assess how they can help with efforts to stabilize Afghanistan. This has automatically reduced the relevance of countries like Ukraine and Georgia to core U.S. interests.⁸

It would appear, then, that the war in Afghanistan and the Obama reset policy have interacted to diminish the importance of the Caucasus as a whole and in particular Azerbaijan in U.S. considerations. But the conditions that favored the reset policy and the war in Afghanistan are changing if not ending. The U.S. will leave Afghanistan in 2013-14 and reshape its engagement with Central Asia and presumably the Caspian to emphasize (or at least one hopes) the economic dimensions of security engagement. Likewise, even though the Administration may try to revive the reset policy, Moscow's aggressive moves from Ukraine to Central Asia and refusal to cooperate with Washington while threatening the sovereignty and

⁷ Volodymyr Dubovyk, *Kyiv and Tbilisi: No Longer Washington's Favorites?*, Program on New Approaches to Russian Security (Ponars), Eurasia Policy Memo, no. 93, 2010, p. 2

⁸ *Ibid.*

independence of CIS governments should rekindle U.S. interests especially as the opportunities to get gas from this region (and that includes both liquefied natural gas-LNG and shale gas) grow. The fact that Russian President Vladimir Putin admitted in August 2012 that the war with Georgia in 2008 had been planned for two years with the conscious use of separatists to foment it should remind everyone that security throughout Eurasia cannot be taken for granted.⁹ Putin's admission also should remind us that Russia still refuses to accept the finality of the territorial settlement that occurred in the wake of the Soviet disintegration and perhaps even more importantly, there is abundant evidence, including this admission, that Russia does not really believe in the genuine and full sovereignty of the post-Soviet states in the former Soviet Union.

Indeed, Azerbaijan's security is under considerable pressure from both domestic and foreign threats from Russia and Iran, many of which are linked together. Its domestic weaknesses make it possible for both Russia and Iran to threaten Azerbaijan periodically with the incitement of restive minorities or disaffected religious opponents of the regime, to threaten it with either sedition, in regard to energy issues, or with manipulation of the unresolved conflict over Nagorno-Karabakh. Furthermore, Azerbaijan's political system and economic reliance – even over-reliance – on energy exports are also either a source of current weakness or could become such sources in the future. Therefore, and in order to continue to fly high on the U.S. radar screen, Azerbaijan must adapt and reform to keep up with already visible trends in economics and world politics. Another way of saying this is that Baku cannot rely exclusively on the critical geo-economic and geopolitical benefits it provides to the West in order to be taken seriously by Washington and the EU (not to mention individual EU members). To gain and retain that serious attention, it must undertake an intelligent and well-executed plan of reforms to satisfy both internal and external demands. It might be relevant here to take to heart the celebrated remark of Tsar Alexander II about serfdom: that it was better to abolish it from above rather than to have it abolished from below. Furthermore, given the volatility sweeping the

⁹ “Putin Admits Russia Trained S Ossetians Before 2008 Georgia war”, Transcript, Office of the President of Russia, www.kremlin.ru, August 10, 2012.

Muslim world and the former Soviet Union, including Russia, timely, well-conceived reforms will actually strengthen the domestic foundations of Azerbaijan's security and make it harder for foreign governments to exploit potential domestic weaknesses.

But it is not only Azerbaijani policies that need to change. U.S. policies must also refocus on this area and on Azerbaijan. As the global situation changes, America also needs to rethink its policies. Given Azerbaijan's strategic significance, one would imagine that American policy would conduct a watchful brief on the issues germane to its security in order to sustain a pro-Western partner whose interests and policies significantly coincide with U.S. interests and policies. Yet American policy towards Azerbaijan and more generally towards the South Caucasus is seriously incomplete and even arguably un-strategic. It certainly is not clear today whether or not America seriously perceives that the challenges to the security of Azerbaijan also represent security challenges to Western interests or how seriously those interests may be affected. Neither is it clear whether or not Washington fully grasps Azerbaijan's strategic importance to U.S. interests. Nor is there any sign as of this writing of the rethinking of policy that is needed.

Indeed, Washington's clear policy decision to disengage to some degree from the former Soviet space in general has been noted by both Russian and foreign observers, not to mention Azerbaijani officials.¹⁰ This disengagement is very much a byproduct of the Administration's reset policy towards Russia that entailed not only the foregoing of NATO membership for Ukraine and Georgia (which in any case were always a long shot due to European objections) but also a general disinclination to challenge Russian encroachments in the CIS as a whole or regard the area as important. From Moscow's standpoint, this disinclination has always been a precondition and necessary price for the U.S. to pay if it wanted any semblance of cooperation with Russia. Already in 2009 Dmitri Trenin observed that from Russia's point of view,

¹⁰ Dubovyk; Conversations with Azerbaijani officials, Washington, D.C., April 25-26, 2012

The opinion that has predominated in our country to this day that the ‘reset’ is above all Washington’s apology for the mistakes of the earlier Bush Administration and their rectification certainly does not correspond to the idea of the current team in the White House. For example, in our country the concept of the ‘reset’ is understood as almost the willingness in current conditions to accept the Russian point of view of the situation in the Near Abroad, which essentially is wishful thinking.¹¹

And in 2010 *Newsweek* magazine observed that as part of the reset policy, President Obama and his administration were determined to remove any issue from the agenda of relations with Russia that could throw a “spanner” into the works and if this is the case with Ukraine, it certainly holds true a fortiori for the Caucasus and Azerbaijan.¹² Indeed, at precisely that time, April 2010, U.S. journals were publishing articles about the discord between Washington and Baku.¹³

There are also signs that this policy is continuing. For example, the State Department budget for Fiscal Year 2013 has eliminated the post of a special U.S. ambassador for Eurasia which was occupied by talented diplomats who vigorously expressed Washington’s interest in getting Caspian gas and oil to Europe and who fully grasped all the strategic implications of their mission. Furthermore, there are unconfirmed reports in the Russian press that this neglect (which would surely be malign and not benign) of the overall post-Soviet space remains the Administration’s policy. One recent report goes so far as to charge that the Administration has essentially offered Moscow a deal. According to this report,

The White House sent Moscow an unmistakable signal about the fact that it does not regard the post-Soviet space as a major foreign policy priority of the USA, rather that it plans to devote its primary attention to Asia, the Middle

¹¹ Trenin is quoted in Sergei Strokan and Dmitry Sidorov, “In the World: and Now the Rest,” Moscow, *Kommersant Online*, in Russian, July 27, 2009, *Foreign Broadcast Information Service, Central Eurasia*, (Henceforth) *FBIS SOV*, July 27, 2009

¹² Owen Matthews, “a Fore to Love,” www.newseek.com, April 12, 2010

¹³ Conversations with U.S. analysts, Washington, April 2010, Vladimir Socor, “Is the United States Losing Azerbaijan?: Part One,” *Eurasia Daily Monitor*, April 22, 2010; Part Two, *Eurasia Daily Monitor*, April 23, 2010; Part Three and Part Four, *Eurasia Daily Monitor*, April 26, 2010

East, and Europe. In connection with these ideas a source in American diplomatic circles told *Kommersant* that the recent remarks by Secretary of State Clinton about the unacceptability of the Resovietization of Eastern Europe and Central Asia (In Russia's planned Eurasian Economic Community –EURASEC) only reflected her personal opinion and the not the official position of the U.S. Administration. In this manner Washington virtually offered Moscow an exchange, agreeing to the strengthening of Russia's post-Soviet sphere of influence in return for not interfering in those other regions of the world that are of vital importance to the interests of the U.S..¹⁴

Such a decision would represent not just a moral abdication of pro-Western states like Azerbaijan but also a strategic mistake of the highest order. Russia may regard these states as being lodged in “temporary” borders with a ‘disposable” sovereignty but despite its efforts to control their destinies it is in fact losing control over them. Azerbaijan's success in getting Moscow to withdraw from the Gabala radar facility in Azerbaijan by demanding a rent that Moscow would not or could not pay is a sign of that long-term trend. Russian experts too have long sensed the decline in Russia's ability to generate the power resources (not just military) needed to effectively suppress these areas and it is clear that Russia's efforts to impose its own vision of regional order will trigger endless violence throughout this area. Indeed, several commentators openly state that Moscow is now losing out at least economically if not in overall military and geopolitical terms to China in Central Asia and to foreign competition more generally in the CIS.¹⁵

Perhaps more importantly Russia may hold to the view that these states are pawns that must fall under a security umbrella managed by the great powers, i.e. Russia. But this attribution to these states of a diminished sovereignty,

¹⁴ Mikhail Aleksandrov, “Ssha I Rossiya Razgranichat “Spheres of Influence,” *Rus'ka Pravda*, January 19, 2013

¹⁵ Dmitri Trenin, “Russian Foreign Policy: Modernization or Marginalization?,” Anders Aslund, Sergei Guriev, and Andrew C. Kuchins, Eds., *Russia After the Global Economic Crisis*, Washington and Moscow: Peterson Institute for International Economics and Center for Strategic and International Studies, and Moscow, New Economic School, 2010, pp. 187-200; Vladimir Skosyrev, “Russia's Influence in Central Asia Is Declining,” Moscow, *Nezavisimaya Gazeta Online*, in Russian, April 27, 2011, FBIS SOV, April 27, 2011

reminiscent of the Brezhnev doctrine, contradicts the fundamental premise of Russian policy that is based on the almost untrammelled sovereignty of states. Furthermore the existence of spheres of influence undermines the very foundations of a regional or international order by creating precedents for rivalry and wars. Lastly, because it is clear that Moscow cannot rule over Russia except through a contemporary version of “internal colonialism”, granting it an unsustainable sphere of influence will provoke it and the subjects of that sphere to violence throughout Eurasia.¹⁶

Despite the existing and previous negative policy trends, the advent of a second term for President Obama as well as the evolving international situation noted above offers the U.S. as well as U.S. partners an opportunity to reassess the challenges to the security of partners like Azerbaijan and thence to U.S. interests. The Administration also now has an opportunity to rethink not only the desirability of an enhanced partnership with Azerbaijan, but also what can and must be done to strengthen this partnership and meet those challenges together wherever possible. It should exploit this opportunity to rethink its previous position because it has become clear that silence on Russia’s regional encroachments throughout the CIS gains nothing for the U.S. while encouraging Russia to overextend itself and disrupt if not threaten its neighbors.

Moscow’s unremitting pressure on Ukraine and Georgia as well as its unending attempts to subordinate all of Central Asia to its designs indicates that its neo-imperial vocation is undiminished, and if anything growing, not least due to the sense that it faces weak Western opposition. Since such encroachments can only disrupt international security and are actually beyond Russia’s capacity to sustain them, these Russian maneuvers, if unchecked, can only trigger a profound international crisis throughout Eurasia. It is essential not just for the interests of individual countries like Azerbaijan or the U.S. to rebuff them and help build up partners like Azerbaijan. It is also necessary to realize that such Russian policies threaten the fabric of regional and international security. The global repercussions of

¹⁶ Adrian Pabst, “The Berlin Doctrine,” Moscow, *Vremya Novostey*, in Russian, February 2, 2009, *FBIS SOV*, February 2, 2009; Alexander Etkind, *Internal Colonization: Russia’s Imperial Experience*, London: Polity Press, 2011

the 2008 Russo-Georgian war should make clear to everyone that a crisis in the Caucasus has implications for international security that go far beyond the immediate region.

Second, as the cases of Gabala and Baikonur have shown, it is becoming ever clearer that in countries like Azerbaijan and Kazakhstan, the governments are increasingly able to resist Russia.¹⁷ Kazakhstan's ability to stand up to Russia and successfully demand a revision of the terms at the Baikonur space center is one such example of the post-Soviet successor states' growing clout. Yet that growing capability has not induced Russia to back down from its claims to an exclusive sphere of influence in the former Soviet space and to the right to truncate the post-Soviet states' sovereignty and in some cases their territorial integrity (most notably Georgia but also potentially Ukraine). Instead, Russia continues to move forward on a series of initiatives that would undermine these states' ability to function as truly independent and sovereign governments. Third, despite Russia's frequent promises of economic cooperation to its neighbors it often does not deliver on those promises leaving bad situations to fester and create more intractable security tensions.

Finally, a fourth reason for rethinking U.S. policy toward Azerbaijan is because of the urgent need for action in the Caucasus, particularly regarding the unresolved conflict in Nagorno-Karabakh. Failure to act here either leaves the region to Moscow's tender mercies or enhances the likelihood of a new episode of violent confrontation that redounds neither to Baku's nor Washington's benefit and jeopardizes key Western interests. Indeed, only Russia would benefit from a new round of conflict over Nagorno-Karabakh because that would offer it an opportunity quickly to pronounce itself the security manager for the entire Caucasus and abridge Azerbaijan's sovereignty as well as Armenia's and Georgia's sovereignty and interests.

This essay duly aims to redress or overcome that shortfall in U.S. policy. It aims to provide a clear assessment and portrayal of Azerbaijan's importance to the U.S., the internal and external security threats it confronts and what

¹⁷ "Почему Назарбаев разлюбил Союз - *Московский комсомолец*, January 31, 2013, <http://www.mk.ru/politics/russia/article/2013/01/31/806106-pochemu-nazarbaev-razlyubil-soyuz.html>

they mean to U.S. interests, what Baku must do to counter them, and what the U.S. can and must do not only for and with Azerbaijan but also for its own and its European allies' interests. For if there is anything clear about the security of the South Caucasus and its component governments, it is that their security is truly inextricable from that of Europe and that this has been true for quite some time.¹⁸ Even if none of the regimes in the South Caucasus is fully democratic, promoting democracy (whatever the method chosen to do so) without a coherent and well-conceived approach to regional security issues will get Washington nowhere and fail to increase chances for regional democratization. In this context, moralizing about the absence of democracy cannot be a substitute for policy that can actually foster greater chances for peace and security, essential preconditions of democratization. Only by coordinating genuine actions that strengthens the real independence and security of local states as well as their democratization can the U.S. effectively conduct a policy that serves its interests there and that is removed from the taint of either ineffectual moralism or cynical and hypocritical exploitation of these smaller states. As a result, readers will hopefully gain greater insight into Azerbaijan's importance, the significance of the South Caucasus for contemporary international affairs, and what can and might be done to improve conditions there.

¹⁸ Stephen Blank, "Russia and Europe in the Caucasus," *European Security*, IV, No. 4, Winter, 1995, pp. 622-645; Robert Legvold, "Introduction: Outlining the Challenge," Bruno Coppieters and Robert Legvold, Eds., *Statehood and Security: Georgia After the Rose Revolution*, Cambridge, MA: and London: MIT Press, 2005, p. 29

Azerbaijan's Strategic Importance

Azerbaijan's importance to the U.S. and its European partners resides in several factors, many of which are intimately connected with Azerbaijan's location. Neither is that importance solely confined to Azerbaijan's potential to be a major energy producer and transit state. For example, between one third and 40 percent of U.S. supplies to Afghanistan go through Azerbaijan or its air space thanks to its relative proximity to that theater.¹⁹ More recently, Azerbaijan offered Kabul help in combating drug trafficking and the insurgency along with investments in energy and road construction.²⁰ And as U.S. and European forces prepare to depart Afghanistan, Azerbaijan is already preparing to be a major conduit for the evacuation of men and supplies of all kinds, whether by air, rail or other means through Azerbaijan's air space and territory. In similar fashion, Azerbaijan's proximity to Iran also makes it a strategic location. This situation would no doubt remain the case even if energy was not a factor here.

Azerbaijan's importance as an energy provider has long been known. Likewise, Azerbaijan's strategy to maximize its security by using energy as an instrument of its overall security policy has also become quite clear. As Robert Cutler has written,

Baku seeks to have many buyers in order to ensure security of demand. It sells relatively small quantities to Iran and Russia in addition to supplying Georgia's needs. It also sells to Turkey and negotiates over possibilities for such trans-Black Sea routes as the Azerbaijan-Georgia-Romania Interconnector (AGRI) project for liquefied natural gas and the Azerbaijan-

¹⁹ Embassy of the Republic of Azerbaijan to the United States, "Azerbaijan-U.S. Relations," 2011; Richard Weitz, "Strategic Posture Review: Azerbaijan," *World Politics Review*, September 19, 2012, <http://www.worldpoliticsreview.com/articles/12349/strategic-posture-review-azerbaijan?page=3>

²⁰ Kabul, www.tolonews.com, in English, January 27, 2013, *FBIS SOV*, January 27, 2013

Georgia-Bulgaria project for compressed natural gas, both of which would be transported by tanker across the surface. All these smaller projects, including the overland ones such as the IGB (Interconnector Greece-Bulgaria), are important in their demonstration effect as well as for guaranteeing security of supply to the smaller buyer countries. This is a genuine motive of the Azerbaijani policy, even though the market in Southeastern Europe is too small to satisfy Azerbaijan's need for security of demand.²¹

Baku has now become a major future supplier of natural gas to Europe through the Trans-Anatolian Pipeline (TANAP) that it has agreed with Turkey to build and that will bring Azerbaijani gas from the Shah Deniz field to Europe through Turkey. Beyond the fact of its possessing huge gas and oil reserves, if the legal and political challenges over the delimitation of the Caspian can be overcome, and if the West can summon the will to pay for, build, and defend a Trans-Caspian pipeline (TCP), or if another way can be found to bring Central Asian gas to Azerbaijan and then Europe, Azerbaijan will become not just a supplier in its own right, but also a major transit hub for Central Asian gas going to Europe and potentially the Middle East. The development of LNG technology that can move gas from point to point without incurring the drawbacks of building pipelines through politically hostile territory may yet accelerate this trend.

Indeed, the TANAP pipeline, largely driven by Baku, answers many Azerbaijani as well as European and potentially Central Asian interests. It encourages Turkmenistan to pursue a trans-Caspian gas pipeline, thereby diversifying its options away from exclusive dependence upon China and/or Russia. It stimulates a more active EU engagement with Azerbaijan and Turkmenistan towards that pipeline objective. It enhances Georgia's transit role as an automatic part of the pipeline route and thus Georgia's importance to Europe. It greatly enhances Turkey's role as a transit hub country and represents the first, indeed only, dedicated pipeline to realize the idea behind the Nabucco project if not the actual Nabucco program. It makes Azerbaijan a major contributor to energy security while linking it organically with Turkey—a major Azerbaijani aim—and allowing it to become an investor in

²¹ Robert M. Cutler, "The Southern Gas Corridor Gets a Kick-Start," *Central Asia Caucasus Analyst*, November 30, 2011

Turkey and Turkish energy equities. At the same time, TANAP strengthens and validates Azerbaijan's pro-Western orientation and justifies enhanced Western attention to and engagement with Azerbaijan, especially as the European Commission regards TANAP as an integral "dedicated" segment of the planned Southern Gas Corridor to Europe, involving potentially pipelines from Turkmenistan and Kazakhstan through Azerbaijan to Europe. Indeed, the Shah Deniz consortium has already decided to triple the capacity of Baku-Tbilisi-Erzurum gas pipeline (or South Caucasus Pipeline) from seven to 21 bcm annually to be fed into TANAP once the latter is built.²² And in parallel with the TANAP, Baku is funding and completing construction of the Baku-Tbilisi-Kars railroad with a ferryboat link to the eastern Caspian shore connecting European and Central Asian rail networks. "Thus Baku initiates and implements large-scale projects of European interest from its own natural and investment resources, and with [a] business rationale buttressed by [a] strategic rationale."²³

There is no doubt, for example, that Europe as a whole and Eastern European countries in particular seek access to Turkmenistan's gas. Ukraine and Romania have recently approached Turkmenistan to discuss such possibilities after Ukraine built an LNG terminal near Odessa in 2012. Indeed, Romania regards such a pipeline as the basis for an energy partnership with Turkmenistan and a freight transport corridor from the Caspian to the Black Sea that would, in turn, serve as the basis for a strategic partnership with Turkmenistan. Romania therefore has expressed its support for a trans-Caspian gas pipeline.²⁴ In addition, at least since 2010 it would appear that Turkmenistan wants to move this way, provided it can settle its disputes over Caspian energy installations with Azerbaijan and ensure the security of its gas as it traverses the Caspian Sea.²⁵ Indeed, the TANAP

²² Vladimir Socor, "Baku Spins its Pipeline Web," *Asia Times Online*, July 13, 2012, www.atimes.com

²³ *Ibid.*

²⁴ Bucharest, *Agerpress*, in English, January 17, 2013, *FBIS SOV*, January 17, 2013

²⁵ Vladimir Socor, "Gazprom's South Stream Set Back on Several Fronts," *Eurasia Daily Monitor*, September 21, 2010; Robert M. Cutler, "Turkmenistan Signals Nabucco Intentions," *Asia Times Online*, September 24, 2010, www.atimes.com; C. Fitzpatrick, "Turkmenistan Edges Toward Nabucco, Caspian Resolution with Azerbaijan," *Eurasia Insight*, September 21, 2010, www.eurasianet.org

project is now the only pipeline under construction bringing non-Russian gas to Europe from the former Soviet Union.²⁶ Furthermore, if Azerbaijani gas goes to Europe without having to pay for the transit service of third parties, then that gas becomes price competitive in Europe. Moreover, Azerbaijan could then collect transit fees from other producers (including other Caspian producers) and shippers using this pipeline and since Azerbaijan is the majority owner of TANAP, it will probably be immunized against possible interference in the guise of transit problems in Turkey.²⁷

According to a recent analysis, if Turkmenistan could produce LNG it could ship it to Europe through Azerbaijan and greatly reduce Russia's capability to block or interdict such shipments. Doing so would then open possibilities for Turkmenistan's participation in the AGRI and bilateral cooperation with Azerbaijan that has not occurred due to disputes over oil and gas fields in the Caspian. Turkmenistan has already built one LNG terminal and a second one is underway, while it has taken steps to increase its production of LNG and the capacity of its tanker fleet. Since Azerbaijan's energy firm SOCAR owns the terminal at Georgia's port of Kulevi that is crucial to the AGRI project, Turkmenistan has regarded the alternative Georgian ports at Batumi or Poti as more suitable, given its disputes with Azerbaijan. But that is not an insuperable problem if the will to resolve differences and Western support continue. Furthermore, Azerbaijan's Minister of Industry and Energy, Natig Aliyev, has revealed that Turkmen-Azerbaijani negotiations on a pipeline from Turkmenistan to Azerbaijan are advancing as part of the Southern Corridor to Europe, and that Azerbaijan is holding regular meetings with both Turkmenistan and the European Commission on a Trans-Caspian pipeline.²⁸ He also added that Azerbaijan will provide Turkmenistan with a favorable gas transit regime.²⁹ Moreover, Turkey too appears to support this outcome since it is trying to mediate between Baku and Ashgabat. Even

²⁶ Dmitry Shlapentokh, "LNG Provides New Options for Turkmen Gas Export to Eastern Europe," *Central Asia Caucasus Analyst*, January 9, 2013

²⁷ Vladimir Socor, "Direct Road to Europe: Azerbaijan's Trans-Anatolia Gas Pipeline," *Eurasia Daily Monitor*, January 4, 2012

²⁸ Vladimir Socor, "Projects in Synergy: Trans-Caspian, Trans-Anatolian Gas Pipelines," *Eurasia Daily Monitor*, March 2, 2012

²⁹ Moscow, *Interfax*, in English, April 24, 2012, *FBIS SOV*, April 24, 2012

though Baku would undoubtedly prefer to resolve the issues with Ashgabat on its own with Turkmenistan, the Turkish government favors the working out of a solution to the problem of devising a project that would bring Turkmen gas through the Caspian Sea to Azerbaijan and then to Europe.³⁰

Certainly this is a better prospect of mutual gain than what appeared to be the case even in mid-2012 when Turkmenistan threatened to appeal to the International Court of Justice against Azerbaijan over Caspian fields, a threat that apparently led to the negotiations referred to by Natig Aliyev.³¹

Were this prospect to materialize either through Turkish mediation or Azerbaijani negotiations the outcomes could be profound.

With TANAP as a prospective outlet, Turkmenistan can advance the construction of its East-West pipeline overland, from the gas fields in Turkmenistan's east to the Caspian shore. Commissioned in 2010, the East-West pipeline is planned to run for almost 1,000 kilometers, with seven compressor stations, for an annual capacity of 30bcm, and construction costs of more than \$2 billion from Turkmenistan's own budget.³²

Since all parties grasp the potential opportunities present, it would be desirable for the U.S. and/or the EU to step up their actions to encourage not only negotiations between Baku and Ashgabat but also to help promote the development of the requisite LNG capabilities and infrastructures throughout the Caspian so that ships, not pipelines, would carry the LNG; attacks on ships are much more dangerous than attacks on pipelines. Liquefaction would thus reduce Russia's and Iran's ability to threaten a Trans-Caspian gas pipeline as they have in the past, and further integrate Turkmenistan and Azerbaijan with Europe.³³ Not only could these states

³⁰ Moscow, *ITAR-TASS*, in English, September 15, 2010, *FBIS SOV*, September 15, 2010

³¹ Robert M. Cutler, "Ashgabat Soothes Caspian Row," *Asia Times Online*, July 13, 2012, www.atimes.com; K. Kumkova, "Azerbaijan & Turkmenistan: Renewing Caspian Sea Energy Dispute," *Eurasia Insight*, July 11, 2012, www.euraisanet.org; Moscow, *Interfax*, in English, July 2, 2012, *FBIS SOV*, July 2, 2012

³² Socor, "Projects in Synergy,"

³³ Shlapentokh

contribute more gas to Europe and gain security and income thereby, while Europe gains an alternative and reliable gas source. Given Ukraine's interests in LNG and the relentless Russian pressure upon it, such an option could involve Ukraine's LNG terminal at Odessa, reduce Ukraine's and Romania's vulnerability to Russia, and strengthen Georgian security as well.³⁴

This example, as well as the discussion below, reminds us that the energy agenda binds together European, South Caucasian, and Central Asian security. Thus a Macedonian newspaper observed that the Balkans' geostrategic importance today is in no small measure due to the fact that it is the heartland of the confrontation between rival energy pipelines, the EU's Nabucco pipeline (since then morphed into TANAP) and Russia's South Stream project. Since the Bosphorus and the Dardanelles are limited in the amount of energy that can be transported through them, the Balkan landmass becomes all the more important in this context and each state therefore does its utmost to ensure that oil and gas pipelines traverse their territory.³⁵

Arguably, the current struggle for the Balkans, now occurring through competitive energy projects and political models, therefore ties into the larger East-West socioeconomic and geopolitical rivalry founded on control of energy supplies and routes. Milan Simurdic duly observes that,

Russian energy policy in the Balkans could be viewed as part of the competition for access, control, and influence over the oil and gas business, especially in the Caspian basin and in Central Asia. The Balkans represent the final stage of oil and gas delivery from that region towards, in the case of gas and gas pipelines – the European markets, and, in the case of oil to sea ports, transporting oil further to the world market. More and more, the Balkan region is being connected to the “New Great Game”, i.e. the modern re-run of the struggle between Imperial Britain and Imperial Russia of the XIX century for influence in Central Asia.³⁶

³⁴ *Ibid.*

³⁵ Mersel Bilalli, “Utter Isolation,” Skopje, *Dnevnik*, in Macedonian, October 16-17, 2010 *Open Source Center, FBIS SOV* October 17, 2010

³⁶ Milan Simurdic “Russian Energy Policy and the Balkans,” International and Security Affairs Centre, Belgrade, n.d., p. 3-4 (<http://www.isac-fund.org/download/>

What these examples duly show, therefore, is the inherent importance of unencumbered energy production and transit through states like Azerbaijan for the entire region from Central Europe and the Balkans through Ukraine, the Caucasus and Central Asia. The opportunities generated by the TANAP pipeline deal between Baku and Ankara, however, hardly end here.

The TANAP Pipeline

Turkey and Azerbaijan signed a major gas deal on October 25, 2011, sealed by a binding intergovernmental agreement in June 2012. Turkey will get 6 bcm of gas annually from Azerbaijan's Shah Deniz-II field, recovering what it lost from Russia by its earlier termination of the contract with Russia for gas from the Western Balkans pipeline. Turkey will also serve as a transit point for another 10 bcm annual supply of Azerbaijani gas to Europe through spare capacities in its pipelines. These accords also envisage building the new TANAP pipeline for Azerbaijani gas through Turkey, while the existing line's operation (which transports Azerbaijani Gas from the Shah Deniz-II field) should go into effect by 2017 and send gas until 2043.³⁷

These agreements ensure that for the first time, Azerbaijani gas can traverse a dedicated infrastructure to Turkey and then flow to Europe through the TANAP pipeline, and onward through one of the several alternative pipelines under consideration, the Trans-Adriatic Pipeline (TAP), Nabucco-West or BP's projected Southeast European pipeline (SEEP).³⁸ In June 2013, TAP was chosen as the primary route for Shah Deniz II, but the possibility of some gas flowing through a revived Nabucco-West at a future date is not excluded. Moreover, since the announced agreement refers to the new TANAP pipeline as carrying an "initial" volume of 16 bcm, this suggests that Azerbaijan hopes to increase its annual volume first to 24 bcm, especially as

³⁷ Younkyoo Kim and Stephen Blank, "Russo-Turkish Divergence (PART II): The Energy Dimension," *MERIA Middle East Review of International Affairs*, XVI, No. 3, September, 2012.

³⁸ John Roberts, "Turkish-Azeri Gas Deal to Hook Up SE Europe," *Resource Investor*, November 17, 2011, <http://www.resourceinvestor.com/News/2011/11/Pages/Turkish--->; "Azerbaijan-Turkey Gas Deal's Impact on Supply to Europe," *Moldova.org*, November 4, 2011, <http://www.economie.moldova.org>; Vladimir Socor, "BP's South-East European Pipeline: More Questions Than Answers on Nabucco and Turkmen Gas," *Eurasia Daily Monitor*, November 3, 2011; *Interfax* [in English], October 28, 2011, FBIS SOV, October 28, 2011.

it projects an estimated annual production of 50 bcm by 2017.³⁹ Gazprom will thus lose significant revenue in sales to Turkey and then the Balkans, and Russia considerable political leverage, as Azerbaijan charges a significantly lower price to Turkey than Russia charges and received a side payment to make up the difference between its price and what Gazprom charged. These agreements also resolve all issues of gas transit between SOCAR and BOTAŞ—Turkey's state-run energy company—who have both essentially replaced Gazprom with Azerbaijan as gas suppliers at least to the extent outlined above.

Equally importantly, the Azerbaijani-Turkish agreement has generated possibilities for Azerbaijan in the Balkans. In November 2011, i.e. right after the Azerbaijani-Turkish accords,

Bulgaria and Turkey agreed on a natural gas contract to supply presumably Azerbaijani gas via the ITG [Interconnector Turkey-Greece] to a 115-kilometer Interconnector Greece-Bulgaria (IGB). The volumes under discussion are in the range of 1 to 3 bcm/y, with the possibility of this initial amount rising to 5 bcm/y. Since this quantity exceeds Bulgaria's needs, it opens for transit or resale to other countries in Southeastern Europe. These happen to be among the worst affected by Russia's several winter cutoffs of gas to Ukraine. The construction of a small number of relatively inexpensive reversible interconnectors in the region such as the IGB (and including, for example, the already completed Arad-Szeged line from Romania to Hungary) could lead to the implementation of a gas ring in Southeast Europe. Azerbaijan would be not only the gas supplier but also the gas seller. Baku particularly insisted on this point during the long negotiations with Ankara over the terms for transit of Shah Deniz Two natural gas, and it was finally agreed.⁴⁰

Finally, and worse for Russia, these accords open the way for Moscow's greatest fear, namely the southern corridor for gas that the EU is pursuing

³⁹ "Azerbaijan's Gas Exports to Reach 40-50 bcm by 2025", Azernews, November 15, 2012. (www.azernews.az/oil_and_gas/46303.html); Robert M. Cutler, "Anatolia Gas Pipeline Races Towards Reality," *Asia Times Online*, January 4, 2012, <http://www.atimes.com>; Saban Kardas, "Turkey Reiterates Commitment to Southern Corridor with Trans-Anatolian Pipeline," *Eurasia Daily Monitor*, January 3, 2012.

⁴⁰ Cutler, "The Southern Gas Corridor Gets a Kick-Start"

and by which Turkmen and Azerbaijani gas (if not also Kazakh gas) will flow directly to Europe rather than across Russia, and strike a decisive blow to Gazprom and Moscow's power over them and Europe. This would apply equally to Turkmen (and/or Kazakh) gas coming from the Caspian either as LNG or through a Trans-Caspian pipeline. This deal also strikes at the original plans for the Nabucco pipeline, since there will be no need for a Turkish sector and the builder of Nabucco need only connect gas from Turkey to Bulgaria and to the distribution point of Baumgarten in Austria. Thus this deal has led to the substitution of a plan for a so-called Nabucco-West pipeline from the Turco-Bulgarian border through the Balkans to Europe. Indeed, at the end of 2012 Turkish officials raised the possibility of a Turkish pullout from Nabucco, not least because the project has gone nowhere and key German firms already showed signs of abandoning it, but also because TANAP makes it superfluous.⁴¹ Whether or not Nabucco or the new Nabucco West pipeline is actually built, Turkey will get Azerbaijani gas, and what it cannot use will then go to Europe. Thus, Ankara is protecting itself against Nabucco's continued dithering and inability to organize itself and at the same time organizing a practical alternative that is already being seen as a bridge bringing Eastern gas to the West.⁴²

Meanwhile, the start of construction of TANAP has made Azerbaijan a sought after investor throughout Eastern Europe. As Vladimir Socor has observed, the advent of TANAP, along with Azerbaijan's careful management of its oil revenues, and the prospect of a genuine Trans-Caspian pipeline has given Azerbaijan a triple role as supplier, transit country, and as an investor abroad.⁴³ The prospect of obtaining real gas supplies from the Caspian area in general and Azerbaijan in particular has opened up a whole new field of activity for Azerbaijan to invest money throughout Eastern Europe and enhance its political standing throughout that area. Especially in the Balkans where Russia is strongly pushing its South Stream pipeline project, the TANAP is emerging as the only apparent viable alternative to

⁴¹ "Turkey Signals Impatience with Nabucco Gas Pipeline," Paris, *AFP (North European Service)*, in English, December 31, 2012, *FBIS SOV*, December 31, 2012

⁴² *Interfax* [in English], January 11, 2012, *FBIS SOV*, January 11, 2012.; Tbilisi, *The Messenger Online*, in English, December 31, 2012, *FBIS SOV*, December 31, 2012

⁴³ Socor, "Projects in synergy,"

countries who naturally wish to maximize their access to all available gas supplies and avoid excessive dependence on Russian gas. Consequently they welcome Azerbaijani investment.

Thus Gunther Oettinger, the EU Commissioner for Energy, admitted that TANAP represents an important element of the planned infrastructure of the EU's "Southern Gas Corridor" to connect Caspian producers with Europe.⁴⁴ Hungary's State Secretary for Foreign Affairs and External Economic Relations, Peter Szijarto, not only expressed an interest in Azerbaijani gas supplies to Central Europe but also called Azerbaijan "a guarantor of European energy security." He also called for an acceleration of the work to complete the AGRI Interconnector.⁴⁵ This Interconnector will bring LNG from Azerbaijan through Georgia and the Black Sea to Romania and Hungary as well as other potential European markets. It will begin with 2bcm of gas through AGRI and grow to 5-6 bcm.⁴⁶

Just because Hungary has excellent relations with Azerbaijan one should not think this is an isolated or diplomatic remark. The sentiments expressed above are increasingly visible throughout Eastern Europe. Serbia's ambassador to Azerbaijan has announced his government's interest in Azerbaijani gas supplies.⁴⁷ Albanian Prime Minister Sali Berisha has promoted the TAP pipeline in talks with Azerbaijani leaders as the best pipeline for transmission of Azerbaijani gas to Western Europe and the Balkans.⁴⁸ Foreign Minister Edmond Panariti has discussed the TAP project with his Italian and Azerbaijani counterparts.⁴⁹ With support from the government of Montenegro, SOCAR will invest over 250 million Euros in Montenegrin resort development.⁵⁰ Azerbaijan has good reason to make such investments because otherwise Montenegro, amazingly enough, is the source

⁴⁴ "EU Sees TANAP as Key Element of Southern Gas Corridor," *Azernews*, November 15, 2012, www.azernews.az/oil_and_gas/46252.html

⁴⁵ Moscow, *Interfax*, in English, December 5, 2012, *FBIS SOV*, December 5, 2012

⁴⁶ *Ibid.*

⁴⁷ Moscow, *Interfax*, February 5, 2013, *FBIS SOV*, February 5, 2013

⁴⁸ Tirana, *ATA*, in English, February 9, 2012, *FBIS SOV*, February 9, 2012

⁴⁹ Tirana, *ATA*, in English, February 4, 2013, *FBIS SOV*, February 4, 2013

⁵⁰ Podgorica, *MNA*, in English, September 18, 2012, *FBIS SOV*, September 18, 2012; Moscow, *Interfax*, in English, July 6, 2012, *FBIS SOV*, July 6, 2012

of major security problems for Azerbaijan. Many experts in the U.S. believe that Montenegro is “a wholly owned subsidiary of Russian crime.”⁵¹ In this context, perhaps the most egregious example of the corruption of Montenegro by Russian money and crime organizations linked to the government is the fact that since 2010 the arms tracking community has recorded 39 suspicious flights leaving Podgorica airport in Ilyushin-76 aircraft for Armenia’s Erebuni military airport with arms intended for Nagorno-Karabakh, where there has been a wave of border incidents since 2010.⁵² The use of these Russian planes and the link to the long-standing large-scale arms trafficking between Russia and Armenia immediately raises suspicions of Russian involvement if not orchestration of this program. But it could only come about with the collusion of Montenegrin officials at the airport, in the customs service, etc. Therefore Baku has good reason to counter Russian influence there by making its own investments in the local economy.

But those are hardly the sum of actual investments. SOCAR is interested in buying into Greece’s gas company DEPA, a move that would check Russia, enhance Azerbaijani influence in the Balkans, and give it access to the ITGI Interconnector (Italy-Turkey-Greece Interconnector). While the ITGI is no longer in the running for the projected European Balkan pipeline, it is easy to see that an Azerbaijani presence there would enhance its ability to supply Greece and Italy from TANAP or other, future alternatives.⁵³ Azerbaijan has also invested \$10 billion in Turkey’s Petkim petrochemical complex over 10 years that will go from a 25 to 40 percent share.⁵⁴ And beyond that investment, Azerbaijan is reportedly planning to invest \$17 Billion in Turkey to build an oil refinery, hydro-energy power plant, and a shipping container terminal.⁵⁵ Under the circumstances it is hardly surprising that Azerbaijan’s president Ilham Aliyev openly voiced his ambition for Azerbaijan becoming a leading gas supplier to Europe for at least a century, especially as many EU

⁵¹ Conversations with U.S. experts, December, 2012

⁵² Joshua Kucera, “The Art of the Arms Deal,” *Eurasia Insight*, September 27, 2012, www.eurasianet.org; www.statebusiness.tumblr.com

⁵³ Moscow, *Interfax*, in English, September 17, 2012, *FBIS SOV*, September 17, 2012

⁵⁴ Moscow, *Interfax*, in English, November 28, 2011, *FBIS SOV*, November 28, 2011

⁵⁵ Tbilisi, *The messenger online*, in English, June 8, 2012, *FBIS SOV*, June 8, 2012

countries are thinking of shunning nuclear power and power plants as an energy source. As he said, Azerbaijan's connection to the Black Sea and Mediterranean countries can give it access to Europe's gas markets.⁵⁶

Meanwhile, governments as far away as Latvia are urging Azerbaijan to invest in their ports and discussing construction of LNG terminals and reversing gas flows from Poland and Lithuania, as well as container freight transport to Azerbaijan.⁵⁷ These are not merely abstract possibilities. Ukraine has been seeking opportunities to buy into Azerbaijani gas since at least 2011 and its construction of the LNG terminal in Odessa has already been mentioned above.⁵⁸ That terminal will make it possible for Ukraine to buy cheaper gas from Azerbaijan by 2017, and the Azerbaijani Ambassador to Ukraine, Eynulla Madatli, has stated that beginning in 2017 Azerbaijan would start exporting 2 bcm to Ukraine via TANAP at a price that could be 30 percent cheaper than Russian gas while the amount ultimately rises to 5 bcm annually. But the project needs \$2 billion in investment to get off the ground. Ukraine is also offering to the consortium that is developing the Shah Deniz field to use its gas transport system and underground facilities to supply gas to Europe through TANAP. Of course, for this to occur it would be necessary to build an Interconnector or pipeline either through Georgia and the Black Sea or Russia (highly unlikely) to Ukraine. Ukraine will also invest in a liquefaction terminal in Georgia while it reportedly counts ultimately upon receiving a total of 15bcm annually from Azerbaijan and is looking for European investors to join with it.⁵⁹

While Ukraine is notorious for floating big projects and not following through, there is a clear mutual interest with Azerbaijan already expressed while the unrelenting Russian pressure upon Ukraine to subordinate its gas

⁵⁶ "Azerbaijan Hopes to Become key Gas supplier for Europe," *Kyiv Post*, March 13, 2012, www.kyivpost.com

⁵⁷ Ella Valtmane, "Dombrovskis Urges Azerbaijan to Invest in Development of Logistical Centers in Latvian Ports," *Riga Leta*, in English, November 30, 2012, *FBIS SOV*, November 30, 2012

⁵⁸ Kateryna Choursina, "Ukraine Seeks Azeri Gas to Cut Russian Imports, Kommersant Says," *Bloomberg*, August 29, 2011, <http://www.bloomberg.com/news/2011-08-29/ukraine-seeks-azeri-gas-to-cut-russian-imports-kommersant-says.html>

⁵⁹ "Ukraine Seeks to Offset Expensive Russian Gas by Azeri Supplies-Paper," www.garp.org, November 27, 2012.

energy to Russia is clearly driving Kyiv to seek alternatives like Azerbaijani gas. Azerbaijan agrees with Ukraine taking part in a consortium of investors to build TANAP and “is interested in the energy independence and security of Ukraine.”⁶⁰ Should most or all of these projects successfully move forward, they would have a profound effect not only on Russo-Ukrainian relations and Ukraine’s security but also on Azerbaijan’s standing because it would then have another direct pipeline to Central and Eastern Europe, and become even more of a viable alternative to Russia as a supplier of gas to CIS and Eastern European governments. Indeed SOCAR has already become a major gas distributor in Georgia.⁶¹ And while this may be an overly exaggerated assessment, Ukraine’s Ambassador to Turkey, Sergey Korsunsky, considers TANAP will mean the end of Russia’s South Stream gas pipeline project.⁶²

Beyond CIS governments like Ukraine and Georgia, or Baltic ones like Latvia, Balkan governments, and not only Montenegro, have now also expressed keen interest in Azerbaijani gas. Romania continues to deepen its discussions with Azerbaijan on energy, trade, and transport and projects going beyond the AGRI Interconnector.⁶³ Similarly Bulgaria has expressed a lively interest in getting gas from TANAP. That pipeline will connect with Europe at the Bulgarian-Turkish border as part of the Southern Gas Corridor project of the EU. From that border gas will flow to Europe, most likely through the Trans-Adriatic Pipeline (TAP). Bulgaria wanted to participate in these projects and hoped to receive at least 1 bcm of gas from the project starting in 2014.⁶⁴ Accordingly, the Bulgarian and Swedish Foreign Ministers

⁶⁰ Sara Rajabova, “Azerbaijan Agrees With Ukraine’s Acquisition of TANAP Stake-Envoy,” *Azernews*, November 15, 2012, www.azernews.az/analysis/46248.html

⁶¹ “SOCAR Becomes Major Gas Distributor in Georgia,” *Azernews*, November 1, 2012, www.azernews.az/oil_and_gas/45688.html

⁶² Rajabova

⁶³ Bucharest, *Agerpress*, in English, December 14, 2012, *FBIS SOV* December 14, 2012

⁶⁴ Sofia *BTA Online*, in English, April 26, 2012, *FBIS SOV*, April 26, 2012; Nelly Zheleva, “Bulgarian, Swedish Foreign Ministers discuss Southern energy Corridor, Development of Relations With Azerbaijan at Baku Meetings,” Sofia, *BTA Online*, in English, December 12, 2012, *FBIS SOV*, December 12, 2012; Jim Nichol, *Azerbaijan: Recent Developments and U.S. Interest*, Congressional Research Service CRS Report for Congress, www.crs.gov, June 29, 2012, p. 14

held talks with Azerbaijan in late 2012 about connecting TANAP with a Balkan pipeline. Bulgarian Foreign Minister Mladenov stated that

The purpose of our visit is to outline areas of co-operation in which the EU and Azerbaijan can make further efforts ... Bulgaria has a strong interest in developing bilateral relations in the energy sector and supporting the Southern Gas Corridor to contribute to energy security and competition in Europe.⁶⁵

Unfortunately for Bulgaria, SOCAR's decision in June 2013 for the Trans-Adriatic Pipeline (TAP) pipeline bypassed the country. But it is not fully left out from future deliveries, because it will be relatively easy to build an interconnector from Bulgaria to Greece to link into the Azerbaijani energy flows westward.

Given Baku's decision to link TANAP with the TAP, Azerbaijan will now be a player in Eastern European economics and security. Azerbaijan's ability to offer reliable hydrocarbon supplies to Europe (and we should not forget that the Baku-Ceyhan oil pipeline currently ships over 1 billion barrels of oil to Europe annually) and invest there constitute part of a broader strategy of foreign party diversification to ensure that Azerbaijan has many patrons, partners, point of influence abroad, and supporters and need not depend excessively on any one power, in particular Russia. Thus this process epitomizes or resembles the phenomenon of multi-vector foreign policies pursued by Central Asian states, who also wish to maximize their circle of partners and freedom of maneuver in world politics. These energy projects simultaneously embody a complementarity of interests between Azerbaijan and the Balkan states, Ukraine, Georgia, and even Baltic states like Latvia, none of whom wishes to be dependent, and certainly not excessively dependent, on an exclusive Russian gas supply given the clear political and strategic ambitions that underlie Russia's energy policies.

This larger logic also explains why the U.S. should support strongly the effort to maximize TANAP's potential and integrate it fully into previous

⁶⁵ "Nikolay Mladenov's Tour of the South Caucasus," (as spelt in the original), Ministry of foreign Affairs of the Republic of Bulgaria, December 13, 2012, <http://www.mfa.government.bg/en/events/73/4/601/index.html>

U.S. and EU plans for the so called Southern Gas Corridor and help mediate Azerbaijani-Turkmen differences and also help find a way to bring Turkmen (and eventually other Caspian producers' gas) safely to the European market. Indeed, in 2009 Ambassador Richard Morningstar, the then U.S. Ambassador for Eurasian energy issues, and now the Ambassador to Azerbaijan, openly stated that it was U.S. policy to promote a coalition of Black Sea riparian and Caspian states to explore, exploit, and transport their energy resources from the Black Sea to European markets and that he would personally take care that these states cooperate.⁶⁶ More recently, Ambassador Morningstar told an international conference in Istanbul that,

I'll say what I've said and others in our government have said many times: We're neutral as between TAP and Nabucco West. There are only two things we're concerned about: one, that if TAP is chosen, that there be a connection into Southeast Europe, and there appear to be commitments as to that ... and also that any pipeline be expandable. ... And it comes back to the point that the parties have to work together in a situation where pricing may be uncertain over the next five to 10 years ... to, again, work together to make sure that all elements of the value chain work. And I think that's the challenge; I think it'll happen. I think everybody's committed to it happening. I think the southern corridor is critical, not just from a commercial standpoint; also from a strategic standpoint. Even with South Stream and the Balkans, it's necessary to have ... competition in that part of Europe. ... And at the end of the day, what's the most important is that Europe develop a competitive market, as I think it's trying to do with the third energy package, with respect to actions taken by the EU in the competition area – and to have as many diverse sources of supply as possible. That includes new pipelines; it includes LNG; it may include shale; it includes interconnections between countries and other things, which I think are the most important things as far as Europe is concerned.⁶⁷

⁶⁶ Bucharest, *Agerpress*, in English, October 1, 2009, *FBIS SOV*, October 1, 2009

⁶⁷ Istanbul Energy and Economic Summit 2012 - Realizing Shah Deniz and Southern Gas Corridor: 11/15/12 - Transcript, Atlantic Council Energy & Economic Summit: "New Opportunities in a Dynamic Region" <http://www.acus.org/event/energy-and-economic-summit-2012/realizing-shah-deniz-transcript>

Therefore the U.S. still apparently supports strongly the effort to create a gas pipeline network that would integrate TANAP with whatever viable pipeline project is chosen for Eastern Europe. But there are obstacles to realizing this larger vision. As Morningstar observed here,

We fully support a trans-Caspian pipeline. When the EU began its negotiations with Azerbaijan and Turkmenistan, I said that that's great, that we fully support it, and if they are successful in concluding negotiations, I'll be the first person out there dancing in the streets. It's something we've thought about for a very long time. But I have to be fully honest with you that there are problems. The first problem is that Turkmenistan is still unwilling to allow international companies on the ground in Turkmenistan. I don't know how you finance a trans-Caspian gas pipeline without some kind of international cooperation with Turkmen Gas. And until there's an international company on the ground, my own view – this is my personal view – I don't think it's going to happen. Second, there are still issues – obviously, there's opposition by Russia and Iran to a trans-Caspian pipeline. We've always been of the view, as long as the pipeline crosses waters that are either Turkmen or Azeri, that should be enough to allow the pipeline to go forward. But the question that is still out there: Is Turkmenistan really willing to go forward at this point with such a pipeline? Or is it leverage with the Russians? Or is it something else? I don't know. I think Turkmenistan, for it to go forward, has to show, one, that it's willing to work with international companies; and two, make very clear that it will – is willing to make an agreement that's reasonable in nature as far as crossing the Caspian and not asking for too much from either Azerbaijan or the European Union.⁶⁸

Morningstar's remarks appear to accord with the newest twist in U.S. policy, for he admitted earlier in 2012 that the U.S. had been rather Nabucco-centric but was now moving to support the Southern Corridor since there was not enough gas for the entire original Nabucco project. But, as he admitted, the priority is to make sure that the Balkans obtain a reasonable amount of gas.⁶⁹

⁶⁸ *Ibid.*

⁶⁹ Alessandro Torello, "U.S. shifts Policy on Gas Pipelines," *Wall Street Journal*, March 26, 2012, blogs.wsj.com/Brussels/2012/03/26/u-s-shifts-policy-on-gas.

Thus the issue for the U.S. is getting gas to the Balkans rather than the preference for Nabucco. But the absence of viable alternatives to South Stream means that the U.S. has been forced to settle for a sub-optimal outcome as regards Eastern Europe. Thus, on November 13, 2012, then Assistant Secretary of State Phillip Gordon told a U.S. and Balkan audience that the U.S. would not support one or another pipeline in Europe or Eurasia over the other.⁷⁰ In other words, Washington will not block South Stream despite its wholly negative implications for Ukraine and the Balkans. Unfortunately, as a result of this hands-off U.S. policy, the road for Russia on energy policy to threaten all of Eastern Europe is wide open and unobstructed while Ukraine is literally on its own in the cold. While Kyiv has nobody to blame for this outcome but itself; the Balkans are also therefore still vulnerable to Russian energy threats which will only grow as Russia pushes ahead with the South Stream pipeline that began construction on December 8, 2012. Thus the failure of Nabucco, and of the EU and Washington to generate support for it, has indirectly exposed Azerbaijan to considerable risks.

One risk is that the grand design of a Trans-Caspian pipeline connecting Central Asian producers, particularly Kazakhstan and Turkmenistan, to Europe through the Caspian Sea will fail to materialize. Failure to develop that pipeline exposes Azerbaijan to risks because of the benefits to it that are inherent in the successful construction of a trans-Caspian pipeline. Building that pipeline would reduce the burden on Azerbaijan to be the sole Caspian producer exporting gas directly to Europe and the risks to which that posture exposes it. It would also greatly increase the amount of gas going to Europe that is not controlled by Russia, presumably encouraging Kazakhstan to emulate the other producers. Conversely, failure to develop that pipeline leaves Azerbaijan somewhat exposed. Indeed, it should be clear that no such pipeline will take place despite the wish of the majority of littoral states for one until and unless the West is prepared to give ironclad guarantees and sufficient political cover to both Ashgabat and Astana that they could participate in this pipeline safely or find a solution that prevents Iran and

⁷⁰ The author was in the audience for this occasion. Also see Janusz Bugajski, "Russian Offensive in the Balkans," Sarajevo, *Al Jazeera Balkans Online*, in Bosnian, Croatian, Serbian, November 24, 2012, *FBIS SOV*, November 25, 2012

Russia from threatening the energy supplies and pipelines of the other states. But it looks like that is not going to happen anytime soon.

In 2009 it looked like Turkmenistan would delink the territorial disputes over islands and energy platforms it has with Azerbaijan in the Caspian Sea in favor of the Trans-Caspian pipeline (TCP). But that has not yet happened. Iran and to a lesser degree Russia have blocked any resolution of the Caspian's legal status, fearing, among other things, any Western presence and particularly that of the U.S. in this sea, and Iran has repeatedly clashed with Azerbaijan over energy platforms there, beginning in 2001 and continuing right up to the present. Furthermore, though Turkmenistan has repeatedly stated its desire to sell large amounts of gas to Europe, it has taken no action in furtherance of that action.⁷¹ Instead it has built a pipeline to China with Chinese loans that will offer China at least 40bcm annually and ultimately as much as 65bcm. Although Turkey has now developed a growing interest in a TCP and has offered to mediate between Azerbaijan and Turkmenistan, nothing has yet come of that offer.⁷² In the meantime, all the littoral states in the Caspian (Azerbaijan, Iran, Turkmenistan, Kazakhstan, and Russia) are building up their naval fleets, thereby adding to the difficulties in resolving the Caspian Sea's legal status and heightening the regional tensions among them that, as we shall see below, represent one of many potential Iranian and Russian threats to Azerbaijan.⁷³

But it is not only the inter-state differences among the littoral states that is at fault here, but also Russian and Iranian threats to them. In the Turkmen case, on October 19, 2011 Turkmenistan's Foreign Ministry blasted Russia's politicized objections to it participating in a Trans-Caspian pipeline (TCP), stated that such a pipeline was an objective vital economic interest of Turkmenistan, rebuked Moscow for "distorting the essence and gist of

⁷¹ Sijbren De Jong and DR. Jan Wouters, *Central Asia and the EU's Drive Towards Energy Diversification*, Working Paper No. 64, Leuven Centre for Global Governance Studies, University of Leuven, 2011, p. 32.

⁷² Larniya Adigizi, "Trans-Caspian Pipeline Vital to Meeting Turkey's Gas Demands," Istanbul, *Sunday's Zaman Online*, in English, 9 September 2012, FBIS SOV, 9 September 2012.

⁷³ Joshua Kucera, "The Great Caspian Arms Race," www.foreignpolicy.com, 22 June 22 2012; John C.K. Daly, "The Caspian's Naval Arms Race," <http://www.isn.ethz.ch/isn/Digital-Library/Articles/Detail/?lng=en&id=142497>, 17 May 2012.

Turkmenistan's energy policy," and announced the discussions with Europe over this pipeline would continue.⁷⁴ Moscow's reply came soon. On November 15, 2011 Valery Yazev, Vice-Speaker of the Russian Duma and head of the Russian Gas Society openly threatened Turkmenistan with the Russian incitement of an "Arab Spring" if it did not renounce its "neutrality" and independent sovereign foreign policy, including its desire to align with the EU's Southern Corridor. Yazev said that,

Given the instructive experience with UN resolutions on Libya and the political consequences of their being 'shielded from the air' by NATO forces, Turkmenistan will soon understand that only the principled positions of Russia and China in the UN Security Council and its involvement in regional international organizations – such as the SCO (Shanghai Cooperation Organization), CSTO (Collective Security Treaty Organization), Eurasian Economic Union – can protect it from similar resolutions.⁷⁵

In other words, Turkmenistan should surrender its neutrality and independent foreign policy and not ship gas to Europe; otherwise Moscow will incite a revolution there leading to chaos. Other Russian analysts and officials threatened that if Turkmenistan adheres to the EU's planned Southern Corridor for direct energy transshipments to Europe that do not cross Russian territory, Moscow would have no choice but to do to Turkmenistan and Azerbaijan what it did to Georgia in 2008.⁷⁶ Mikhail Aleksandrov, a department chief of the state-sponsored Institute on the CIS, not only made this particular threat, he also opined that NATO's Libya operation gave Moscow the right to use force in the Caspian Basin.⁷⁷ These are by no means the only threats, either directly to Azerbaijan or Turkmenistan or indirectly to their interests and potential partners, but they

⁷⁴ Moscow, *Interfax*, in English, 19 October 2011, *FBIS SOV*, 19 November 2011.

⁷⁵ "Senior MP Advises Turkmenistan to Stick with Russia to Avoid Libya' Fate," Moscow, *Interfax*, November 15, 2011, also available from *BBC Monitoring*

⁷⁶ Vladimir Socor, "Moscow Issues Trans-Caspian Project Warning," *Asia Times Online*, December 2, 2011, www.atimes.com

⁷⁷ Vladimir Socor, "Bluff in Substance: Brutal in Form: Moscow Warns Against Trans-Caspian Project," *Eurasia Daily Monitor*, November 30, 2011

show some of the complexities of the neighborhood.⁷⁸ And Azerbaijan's geographical location in the Caucasus and adjacent to Iran heightens the potential for such threats that could be executed directly against it.

These threats also illustrate the exceptional strategic importance of energy in the CIS and its role, on a daily basis, as the main instrument of Russian foreign policy. They also highlight the enormous strategic importance of Azerbaijan as producer, supplier, and potential hub and transporter of Caspian energy for the future. But there also is a potential downside due to the importance of energy in the Azerbaijani economy and foreign policy. Azerbaijan could, for reasons not yet discernible, decide that as SOCAR is the majority owner of the TANAP that it would not find a means to cooperate with Turkmenistan and prevent it from sending its gas westwards. That would not only isolate Turkmenistan from the West but it would also undermine Azerbaijan's standing and isolate it as well. The other danger is that due to its reliance on energy, Azerbaijan might become vulnerable to a slowdown in European energy demand that could reverberate through its economy. Indeed, in 2012, exports of gas from Shah Deniz fell 11 percent.⁷⁹ Oil production also fell by 3.2% as planned and in 2013 it is supposed to go up, but slowing foreign demand could undermine those plans.⁸⁰ Likewise, despite several years of double-digit growth, the economy only grew by 2.2 percent in 2012 and Azerbaijan's trade surplus fell 15 percent in 2012.⁸¹ What enabled this growth to happen, according to President Aliyev, is the growth in the non-oil sector of 9.7 percent. Even though industrial production also fell 2.3 percent, this growth rescued the economy.⁸² Nonetheless Azerbaijan's growth rate fell as did industrial output. Moreover the State Oil Fund, SOFAZ, that oversees the investment of Azerbaijan's oil revenues, for the first time, registered a multi-billion dollar deficit.⁸³ Clearly it is essential to continue reforms that

⁷⁸ *Ibid.*

⁷⁹ Moscow, *Interfax*, in English, January 23, 2013, *FBIS SOV*, January 23, 2013

⁸⁰ Moscow, *Interfax*, in English, January 9, 2013, *FBIS SOV*, January 9, 2013

⁸¹ Moscow, *Interfax*, in English, January 22, 2013, *FBIS SOV*, January 22, 2013

⁸² Moscow, *Interfax*, in English, January 16, 2013, *FBIS SOV*, January 2013; Baku, *Azerbaijani TV 1, in Azeri*, January 15, 2013, *FBIS SOV*, January 19, 2013

⁸³ "Azerbaijan: Less oil, More Dependence on Money," *Eurasia Insight*, November 30, 2012, www.eurasianet.org

stimulate not only the energy sector but other sectors too as well as continuing policies that open up Azerbaijan to continuing high levels of foreign investment.⁸⁴

⁸⁴ Arthur Bayhan, "Azerbaijan's Growth Perspectives and Non-Oil Sector Competitiveness," *Today's Zaman*, January 14, 2013, www.todayszaman.com; Fuzuli Aliyev and Elchin Suleymanov, "Alternative Development Strategies for Azerbaijan Economy and Sectoral Analysis, Paper Presented at the 7th Silk Road International Conference: Challenges and Opportunities of sustainable Economic Development in Eurasian Countries,' www.ssrn.com/abstract=2184484

Domestic Security

It is clear from the foregoing analysis that Azerbaijan already occupies an important, if not critical, place in European and Eurasian security agendas that is of immense benefit to the U.S. and its partners. That fact alone would justify an abiding U.S. interest in what happens there. But no analysis of Azerbaijan's importance to the U.S. would be complete without an assessment of the challenges and threats to that security. And those are significant threats. We have already seen the potential for forceful Russian or Iranian threats related to energy issues. But the challenges and threats confronting Azerbaijan are not solely external ones from Russia and Iran. Azerbaijan must also strengthen its internal legitimacy to prevent Moscow and/or Tehran from exploiting potential or actual problems in Azerbaijani governance and society. The "democratic deficit," to use a vogue term, that is visible in Azerbaijan, is absolutely comparable to the same kinds of manifestations of Armenian politics as displayed most recently in the elections there of 2008 and 2013. Those internal socio-economic-political issues that impede democratization in both Armenia and Azerbaijan not only can constitute in and of themselves challenges to the status quo that could put Western interests at risk, they also can be exploited by Iran and Russia who have both previously sought to do so in order to attack Azerbaijan and its interests by diverse means. Thus if Azerbaijan is to generate the sustained U.S. attention that it deserves, it must seriously and substantively address these security issues. Moreover, if we are to judge from the current policy of the Obama Administration and from its parallel policy towards the Ukraine, the U.S. perception of democratic deficits in Azerbaijan's governance plays a large role in dissuading the U.S. from supporting those governments vigorously. Indeed, in regard to Ukraine, the Administration has made clear

its unwillingness to enter into a serious relationship with Ukraine until and unless there are democratic reforms.⁸⁵

Were the belief that Azerbaijan's democratic deficit precludes a close tie to the U.S., this would be a serious strategic mistake on Washington's part, but Azerbaijan would pay heavily for it. Arguably this implies that Baku's willingness to make the necessary reforms to meet those challenges to its internal security, and to gain more foreign support, make those challenges a matter of critical importance for its security. Failure to act not only distances the EU and Washington from Baku but will also put Azerbaijan at greater risk from either those domestic threats or a combination of domestic and foreign challenges. For its own benefit and to strengthen the government's continuing ability to govern the country effectively and, most importantly, with legitimacy, as well as retain its foreign partners, reforms to these challenges must be instituted in a timely and well-conceived manner. Furthermore a reforming Azerbaijan would stand in marked contrast to an Armenia whose presidential elections in 2013 were riddled with the shortcomings we have come to expect in the post-Soviet space and demonstrate that Armenia is governed in a not dissimilar way although it lacks the lubricant that energy revenues provides to Azerbaijan. A reforming Azerbaijan would not only be a stronger society and polity at home, it also would garner more support in Washington and Brussels by means of this comparison with Armenia. The October 2013 presidential elections nevertheless suggested that the opportunity for reform was missed at least on that occasion.

Signs point to an ongoing upsurge of protests in the last few years that will probably not go away, especially as the protests in many cases appear to have covert foreign support from either Iran or Russia, and are based on sufficiently real domestic issues to continue. And this current support for potentially subversive elements continues even though Russia claims to be a supporter and friend of Azerbaijan. Nevertheless, if Azerbaijani policies threaten or merely challenge Russian interests, those cards are always available to Russia. And in Iran's case, as discussed below, it is clear that

⁸⁵ Stephen Blank, "'Mizh Skhodom i Zakhodom (In Ukrainian), *Tydzhen*, January 28, 2013

there is sustained and considerable Iranian campaign of subversion and pressure that is constantly being directed against Baku. Thus, allowing vulnerabilities to fester only assists Iran in building this instrument of policy.

Apart from enhancing both domestic stability and legitimacy (as well as probable economic progress) such reforms will strengthen the EU's and Washington's disposition to think seriously of Azerbaijan as a partner and help defend their shared interests with it. It is noteworthy, for example, that in his address to the annual Munich Security Conference in 2013, Vice-President Joseph Biden mentioned Georgia's aspirations to democracy but conspicuously omitted both Ukraine and Azerbaijan, telling signs of a diminished U.S. interest in those two states despite their immense strategic significance.⁸⁶ Indeed, reform is arguably necessary because in both Armenia and Azerbaijan as well as neighboring Turkey, unrest is rising suggesting simmering and even mounting but unresolved tensions within both countries. Worse yet, precisely because the regime has such watchful enemies in Tehran and Moscow who are prepared to exploit fissures within Azerbaijan for their own geopolitical interest that includes destabilizing or at least keeping the Azerbaijani government off balance, failure to reform only invites more disaffection among these sectors of the population where Iran and Russia hope to garner support. Therefore genuine reform is the price needed to elicit wholehearted U.S. support and it would also probably strengthen the domestic foundations of Azerbaijan's governance and economy.

⁸⁶ The White House, "Remarks by Vice President Joe Biden to the Munich Security Conference. Hotel Bayerischer Hof Munich, Germany," February 2, 2013, <http://www.whitehouse.gov/the-press-office/2013/02/02/remarks-vice-president-joe-biden-munich-security-conference-hotel-bayerische-hof>

Iranian and Russian Threats to Azerbaijan's Security

Despite Azerbaijan's visible successes in building a new state and economy, it, like many new states, faces many domestic and foreign threats to its security. Furthermore, it becomes clear very quickly that many of those threats and challenges are linked together. For example, efforts at modernization and reform, including policies that extend the traditional Azerbaijani approach to Islamic issues that has been tolerant of religious minorities, and not committed to any of the various existing brands of Islamism currently on view, have triggered substantial opposition from more traditionally religious elements of the population.

Iranian Threats

Iran, playing the Islamist card for all that it is worth, has quickly moved to incite and organize this community through what used to be called agitation and propaganda against the Aliyev government. Thus Iranian media frequently denounces Azerbaijan as an insufficiently Islamic or even anti-Islamic state. Azerbaijani officials recount that on a daily basis Iran's media attacks Azerbaijan as following "anti-Islamic policies."⁸⁷ Iran also has its own security concerns relating to the security of its own territory that possesses a large Azerbaijani minority in the Northwest and also sees Baku's tolerant brand of Islam and pro-Western policies as a threat; thus it has real motives for exploiting this opportunity. Even though its Azerbaijani minority has been loyal, Iran clearly does not trust it, especially as in 1920-21 and 1945-46 efforts were made to launch separatist movements from what was then Soviet Azerbaijan.⁸⁸

⁸⁷ Conversations with Azerbaijani officials in Washington April 25-26, 2012

⁸⁸ Mariam Salari, "The Activities of a Separatist Anti-Iranian Satellite Network Has Restarted on TurkSat: The New Anti-Iranian Actions of the Baku-Ankara Axis,"

In particular, Iran is extremely anxious that Azerbaijan might allow itself to serve as a base for either the U.S. or Israel's military forces that would then be used to threaten and target Iran's nuclear weapons program. Media reports of such activity, even though Azerbaijan regularly denies them and reiterates that it will not let its territory be used to attack, Iran trigger Iranian anxiety and anger.⁸⁹ Indeed, on many occasions Iran has let it be known that it will hit back at Azerbaijan if any such strike occurs.⁹⁰ Apart from the Iranian danger such threats pose to Azerbaijan, they also furnish Moscow with a pretext for its huge military buildup in the Caucasus, described below, that could on its own part be used to strike at Azerbaijan. Given the sizable Iranian military capability in the Caspian and its arsenal of missiles and of pro-Iranian terrorist groups at its disposal, these can hardly be considered empty threats.⁹¹

Iran's anxiety about this potential outcome drives its security policy towards Azerbaijan and on issues discussed below, such as the final status of the Caspian Sea. Indeed, on numerous occasions, Iran's anxiety to deter any U.S. or Israeli "forward presence" in Azerbaijan has led its officials to make public (and presumably private) threats to attack Azerbaijan in retaliation for a U.S./Israeli attack on Iran.⁹² But beyond incitement, Iran has also moved to more violent and clandestine activities. In early 2012, Azerbaijan had arrested 22 people, including some Lebanese operatives of Hezbollah, for a plot to assassinate Israeli and U.S. diplomats and Jewish children in Azerbaijan.⁹³

Tehran, "Tehran-e- Emruz Online, in Persian, January 22, 2013, FBIS SOV, January 22, 2013

⁸⁹ Baku, *News.az*, in English, January 22, 2013, FBIS SOV, January 22, 2013

⁹⁰ Anar M. Valiyev, *Azerbaijan-Iran Relations, Quo Vadis, Baku?* PONARS Eurasia Policy Memo, No. 244, 2012, www.gwu.edu/~ieresgwu/assets/docs/.../pepm_244_Valiyev_Sept2012.pdf

⁹¹ U.S. Department of Defense, *Annual Report on Military Power of Iran, 2012*, Anthony Cordesman, *Iran and the Gulf Military Balance - I: The Conventional and Asymmetric Dimensions*, Washington, D.C.: Center for Strategic and international Studies, www.csis.org, 2012; Anthony Cordesman, *Iran and the Gulf Military Balance II: The Missile and Nuclear Dimensions*, Washington, D.C.: Center for Strategic and international Studies, www.csis.org, 2012

⁹² Valiyev, *Azerbaijan-Iran Relations*.

⁹³ "Azerbaijan Arrests 22 Over Terror Plot, *Jerusalem Post*, www.jpost.com, March 14, 2012; Jason Burke, "Iran Was Behind Bomb Plot Against Israeli Diplomats, Investigators Find," *The Guardian*, www.guardian.co.uk, June 17, 2012.

This episode perfectly exemplifies the linkage between internal and external challenges to Azerbaijani security, especially as Azerbaijan also caught the Iranian agent who was leading the incitement against the regime, with weapons and Iranian literature. And in May the same year, Azerbaijan exposed a terrorist plan to kill foreigners at the Eurovision contest.⁹⁴ In December 2012, there were new reports of a fresh plot even as Iran and Azerbaijan were discussing how to improve relations between them.⁹⁵ Thus Iran has incited Azerbaijani unrest and three separate terror plots against Azerbaijan's government, Israel's ambassador there, and Azerbaijani Jews were uncovered in 2012.⁹⁶ If the latest reports are true, that would mark a fourth plot.

Since then, Iran has launched a new destroyer in the Caspian Sea, the *Dzhamran-2*, clearly to intimidate other littoral states, including Azerbaijan.⁹⁷ This also betokens a growing militarization of the Caspian Sea. Kazakhstan also plans to add to its navy in Caspian Sea two of the same kind of destroyers. After the collapse of the USSR, only Russia and Azerbaijan had navies in Caspian Sea. In 2012, for the first time since its independence, Turkmenistan had naval drills on the Caspian Sea.

Furthermore, according to Azerbaijani officials, there are reports of plots that included plans for an assassination attempt on President Ilham Aliyev in April, as well as attacks on religious pilgrimage sites and police stations. For example, in May 2012 security services in Azerbaijan arrested 40 suspects and seized weapons as they thwarted a series of planned terror attacks against the Eurovision Song Contest. Officials said they had discovered 13 assault rifles,

⁹⁴ "Azerbaijan Says It Exposed Terror Cell In Baku," *Eurasia Insight*, January 20, 2012, www.eurasianet.org; *Zulfugar Agayev*, "Eurovision Terror, Assassination Plots Foiled, Azerbaijan Says," *Bloomberg*, May 30, 2012

⁹⁵ "Azerbaijan Nabs Iranian Agents Setting Trap for Israel-Made Drone," DEBKA File Exclusive Report December 17, 2012, www.debka.org

⁹⁶ Stephen Blank, "Azerbaijan's Arms Deal with Israel Raises Caucasus Tensions," *Eurasia Daily Monitor*, March 6, 2012

⁹⁷ "Iran Launches Destroyer in the Caspian Sea," <http://rt.com/news/iran-destroyer-warship-launch-391/>, March 17, 2013; "Иран Спустил в Воды Каспийского Моря Новый Есминец "Джамаран-2", <http://www.itar-tass.com/c269/678359.html>, March 17, 2013

a machine gun, 12 handguns, three rifles, 3,400 rounds of bullets, 62 hand grenades, and several kilograms of explosives.

Clearly Iran has been waging a low-level but unremitting and long-running campaign of subversion, terrorism, and threats against Azerbaijan, fearing that it may be used as a base by Israel or the U.S. And on many occasions, Azerbaijan has received Iranian threats that it would be attacked if it granted the U.S. or Israel a base there. Thus, Elhan Shahinoglu, head of the Atlas Center for Political Research, said at a round table in Baku that, "Tehran does not limit itself with anti-Azerbaijan propaganda and enhanced military presence near Azerbaijan's border. Presently they are holding military trainings there, drug traffic from Iran's territory to Azerbaijan is not ceasing,"⁹⁸

Apart from threats to strike at Azerbaijan in retaliation for an American or Israeli attack, Iran threatened Azerbaijani vessels in the Caspian Sea in 2001, and has threatened more such attacks on occasion in the years since then. The overall militarization of the Caspian since 2001 stems from this confrontation and from Russia's ensuing efforts to assert itself as the sole "security manager" in this region. Thus these tensions constantly reproduce not just the forces for a multilateral naval buildup but also for incidents that could trigger a wider conflict.⁹⁹ Iran is also the main Caspian actor responsible for the impasse on reaching a legal delimitation of the Sea, a stance that clearly impedes Azerbaijani efforts to explore the region and to help build a Trans-Caspian pipeline and network of Caspian suppliers who would ship gas through its ports and pipelines.¹⁰⁰ More generally,

⁹⁸ "Baku Believes Iran Threatens Azerbaijan's Security," *PanArmenian Net*, September 8, 2011, <http://www.panarmenian.net/eng/news/77625/>

⁹⁹ Joshua Kucera, "Iran, Azerbaijan in Tense Caspian Standoff, Cables Show," *Eurasia Insight*, October 4, 2011, www.eurasianet.org; Joshua Kucera, "Iran, 'Huge Oil Field Ours, Not Azerbaijan's'," *Eurasia insight*, January 9, 2013, www.eurasianet.org

¹⁰⁰ Eugene Whitlock, Ed., *Iran Its Neighbors: Diverging Views on a Strategic Region*, Stiftung Wissenschaft und Politik, www.swp.de, 2003; "Iran's Unimpressive Regional Role," <http://www.cablegatesearch.net/cable.php?id=09BAKU801>, accessed, February 17, 2013; "Second Caspian Summit In Tehran Yields Little," <http://www.cablegatesearch.net/cable.php?id=07BAKU1263>, accessed, February 17, 2013

Richard Giragosian, director of the Yerevan-based Regional Studies Centre (RSC) says that Iran looks at the South Caucasus as a region where it can procure “critical elements” for its nuclear effort that the sanctions have restricted: “Many [Iranian] Revolutionary Guard units have pursued over the past several years setting up joint ventures with foreign partners — front companies — designed to pursue technical spare parts for military use and nuclear centrifuge development.” Front companies of this type were closed in recent years in Dubai and Kuala Lumpur. “There is new concern that Armenia, Georgia, and other countries may become attractive for such a pursuit.”¹⁰¹

Russian Threats

Although Russo-Azerbaijani relations are formally friendly, the fact is that there is enormous tension and rivalry between them and Baku clearly is being threatened by Russia, much as is Georgia though perhaps to a lesser extent. This permanent Russian pressure takes many forms and is also visible in the Nagorno-Karabakh issue discussed below. But there can be little doubt that despite the proclamations of friendship or even of ‘strategic partnership,’ the actuality is rather different. The energy and pipeline agenda exemplifies this rivalry and pressure. For example, in 2008 Vafa Guluzade observed that President Medvedev’s visit to Azerbaijan was preceded by deliberate incitement of the Lezgin and Avar ethnic minorities in Azerbaijan by Moscow to induce Azerbaijan to accept Russia’s gas proposals.¹⁰² Such policies appear to be systematic on Russia’s part, and were repeated ahead of Putin’s 2013 visit to Baku. Russia has intermittently encouraged separatist movement among the Armenian Javakhetian minority in Georgia and all but

¹⁰¹ Ariel Cohen, “Iran Threatens U.S. Interests in the South Caucasus,” Testimony before the Subcommittee on Europe and Eurasia, Committee on Foreign Affairs, U.S. House of Representatives, December 5, 2012, citing Justin Vela, “Iran May Look North to Skirt U.S. Sanctions,” *Hetq*, November 25, 2012, <http://hetq.am/eng/articles/20897/iran-may-look-north-to-skirt-us-sanctions.html> (accessed December 2, 2012); Michael Rubin, “Iranian Influence in the South Caucasus and the Surrounding Region,” Testimony to the House Foreign Affairs Committee subcommittee on Europe and Eurasia, December 5, 2012, www.aei.org

¹⁰² *Kavkazskiy Uzel* in Russian, June 19, 2008, *FBIS SOV*, June 19, 2008

taken control of the Crimea for potential use against Ukraine.¹⁰³ And, as noted above, it admitted using South Ossetian separatists to plan the war against Georgia in 2008. Russia states that it has no claims on Azerbaijani territories, but articles in the Russian press have advocated government action to protect these Azerbaijani minorities as “Russian citizens” to punish Azerbaijan for flirting with NATO.¹⁰⁴

More recently, as the TANAP pipeline came into being, Russia not only threatened Turkmenistan with violence as noted above, it reiterated its belief that since legal delimitation of the Caspian Sea has not occurred, neither Azerbaijan nor Turkmenistan has the right to make trans-Caspian gas shipment arrangements, and that therefore, any trans-Caspian pipeline would violate international law. It made this statement even though it had rejected that argument earlier when Iran tried to use it to block any accord on the Caspian; but has backed up its words with the military buildup described below.¹⁰⁵ Moscow concurrently demanded again that Turkmenistan lower the price of the gas it sells to Russia to retain its price advantages over rival suppliers like Azerbaijan.¹⁰⁶ Finally, the Russian government accelerated the process for completing the signing of contracts for its South Stream pipeline, began construction in December 2012, and ordered Gazprom to build South Stream to a maximum capacity of 63 bcm to freeze out competitors, probably not least because of the progress on the TANAP pipeline.¹⁰⁷

¹⁰³ Maciej Falkowski, *Russia's Policy in the Southern Caucasus and Central Asia*, Centre for Eastern Studies Warsaw, www.osw.waw.pl, 2006, p. 56; William Varretoni, “Sweetness of the Status Quo: Strategic Patience and the Technology of Russia’s Capture of Crimea,” Paper Presented to the Annual Convention of the Association for the Study of Nationalities, Columbia University, New York, April 15, 2010; Lada Roslycky, *The Soft Side of Dark Power : a Study in Soft Power, National Security and the Political-Criminal Nexus With a Special Focus on the Post-Soviet Political-Criminal Nexus, the Russian Black Sea Fleet and Separatism in the Autonomous Republic of Crimea*, Doctoral Dissertation, University of Groningen, 2011

¹⁰⁴ Moscow, *Interfax*, in English, February 13, 2011, FBIS SOV, February 13, 2011; Makhachkala, *Novoye Delo*, in Russian, August 29, 2008, FBIS SOV, August 29, 2008

¹⁰⁵ “Russia Ups Pressure on Caspian Pipeline,” *Asia Times Online*, July 5, 2012, www.atimes.com

¹⁰⁶ Moscow, *Interfax*, in English, March 20, 2012, FBIS SOV, March 20, 2012

¹⁰⁷ “Medvedev Orders Gazprom to build South Stream with Maximum Capacity,” *RIA Novosti*, February 22, 2012

Beyond these threats, Moscow began talking about buying gas from Azerbaijan at market prices in 2007-08 when it first mooted the idea of South Stream. Ironically, Russia's previous heavy-handed tactics of intimidation had forced Azerbaijan – which had been importing Russian gas – to begin developing its own production. This Russian gambit aimed at diverting Azerbaijani gas from any projected Trans-Caspian or Nabucco pipeline and ensuring that there would be no competition for South Stream. It also probably reflected domestic shortfalls in Russian gas that Gazprom had to make up with imports from other former Soviet producers.¹⁰⁸ While Azerbaijan is selling some gas to Russia, the amounts are relatively small and were intended not just to reduce Russian pressure but also to send Turkey and the Nabucco project's participants a strong signal that they should not take Azerbaijani gas transport to Europe through Turkey for granted and ignore Azerbaijani interests, e.g. Turkey's rapprochement with Armenia without due regard to the Nagorno-Karabakh issue.

These episodes show that Russia not only disposes of the means of putting pressure on Azerbaijan but also that it will do so through both overt and covert means if necessary. For example, Russia maintains its readiness to buy BPs Azerbaijani assets anytime they come on the market.¹⁰⁹ But beyond the threats of incitement of minorities or of economic pressure connected with energy (which fortunately for Baku is much less than for example what could be brought to bear on Ukraine) there is the very serious threat of steadily increasing Russian military power that is being deployed throughout the Caucasus. Indicating the seriousness with which such a contingency is viewed, Russia has used the threat of an Iranian retaliation against Azerbaijan should it be attacked (as Russia certainly expected in 2012) as a justification for the extensive buildup of its army, air, and naval forces (the Caspian Flotilla) in the Caucasus.

At the same time, conflict involving Iran and third parties would, by Russian lights, be a conflict with enormous potential of spillover and repercussions

¹⁰⁸ Robert E. Ebel, *The Geopolitics of Russian Energy: Looking Back, Looking Forward*, Washington, D.C.: Center for Strategic and International Studies, 2009, p. 36

¹⁰⁹ Robin Pangamenta, "Russia Seeks Power Grab in BP's \$10BN Firesale," *London times Online*, in English, July 3, 2010, FBIS SOV, July 3, 2010

for the CIS and Russia.¹¹⁰ This is because in Moscow's eyes, a formal border notwithstanding, Iran is a neighbor, as in Soviet times. According to Sergei Konovalov, Moscow has received reports of a U.S.-backed Israeli (if not U.S. too) surprise strike on Iran. According to defense correspondent Pavel Felgenhauer, hostilities against Iran were supposed to open in the summer of 2012, and since Israel cannot finish the job, the Russian government and military expected U.S. forces to take part in the operation.¹¹¹ When added to the civil war now germinating in Syria, these reports have generated great concern in Moscow for the fate of Russian troops in the Caucasus and Caspian basin.¹¹² This is because Moscow believes that the U.S. will have bases or support from Azerbaijan and/or Georgia and that Iran could stage an attack in the Caucasus in response to a U.S. strike upon it.

Thus Moscow launched military and diplomatic moves to forestall such strikes, or if that fails, to be prepared to respond credibly to any threats arising out of them.¹¹³ Indeed, those preparations began in 2010. In September 2011 Russia created sniper units in its Army brigades and reinforced its forces with new T-90A and T-72BM armored vehicles. During 2010-11, Russian forces in what is now called the Southern Military District (SMD) received more than 7,000 pieces of new heavy weapons and were 70 percent rearmed with modern weapons while the rest of the army is only modernized by 16 percent. Similarly, forces in the SMD have received new modernized communications equipment and land-based anti-ship missiles.¹¹⁴

During October-November 2011, Moscow optimized the 102nd Military Base in Armenia. Dependents were withdrawn to Russia, the garrison near

¹¹⁰ Joshua Kucera, "Predicting Conflict in 2012: Karabakh? Tajikistan? Uzbekistan? Iran?," *Eurasia Insight*, December 28, 2011, www.eurasianet.org

¹¹¹ Sergey Konovalov, "Moscow Optimizes Military Groupings in South: Russia Is Preparing an Appropriate Response to Possible Strikes by Tel Aviv and Washington Against Tehran," Moscow, *Nezavisimoye Voyennoye Obozreniye*, Online, in Russian, December 15, 2011, *Open Source Center, Foreign Broadcast Information Service, Central Eurasia* (Henceforth FBIS SOV), December 15, 2011; Pavel Felgenhauer, "The Russian Military Has an Action Plan Involving Georgia if Iran Is Attacked," *Eurasia Daily Monitor*, April 5, 2012

¹¹² *Ibidem*

¹¹³ *Ibidem.*, but considerations of space preclude us from outlining its diplomatic moves

¹¹⁴ Felgenhauer.

Yerevan was reduced, and subunits stationed there redeployed to Gyumri nearer to the Turkish border. In December 2011 Russian forces at their bases in South Ossetia and Abkhazia were put on full combat readiness.¹¹⁵ Russian land forces in Armenia are now essentially isolated, because Georgia has broken off the treaty allowing military transit through its territory to this base in Armenia, leading some former commanders of this force to opine about having to launch breakthrough operations to support this force in the event of a conflict in Iran.¹¹⁶ And the routes by which this breakthrough would be affected lead through Tbilisi, Georgia's capital.¹¹⁷

Meanwhile, the Black Sea Fleet is patrolling near Georgia, which Moscow would expect to side with the anti-Iran forces. A separate coastal missile division with Bal-E (Bastion) coastal anti-ship missile that have a range of 130 kilometers was placed on permanent combat readiness. The missile launchers of the Caspian Flotilla were redeployed from Astrakhan southward to Makhachkala and Kaspiysk to form a single ship grouping there. The missile patrol ship Tatarstan, the Flotilla's flagship, will be joined by the small artillery ship Volgodonsk and the Dagestan missile ship. The Tatarstan's missiles have a range of up to 200 kilometers.¹¹⁸ An aircraft carrier group of the Northern Fleet also departed for the Mediterranean led by the aircraft cruiser Admiral Kuznetsov, to call at Tartus in Syria.¹¹⁹ Lt. General Vladimir Shamanov has also announced that the Russian troops in Armenia will be reinforced by paratroopers (VDV in Russian), possibly together with attack and transport helicopters. These assault VDV units with helicopters may be moved into Abkhazia and South Ossetia.¹²⁰ To justify this naval, airborne, and land rearmament, defense correspondent Pavel Felgenhauer writes that "the Russian military believes that when the U.S. goes to war with Iran, it may deploy forces in friendly Georgia and warships in the Caspian with the possible help of Azerbaijan."¹²¹ And given the possibility of

¹¹⁵ *Ibid.*; FBIS SOV, December 15, 2011

¹¹⁶ *Ibidem.*

¹¹⁷ Felgenhauer

¹¹⁸ *Ibid.*; FBIS SOV, December 15, 2011.

¹¹⁹ *Ibidem.*

¹²⁰ Felgenhauer

¹²¹ *Ibid.*

a war in Nagorno-Karabakh that could break out in conjunction with a conflict of Iran, the military commentator Col. Vladimir Popov raised the possibility of a Russian operation to defend Armenia against Turkey, a NATO member, a threat that led Russia in 1993 to warn Turkey that such an operation risked nuclear war.¹²²

Since 2012 the buildup in the Caucasus has continued without letup. In 2012, a separate coastal missile battalion equipped with the Bal-E coastal missile systems designed to engage large naval targets became part of the Coastal Defense Troops of the Caspian Flotilla. And that Flotilla is now engaged in drills looking to joint military action with regional air and/or ground forces.¹²³ And during 2013, this Flotilla will add five combat and two auxiliary boats to its arsenal.¹²⁴ The Southern Military District has also received in 2012 the SU-35 Fighter and new air defense control systems.¹²⁵ The buildup of the Caspian Flotilla and Russia's base at Gyumri in Armenia, which Moscow will occupy at least until 2044, have added anti-helicopter capabilities to the Flotilla as well as a landing craft and floating harbor and repair ship beyond the buildup launched in 2010. These forces typify the "New Look" introduced by Defense Minister Serdyukov in 2008-12, whereby Russian forces on land, sea, and air are commanded and controlled from a single regional headquarters or strategic direction (in this case "the Southern Strategic Direction) to create a regional joint command. These moves indicate Russia's intention to strengthen its role throughout the Caucasus due to "the complex military situation in the Near East as a whole and around Syria and Iran in particular."¹²⁶ Thus Moscow is restating the same argument it has used since 2010-11, but anyone looking at a map would wonder why

¹²² *Ibid*; FBIS SOV, December 15, 2011

¹²³ Moscow, *Krasnaya Zvezda Online*, in Russian, February 9, 2012, FBIS SOV, February 9, 2012; Moscow, *Krasnaya Zvezda*, in Russian, January 17, 2013, FBIS SOV, January 17, 2013

¹²⁴ Moscow, *Interfax-AVN Online*, in English, January 9, 2013, FBIS SOV, January 9, 2013

¹²⁵ FBIS SOV, January 17, 2013; Moscow, *Interfax-AVN Online*, in English, January 18, 2013, FBIS SOV, January 18, 2013

¹²⁶ Paul Goble, "From Tripwire to Something More? Moscow Increases Military Readiness in the South," *Eurasia Daily Monitor*, January 16, 2013

Moscow is beefing up the Caucasus if Syria is threatened and why Iran would retaliate against the Caucasus if the U.S. or Israel attacks it.

Azerbaijan's refusal to continue to host the Russian air defense base at Gabala unless Russia paid a much higher rental for it led to Russia's renunciation of the base and clear resentment against Azerbaijan. Moscow clearly regarded the base as a means of leverage over Azerbaijan and of its enhanced status there. It also is concerned, with some reason, that Israel or Turkey, if not the U.S., will acquire that installation and in Russia's mind, that would automatically mean an anti-Russian turn in Azerbaijani and Western policy.¹²⁷ This development has led a number of Russian commentators to hint at potential threats from Russia against Azerbaijan. Armenia, unlike Azerbaijan, charges no rent for the Russian base at Gyumri, and has hinted at its willingness to host a new air defense radar to replace Gabala. But Konstantin Sivkov, Vice-President of the Academy of Geopolitical issues, observed about Armenia's decision not to charge Russia rent that

This is because Russia and Armenia are allies. They have no commercial relationship like the one between Azerbaijan and Russia. Russia will not fight for Azerbaijan, but will fight for Armenia. Armenia is part of the overall defense of the Collective Security Treaty Organization (CSTO). Armenia cannot maintain effective means of defense because it is quite expensive. The presence in the country of the Russian Federation base equipped with anti-aircraft missile systems S-300 and MiG-29 [fighters] and able to provide a reliable defense against threats to Armenia of a certain scale, that is, something that can be fought off with their own forces and resources. In case of a more serious threat, additional forces and air defense and fighter aircraft may be redeployed there.¹²⁸

¹²⁷ *Ibid*; Emil Souleimanov, "Russia Ends Lease of Gabala Radar Station in Azerbaijan," *Central Asia Caucasus analyst*, January 9, 2013; Richard Rousseau, "Azerbaijan Using Gabala Negotiations to Change Russia's Policy," *Eurasia Daily Monitor*, July 13, 2012

¹²⁸ "Russia Protects Armenia From Western Influence," www.pravda.ru, October 19, 2012; Moscow, *Interfax-AVN Online*, in English, January 18, 2013, *FBIS SOV*, January 18, 2013

Ruslan Pukhov, Director of the Moscow Center for the Analysis of Strategies and Technologies (CAST) also observes that this military buildup signifies that Moscow has acted to remain “in the lead” militarily in the Caucasus and invoked U.S. and Israeli military assistance to Azerbaijan.¹²⁹ And Admiral Sergei Alekminsky, Commander of the Caspian Flotilla, points out that Russia cooperates here primarily with Kazakhstan and less so with other states. He also added that tensions between Iran and Azerbaijan, and between Azerbaijan and Turkmenistan, have intensified to the point that “there could be war” as a result.¹³⁰

Meanwhile, Armenia has agreed to keep the Russian base at Gyumri until 2044, and both it and Russia are “modernizing infrastructure” on the Iranian-Armenian border.¹³¹ This “modernization” entails a new treaty on military-technological cooperation with Armenia and the manning of Gyumri with contract servicemen that had led to a doubling of the base’s effective strength in 2012. This professionalization of the ground and air defense forces there is openly advertised as being connected with the possible initiation by Azerbaijan of combat operations against Armenia over Nagorno-Karabakh, or Israeli action against Iran. These decisions came out of the exercises of the Collective Security Treaty Organization in Armenia in 2012, which showed the need to professionalize defenses there. Russian generals and analysts like Pukhov invoke Azerbaijani statements of Azerbaijan’s readiness to use force if there is no resolution in Nagorno-Karabakh, high Azerbaijani defense spending, and Azerbaijan’s less than friendly foreign policy towards Russia, as expressed in the Gabala issue. The concurrent military-technological cooperation accord with Armenia will lead to joint defense enterprises and training centers for border guards and specialists on emergency situations to upgrade the capacity of Armenia’s defense industry.¹³²

During this buildup, the controversial military commentator Aleksandr Khramchikin, Deputy Director of the Institute for Political and Military

¹²⁹ Goble

¹³⁰ *Ibid*

¹³¹ Yerevan, *Mediamax*, in English, February 9, 2013, *FBIS SOV*, February 9, 2013; Vladimir Mukhin, “CIS: Russia is Reinforcing Its Base in Armenia,” Moscow, *Nezavisimaya Gazeta Online*, in Russian, January 18, 2013, *FBIS SOV*, January 18, 2013

¹³² *Ibid*

Analyses, claims that U.S. moves to withdraw from Iraq, and reopen Alaskan oil fields, suggests the likelihood of an impending strike against Iran.¹³³ He also believes that a U.S. and/or Israeli strike on Iran would lead Iran to destroy infrastructure everywhere near its borders (presumably for shipping energy to Europe), including Kazakhstan, and draw Moscow into the war. He, too, notes the strengthening described above of the Caspian Flotilla. Indeed, he believes that the exercise, Operation Tsentr' in September 2011 that involved land, sea, and air forces in Central Asia, and the forces of Kazakhstan and Kyrgyzstan, rehearsed precisely this scenario of an Iranian attack on Kazakhstan, as another sign of Russian preparations against such a scenario.¹³⁴

Whatever the accuracy of Russian perceptions may be, these forces are more than just a precautionary deployment. Even though, as of this writing, tensions involving Iran have subsided due to the opening of a negotiating round comprising the permanent members of the Security Council and the EU with Iran, these deployments have not been recalled. These forces and threats make it possible for Moscow to play the role of a neo-colonial "Ordnungsmacht" in the South Caucasus. These forces threaten all the oil and gas pipelines running through the Caucasus. They threaten another war with Georgia, and once again Russian sources endlessly charge that Georgia is preparing forces to attack Russian territory and/or Abkhazia and South Ossetia just as they falsely argue that Georgia did in 2008.¹³⁵ Those propaganda attacks on Georgia and on its leader, President Mikheil Saakashvili, are unrelenting and suggest that Moscow still does not feel it won enough in 2008 and that its position in the Caucasus is insecure. Furthermore, since Saakashvili lost the October 2012 parliamentary elections, Russian propaganda no longer blames the "criminal Saakashvili" but simply Georgia for starting the war. Indeed, this was the justification for unannounced naval exercises in the Black Sea in spring 2013. Beyond the threat to independent Georgia and independent energy pipelines, Moscow

¹³³ Viktor Savenkov, Sergey Ishchenko, "Interviews with Aleksandr' Khranchikin and Konstantin Sivkov, Moscow, *Svobodnaya Pressa*, in Russian, December 22, 2011, FBIS SOV, December 22, 2011

¹³⁴ *Ibid.*

¹³⁵ FBIS SOV, March 16, 2012; FBIS SOV, March 27, 2012

also could use these forces to threaten Azerbaijan, who is no less a pro-Western and independent actor than is Georgia.

Whether or not those forces are intended only to threaten Georgia while deterring either Tehran or Washington; they also clearly threaten Azerbaijan's security. And Azerbaijan has good reason to suspect Russian intentions. Armenian political scientist Arman Melikyan claims that in earlier tripartite negotiations on Nagorno-Karabakh with Armenia and Russia in 2011 that Russia ostensibly "brokered", Moscow was to arrange for the surrender of the occupied [liberated, in Armenian parlance] territories, thereby ensuring its military presence in return and establishing a network of military bases in Azerbaijan to prevent any further cooperation between Azerbaijan and NATO. While Armenian authorities reportedly accepted this plan, Baku refused to do so and saved Armenia, which clearly wants to incorporate Nagorno-Karabakh, from relinquishing the territory to it. Since recent revelations show that Azerbaijan desires NATO's full cooperation and says it would even consider membership in NATO if not for implied Russian and Iranian opposition, its rejection of this transparent neo-imperialist Russian ploy is hardly surprising.¹³⁶

Moreover, these revelations show the danger in leaving the initiative in negotiating an end to the conflict in Russia's hands alone. Azerbaijani officials like Elchin Huseynli of the Ministry of Foreign Affairs have accused the OSCE of passivity and support for Armenia rather than Azerbaijan's just position. Huseynli rightly cited the Armeno-Russian military collaboration that underscores the conflict and reflects Moscow's unrelenting desire to recover some of its lost imperial heritage in the Caucasus. In response to Moscow and Yerevan, Turkish Defense Minister Ismet Yilmaz said in Baku that Turkey is ready to support and join with the Azerbaijani army in defense production. Both states have also signed an agreement on strategic cooperation and formed a high advisory council. Thus Azerbaijan decided to

¹³⁶ Joshua Kucera, "Azerbaijan told the U.S. It Wants "full Membership" in NATO," *Eurasia insight*, September 5, 2011, www.eurasianet.org

reject Moscow's demand that it subordinate its defense and security policy to Moscow.¹³⁷

Adding to Russia's discomfiture on this issue is the fact that the EU has now registered its unhappiness with the stagnation of the Nagorno-Karabakh conflict. European Parliament member Kristian Vigenin, returning from Yerevan, openly stated the Parliament's dissatisfaction with the failure of the OSCE Minsk Group process to get anywhere and stated that the Parliament suggested replacing France's delegate to the Minsk process with an EU representative, even possibly The EU Commissioner for External Relations and Security Policy, Catherine Ashton.¹³⁸ Although there has been no sign of this previously, Moscow also apparently believes that Washington is trying to revive the Bush Administration's alleged "Big Caucasus Project" to pull the South Caucasus out of Russia's orbit and somehow supplant Russia in the Karabakh process.¹³⁹ Turkey's realignment with Azerbaijan clearly places it opposite Armenia and Russia, and if there are EU moves to join the process and weaken Russia's position there, it is not unlikely that Turkey will be on Baku's side against Yerevan and Moscow.

Nagorno-Karabakh

As the foregoing analysis suggests, Nagorno-Karabakh is possibly the most intractable security challenge facing Azerbaijan but it is certainly the most urgent and critical one demanding resolution, simply because it is the most dangerous of all Azerbaijan's challenges. It comprises not just a challenge to overall regional security but to international security more broadly, just as the Georgia war did. It disfigures both Armenia's and Azerbaijan's economic profile by subjecting the former to a Turkish embargo, and the latter to excessive defense spending. The refugee population in Azerbaijan is obviously a source of concern to the government, and furthermore, the conflict provides a platform for both Russia and Iran to threaten Azerbaijan,

¹³⁷ Stephen Blank, "The Perils of non-Resolution in Nagorno-Karabakh," *Central Asia Caucasus Analyst*, November 2, 2011

¹³⁸ Yuri Roks, "The West Wants to Supplant Russia in the Karabakh Proceedings," Moscow, *Nezavisimaya Gazeta Online*, in Russian, November 14, 2011, FBIS SOV, November 14, 2011

¹³⁹ *Ibid.*

or at least to intervene in future resolution efforts there. And the continuing status of Section 907 limits what Washington can do, or alternatively, provides excuses to those who continue to counsel inaction. In any case this legislation, while punishing Azerbaijan, helps consign Armenia to continuing embargo, backwardness and incomplete sovereignty as Russian pressure upon it continues to grow in the absence of any countervailing force from another side.

Everyone admits that the negotiations on Nagorno-Karabakh are at an impasse, an inherently dangerous situation for all parties. Even if Baku believes that the talks have stagnated and that the issue will not be resolved this year, as it appears to do, that is no excuse for inaction, quite the opposite, precisely because of the danger it contains.¹⁴⁰ At present, the danger of renewed war is very considerable, due to the combination of a diplomatic impasse, increasingly forceful rhetoric from both sides, loose Azerbaijani talk of starting a war to make everyone take the issue seriously, accelerating Azerbaijani defense spending, and the rising incidence of violent episodes along the front lines – the most recent being on February 17, 2013. The war in Georgia displayed how quickly supposedly frozen conflicts could warm up, especially if someone, as Russia did in 2008, had an interest in stirring provocations.

Continuation of this conflict impedes economic development, security, and democratization in both Armenia and Azerbaijan as well as obviously their security. Furthermore, another explosion would inflame domestic unrest in both countries and bring Russia, if not Iran, decisively into play in Azerbaijan (both states clearly seek a role in managing this conflict). That can only be against Azerbaijan's vital interests. Third, any explosion would immediately expand into a major international crisis because of the role of Turkey. Turkey is heavily involved with Azerbaijan, not only in energy issues but also in providing military training and support for its position; any Turkish involvement, as in 1993, could bring in NATO. In 1993, when war last flared, Moscow resorted to nuclear threats to deter Turkey, which

¹⁴⁰ Moscow, *Interfax-AVN Online*, in English, December 25, 2012, *FBIS SOV*, December 25, 2012; Moscow, *Interfax-AVN Online*, in English, January 16, 2013, *FBIS SOV*, January 16, 2013; Baku, *www.trnews.az*, in Russian, January 30, 2013, *FBIS SOV*, January 30, 2013

indicates just how dangerous a new war could be.¹⁴¹ As noted above, Turkey has already given verbal indicators of its readiness to support Azerbaijan, and if a war with Armenia breaks out, Turkey's Islamist government will have great difficulty climbing down from those words if a Muslim neighbor and friend is at war with a Christian enemy. Fourth, any new war would have inherently unforeseeable consequences. Neither Armenia nor Azerbaijan can confidently predict the outcome of the war, nor can anyone predict how Russia would behave if such a war broke out especially if either or both sides appealed to it as signatories of the Tashkent Treaty of 1992, and in Armenia's case, as a member of the collective Security Treaty Organization (CSTO). What is certain is that no matter how the war might start, the defeated party's government would come under immense domestic pressure, another factor making such a war an inherently hazardous enterprise. Even if Azerbaijan's army is a vastly different from 1993, so too is Armenia's army, and the presence of the Russian base at Gyumri must be reckoned as a factor compelling restraint in such a war. And it is likely that in such a war, Armenia would, as its war games and as Russian experts suggest, destroy Azerbaijani pipelines causing unimaginable havoc inside Azerbaijan.¹⁴² So apart from the moral responsibility to seek peace and end conflict, there are compelling strategic reasons why Azerbaijan should seek a peaceful resolution of this war.

If war was to break out and Azerbaijan would lose, its independent ability to supply Europe with energy would likely be curtailed. The possibility of a Trans-Caspian pipeline bringing Central Asian producers into Europe without Russian "mediation" would be foreclosed for a long time. These outcomes not only would negate Turkey's positive influence in the region

¹⁴¹ Stephen J. Blank, LTC William T. Johnsen and Stephen C. Pelletierre, *Turkey's Strategic Position at the Crossroads of World Affairs*, Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War college, 1993, pp. 73-74

¹⁴² Vladimir Mukhin, "Karabakh Air Defense Roulette, Baku could use Russian Weapons in Escalation of Armed Conflict Between Armenia and Azerbaijan," Moscow, *Nezavisimaya Gazeta Online* in Russian, January 30, 2013, FBIS SOV, January 30, 2013; Joshua Kucera, "Armenian Military Simulates Attack on Azerbaijan's Oil," *Eurasia Insight*, October 17, 2012, www.eurasianet.org; Sargis Haratunyan, "Missile Strikes on Oil Facilities Simulated in Armenian War Games," *Radio Free Europe Radio Liberty*, October 17, 2012

along with its dream of being an independent energy hub, Eastern and Southeastern Europe would then have no alternative but to take Russian energy on whatever terms Moscow could choose to dictate. We can be sure that those terms would go beyond prices, pipelines, and quantities of oil and gas to be purchased to affect their most vital interests and political constitution. Russia would then move closer to the Middle East, particularly Iran, and probably not only geographically but also militarily and politically as well. That enhanced Russian presence would certainly work against U.S. and Western influence in the Middle East and Iran. All these are compelling even vital U.S. and Western interests, and show again how bound up those interests are with security in the Caucasus.

The danger of new violence is very real. The conflict is undermining Azerbaijan's economy as its defense spending is already several billion dollars annually, while it faces sizable problems of resettling refugees, growing domestic unrest, and constant Iranian and Russian pressures. Russia's military presence in Armenia and the treaty of the CSTO, to which Armenia belongs, inclines observers to believe that Russia, as Armenia regularly claims, will come to Armenia's rescue if Azerbaijan provokes a war in the belief that it can replicate what Egypt did in 1973, or Croatia in 1995. Not surprisingly, therefore, Azerbaijani officials view the CSTO with considerable distrust.¹⁴³ That analogy is misplaced, since despite the large investment in defense by Azerbaijan, its forces are no match for Armenia and Russia could keep anyone from coming to its aid, as did the U.S. in 1973 for Israel. If Russia is allowed to become the sole *Ordnungsmacht* in the region, Azerbaijan's future would be very bleak indeed.

Therefore both sides need to ratchet down the rhetoric that Nagorno-Karabakh is theirs and will be recovered. Azerbaijan's position that any solution must include a resolution to the refugee problem is well argued here.¹⁴⁴ Regarding this last point, Georgia's unfortunate experience and the almost seventy years of Arab-Israeli wars should indicate that any demand

¹⁴³ Vladimir Mukhin, "Karabakh Air Defense Roulette, Baku could use Russian Weapons in Escalation of Armed Conflict Between Armenia and Azerbaijan," Moscow, *Nezavisimaya Gazeta Online* in Russian, January 30, 2013, *FBIS SOV*, January 30, 2013; Baku, *Turan*, in Russian, December 4, 2012, *FBIS SOV*, 2012

¹⁴⁴ Moscow, *Interfax*, in English, May 5, 2009, *FBIS SOV*, May 5, 2009

that refugees be repatriated in advance of any political settlement ensures stalemate. Similarly it would be better, even if such speeches play well at home, for Azerbaijani officials to refrain from threatening preemptive strikes of war in order to force foreign governments to pay attention to this crisis.

Given the situation where diplomacy between the parties is at an impasse and war not a viable option, different modalities of negotiation and mediation are clearly called for. Azerbaijan therefore needs to conduct a much more vigorous diplomacy, particularly one that seeks to get Washington, if not the EU, interested in this issue because of the profound ramifications a potential conflict has for Europe as well as Azerbaijan. For the longer this conflict goes on and is not resolved, the more entrenched Armenia's claims to own this land become, and the harder it will be to achieve for Baku to achieve not just a palatable resolution to Nagorno-Karabakh, but also the indisputably Azerbaijani lands adjoining that province that were lost in 1993.

Clearly Azerbaijan cannot rely on the so called good offices or intentions of Russia as a mediator despite Russia's constant readiness to play this role in return for becoming the security guarantor of the Caucasus, a strange proposition given its record in Georgia and military assistance to Armenia.¹⁴⁵ Melikyan's report above shows that Russia certainly cannot be entrusted with an exclusive mediation here if an equitable outcome is to be achieved. That does not mean Russia's legitimate interests should be ignored. But given the stakes involved, an American if not conjoined U.S. and EU negotiating initiative that takes into account Russia (or incorporates Russia with it) should be launched sooner rather than later. But for such an initiative to succeed and even be launched with some promise of success, both sides must be willing to propose and accept mediation. For now, not only is Russia an untrustworthy mediator if it is left alone to perform that role, Armenian politics too are clearly hostage to the idea that Yerevan can retain Nagorno-Karabakh indefinitely while Moscow will protect it from all evil.

¹⁴⁵ Moscow, *Interfax*, in English, September 27, 2011, *FBIS SOV*, September 27, 2011; Tbilisi, *www.civil.ge*, in English, September 29, 2011, *FBIS SOV*, September 29, 2011

A 2011 essay by Gerard Libaridian denounced the Armenian government for abdicating its responsibility to provide its people with secure, dignified, peaceful lives due to its obsession with retaining these territories and alienating its neighbors thereby. Libaridian rightly warns that large-scale emigration is undermining the basis for the survival of the state and that this emigration is clearly due to a lack of economic and political opportunities. And the lack of such opportunities is intertwined with Armenia's undemocratic politics and intransigent foreign policy. In 2010, the UN Development Program found that almost one-quarter of Armenia's population had emigrated since 1991, due to lack of opportunity, and that there was every reason to expect a new upsurge of emigration for the same reasons. Recent press reports appear to validate the UNDP's predictions. Moreover, a 2008 report by the International Labor Organization revealed that Armenia essentially has no program either to prevent or bring back migrants to retain their skills and know-how. Indeed, quite the opposite. Armenian President Serzh Sargsyan calls on Russia to stop encouraging migrants with easy conditions and jobs. Like King Canute, he might as well bid the tide to stop rolling in.

A similar irresponsibility and abdication of responsibility to deal with reality affects Armenia's approach to Nagorno-Karabakh. Indeed, these issues are linked because Yerevan's obduracy in refusing to relinquish any claim to Armenian sovereignty of the Azerbaijani territory it conquered in 1993 not only prevents peace; it also strangles local economic development. By insisting on not linking the Nagorno-Karabakh issue to normalization of relations with Turkey, a stance that has no popular or Parliamentary support in Turkey, let alone Azerbaijan, Armenia forfeited any chance of normalization and an end to the Turkish embargo of the border that isolates Armenia from international trade and development. Some estimates put the cost of this blockade as high as 15 percent of annual GDP. Given such conditions, high rates of emigration, especially where a pre-existing Diaspora is ready to welcome emigrants, or states like Russia will welcome them with attractive conditions, is an obvious response to economic deprivation.

Worse yet from Armenia's standpoint, Libaridian points out that Moscow's recent effort to broker a negotiated settlement shows that for Russia,

Armenia's claim on these conquered territories is now negotiable. In other words, Yerevan cannot automatically count on Russian support or a Russian blank check for its policies. Since Russia is Armenia's only effective ally, this sign from Moscow should make the Armenian government rethink its position and face reality. But incredibly, President Serzh Sargsyan, speaking in July 2013 to students, suggested that future generations would and should undertake the task of reclaiming what was once Western Armenia, historically part of the medieval Armenian kingdom, but now part of Turkey ever since the Ottoman empire. The Turkish response was predictable. Prime Minister Recep Tayip Erdogan immediately demanded a retraction and an apology. But no such response is immediately forthcoming.

It should be clear that Armenian politics are clearly hostage to the idea that Yerevan can retain Nagorno-Karabakh indefinitely while Moscow will protect it from all evil. Therefore it does not have to deal either with its neighbors or its own urgent socio-economic problems. This outlook, as Libaridian points out, is a delusionary policy that can only further undermine Armenia's security and ultimately its statehood. Armenia, just like Azerbaijan, needs peace sooner rather than later. It does so not just because failure to move forward could lead to a war or because it should make peace out of a sense of obligation to Azerbaijan. Rather, it needs to make peace now because its supreme national interests, the economic and political security of its people and state, are at risk from the failure to do so. And the longer it persists in its current delusionary course, the sooner the crisis of Armenian statehood will come upon both the state and its people who deserve something more from their government.¹⁴⁶

The influence of those parties who hold to this idea is well known. Therefore, according to this theory's precepts, it does not have to deal either with its neighbors or its own urgent socio-economic problems. But such delusional thinking hardly benefits Armenia as it too clearly wants and needs enhanced contact with the West. As Libaridian points out, this outlook

¹⁴⁶ Stephen Blank, "The Perils of Non-Resolution in Nagorno-Karabakh,"; Jirayr Libaridian, "Emigration Threatens Armenia: Libaridian's Appeal," Ianyan, August 3, 2011; <http://www.ianyanmag.com/2011/08/03/emigration-threatens-armenia-libaridian-s-appeal/>

represents a delusionary policy that can only further undermine Armenia's security and ultimately its statehood.¹⁴⁷

Given Melikyan's revelations above and charges by Russian analysts like Mikhail Aleksandrov at the Institute of the CIS, who claim that Azerbaijan is stimulating an arms race by lavishing expenditures on its military, Russia must not be left alone to mediate this conflict. While Azerbaijani defense spending is enormous; bilateral military cooperation between Moscow and Yerevan dates back almost twenty years to 1992 and took the form of massive arms transfers, so the question of who is to blame is by no means clear. Aleksandrov also charged that Azerbaijan would be better off not buying weapons and that Moscow's ties with Yerevan support the regional balance of powers and creates a counterweight to Turkey. Otherwise, he claims that the West would penetrate the region even militarily and that we would then see something like Libya and Syria in the South Caucasus. Obviously such self-serving justifications of Russian meddling and neo-imperialism are also not unexpected. Therefore the demand that he makes that Azerbaijan alone make concessions, which apparently was the form of the abortive Russian effort at brokering a settlement, is clearly a non-starter.¹⁴⁸ Meanwhile many analysts have argued cogently that Russia is in fact not unduly displeased that the conflict stagnates as long as it does not turn violent, for if that happened, that would then concern Russia quite a lot. Thus once Azerbaijan's position made it impossible for Russia to stay at Gabala, President Putin reportedly vetoed the further sale of Russian air defenses to Azerbaijan.¹⁴⁹

If Russia is an unreliable mediator and France a failed one, this leaves only the U.S. as a member of the Minsk process established by the OSCE to make the running. In 2001 Secretary of State Powell attempted such a mediation but to no avail, and it has never been fully clear why it failed. Probably the

¹⁴⁷ Stephen Blank, "The Perils of Non-Resolution in Nagorno-Karabakh."

¹⁴⁸ Vladimir Socor, "Moscow Issues Trans-Caspian Project Warning," *Asia Times Online*, December 2, 2011, www.atimes.com; Vladimir Socor, "Bluff in Substance: Brutal in Form: Moscow Warns Against Trans-Caspian Project," *Eurasia Daily Monitor*, November 30, 2011

¹⁴⁹ Moscow, *Nezavisimaya Gazeta Online*, in Russian, July 5, 2011, *FBIS SOV*, July 5, 2011; Vladimir Mukhin, "Karabakh Air Defense Roulette,. Baku could use Russian Weapons in Escalation of Armed Conflict Between Armenia and Azerbaijan," Moscow, *Nezavisimaya Gazeta Online* in Russian, January 30, 2013, *FBIS SOV*, January 30, 2013

reasons then were much like those now. Neither president is willing to confront his domestic base with the concessions that must be made for there to be real peace and security. But otherwise, we will only be marking time until the next explosion – which will in no way benefit Azerbaijan – breaks out. A different approach is needed, and it is one that only that the U.S. can sponsor. And as noted above, Azerbaijan has hitherto vainly sought that U.S. involvement. But to get that result, it will have to persuade a skeptical (to say the least) Washington that Azerbaijan merits such a change in U.S. policy and that it merits that change because vital U.S. interests are now at play. But for that to take shape Azerbaijan too must rethink how it can persuade the U.S. to take its responsibilities in the Caucasus more seriously.

The U.S. Response

Given these Russian and Iranian threats to a region where Moscow has already shown its proclivities to use force and which is increasingly vital to European energy security and to the prevention of a renewed Russian neo-imperial formation, one would expect a strong U.S. policy. In fact, however, there is no such thing. One searches in vain for the elaboration of any kind of strategic vision for the Caucasus or ringing commitment to it. As one recent assessment of the Obama Administration's record observes,

Concerning the Americans, the recent record bespeaks a kind of "inadvertent disengagement." Verbal commitments to Georgia before and after the Russian war have not been matched by deeds. Washington had no ambassador in Baku for more than a year, blindly neglected to consult with President Aliyev when it was in the throes of negotiating with Turkey and Armenia, and then failed to include Azerbaijan in a meeting on nuclear arms while including both of the other two Caucasus states. A hastily arranged letter by President Obama to President Aliyev and visits from the U.S. Secretaries of Defense and State acknowledged that relations had gone off the tracks but were short on concrete steps to right them. Meanwhile Yerevan also suffered from U.S. policy, when the Obama initiative to open Armenia's border with Turkey failed.¹⁵⁰

In fact, the U.S. essentially still has no discernible policy for Azerbaijan, a fact that has led analysts and the Azerbaijani government to warn in 2010 that Washington might lose the country. At that time Washington supported the misguided idea that Armenian-Turkish normalization has nothing to do with the Nagorno-Karabakh conflict. Thus in their 2009-10 efforts to obtain a normalization of Turco-Armenian relations, they severed

¹⁵⁰ S. Frederick Starr, "introduction: the Caucasus: Freed from Illusions Freed to Seize Opportunities," Fariz Ismailzade and Glen E. Howard, Eds., *The South Caucasus 2021: Oil, Democracy, and Geopolitics*, Washington and Baku: The Jamestown Foundation and the Center for Strategic Studies, Baku, 2012, p. xiv

the two issues from each other, and predictably the entire initiative ran aground. U.S. officials still attack Azerbaijan as being undemocratic (a fact that is true for all the CIS regimes but which is no barrier to friendly relations with Uzbekistan, whose record is worse). Many officials see Azerbaijan as being essentially important only insofar as it is a logistical hub for the war in Afghanistan and say otherwise that they do not want to hear of the problems of the Caucasus.¹⁵¹ And as regards Armenia, the U.S. has adopted a wholly passive position on the potentially explosive Nagorno-Karabakh conflict, allowing Russia to monopolize the diplomatic initiative to settle this conflict, and thus freeing Moscow to attempt to impose a neo-colonialist order in the Caucasus as noted above.

Moreover, administrations since the 1990s have been hamstrung by Section 907 of the Freedom Support Act of 1993 denying any direct government-to-government aid to Azerbaijan. This paragraph is the product of strong Armenian lobbying and there is no sign either that the Administration or Congress will ask for its repeal or repeal it anytime soon for fear of antagonizing that lobby and triggering a filibuster or similar delaying tactics. Obviously, this makes it very difficult for the U.S. to conduct an evenhanded policy in the South Caucasus that truly advances U.S. interests, let alone values. Nevertheless the Administration, if it truly thinks this region is important, should make the effort to stimulate a public debate as to why this legislation contravenes U.S. interests while doing nothing for Armenia. The issue is not rewarding Azerbaijan but rather giving Washington the flexibility needed to navigate in a complex situation and allowing it to assume a stronger profile in the region, and to enable it to play a stronger and more credible role, should it choose to do so as a peacemaker or facilitator in regard to the Nagorno-Karabakh issue. Failure to act leaves the matter largely up to Russia, which has no discernible interest in bringing about a reduction of tension or in materially benefitting Armenia or Azerbaijan.

Since this situation only benefits Russia at the expense of U.S. and Western interests in the Caucasus, it becomes clear that for many policymakers it is more important to placate Russia in the dubious belief that by doing so, Washington will get meaningful cooperation on proliferation regarding Iran

¹⁵¹ Conversations with U.S. analysts, Washington, April-August 2010

than to formulate and execute policies that challenge Russian neo-colonialism in the former Soviet Union. Likewise, apparently many of them believe that it is not worthwhile for the U.S. to become too involved with small states of the region, since after all they cause trouble on their own or with Russia and ultimately they are in any case part of Russia's sphere.¹⁵²

Although there were signs of a change in 2010, they have come to nothing. Secretary of Defense Robert Gates traveled to Baku in early June 2010. Gates brought with him a letter from President Obama pledging to treat Nagorno-Karabakh as a priority issue, and admitted that the trip was prompted by Azerbaijani concerns of being ignored.¹⁵³ President Obama's letter, however, mentioned Nagorno-Karabakh at the end of the issues he deemed important, namely, support for our efforts in Afghanistan, preserving the southern corridor for energy ties with the West, and then Nagorno-Karabakh.¹⁵⁴ Another issue prompting Gates' trip was concern that due to its feelings of being left out by Washington Azerbaijan might opt out of the Northern Distribution Network (NDN) of which it is an important part to the degree about one-quarter of the coalition's non-lethal supplies to Afghanistan go through Azerbaijan.¹⁵⁵ President Obama's letter also called for an enhanced and deeper bilateral relationship with Baku that includes defense. In addition, Secretary of State Clinton made a visit to Azerbaijan.¹⁵⁶ Gates also indicated a U.S. interest in revitalizing the Caspian Guard program to help Azerbaijan defend its coastline against terrorists and smugglers, and also a

¹⁵² Conversations with U.S. analysts, Washington, April 2010

¹⁵³ "U.S. Tries to Soothe Irritated Azerbaijan," *Reuters, Moscow Times*, June 7, 2010, p. 4; Craig Whitlock, "Gates Brings Reassurances to Azerbaijan Leader," *The Washington Post*, June 7, 2010, P. A09

¹⁵⁴ The letter can be accessed from Thomas Goltz, "Bad Blood in Baku," www.foreignpolicy.com/articles/2010/06/11/bad_blood_in_baku, accessed on June 15, 2010

¹⁵⁵ Whitlock, "Gates Brings Reassurances to Azerbaijan Leader,"

¹⁵⁶ "U.S. President: U.S. Wants to Broaden and Deepen Ties with Azerbaijan," <http://en.trend.az/news/politics/foreign/1700713.html>, June 7, 2010; "U.S. Secretary of State to visit Azerbaijan," <http://en.trend.az/news/politics/enforcement/1700610.html>, June 7, 2010

U.S. interest in enhancing intelligence cooperation with Azerbaijan.¹⁵⁷ These are all positive constructive steps that should be welcomed and expanded, but they do not by themselves constitute the end of all problems. Indeed, to more cynical observers among U.S. intelligence officials, the only important issue for us is Afghanistan, not Aliyev's agenda.¹⁵⁸ If that is the case it is not a healthy sign for the future of our ties with Azerbaijan. Thus Secretary Gates' visit and the president's letter only marked a beginning of a new phase which needs to be implemented because Baku clearly wants Washington to play a more active role in bringing the Nagorno-Karabakh question to a political resolution.¹⁵⁹

If the U.S. fails in this endeavor or backslides, as has been the case throughout the Obama administration's tenure, and once again neglect Azerbaijan and the larger Caucasus, it would be incurring serious risks. This neglect of the Caucasus is particularly dangerous, given that the consequences of the Russo-Georgia war are still apparent, and not only in Georgia. The preceding discussion of the Nagorno-Karabakh impasse, of Russian and Iranian threats against Azerbaijan and other Caspian energy producers, and the importance of Azerbaijani energy for Europe all show the extent of the vital American and European interests at stake here. It has already been shown that an Armenian-Azerbaijani war over Nagorno-Karabakh would be a disaster for all parties that can only conclude in heightened Russian influence over all three Caucasian states despite their clear desires (in Baku and Tbilisi's cases) to avoid that outcome. In such a crisis there would be little that the U.S. could do to bring about a rapid end to hostilities and some form of political settlement. But beyond that, continued neglect of Azerbaijan does nothing to resolve this conflict, does nothing to increase chances for democracy in either Armenia or Azerbaijan, encourages adventurers in Azerbaijan who argue that starting a war would force people to take notice of the issue, undermines progress on emancipating both the former Soviet states and Europe from Russian efforts to use energy to impose

¹⁵⁷ US Department of Defense, "Media Availability With Defense Secretary Gates en route to London, June 7, 2010, www.defense.gov//transcripts/transcript.aspx?transcriptid=4637

¹⁵⁸ Goltz

¹⁵⁹ "U.S. Secretary of State To Visit Azerbaijan,"

its neo-colonialist policies, and creates greater likelihood that Russia will persuade Azerbaijan that it cannot rely on Washington and should ship its gas through Russian pipelines, a catastrophic outcome for Europe.

Certainly Azerbaijan clearly wants U.S. greater involvement because it believes Armenia is procrastinating and that only U.S. pressure and involvement could galvanize it into acting.¹⁶⁰ And it has also asked Turkey to persuade Washington to act in this conflict.¹⁶¹ In fact analysts like Svante Cornell and Zeyno Baran both say that both Armenia and Azerbaijan trust only the U.S. and Azerbaijan believes that the only way to a solution is through negotiations among the big powers.¹⁶² Moreover, Azerbaijan, like Georgia, desires NATO's full cooperation and says it would even consider membership in NATO if not for implied Russian and Iranian opposition.¹⁶³ NATO has now grasped the nettle and sent a delegation to Azerbaijan to discuss setting up an Individual Partnership Action Plan (IPAP) under the Partnership for Peace program of NATO.¹⁶⁴ While that is a change for the better, even that change is too slow and grudging and must be sped up.

The neglect of the Caucasus never was justifiable because failure to deal with this region's issues undermines the security of Europe and leaves open-ended the prospect of a revived Russian neo-colonial bloc that threatens the status quo. If European security is indivisible as we have steadfastly claimed, it must include the Caucasus.¹⁶⁵ Moreover, silence on or disengagement from the former Soviet space in fact gains little or nothing for the U.S.' larger reset

¹⁶⁰ "Moscow *Interfax*, in English, May 18, 2010, *FBIS SOV*, May 18, 2010; Baku, *APA*, in English, May 18, 2010, *FBIS SOV*, May 18, 2010; Moscow, *Interfax*, in English, November 7, 2012, *FBIS SOV*, November 7, 2012

¹⁶¹ Moscow, *Interfax*, in English, December 7, 2009, *FBIS SOV*, December 7, 2009

¹⁶² James Nixey: *The South Caucasus: Drama on Three Stages*, in Robin Niblett, Ed., *America and a Changed World: A Question of Leadership*, London: Wiley-Blackwell 2010,, p. 130

¹⁶³ Joshua Kucera, "Azerbaijan told the U.S. It Wants "full Membership" in NATO," *Eurasia insight*, September 5, 2011, www.eurasianet.org

¹⁶⁴ "NATO Wants Azerbaijan as Wedge Between Russia and Iran," *Global Research*, February 29, 2012, www.infowars.com

¹⁶⁵ Robert Legvold, "Introduction: Outlining the Challenge," Bruno Coppieters and Robert Legvold, Eds., *Statehood and Security: Georgia After the Rose Revolution*, Cambridge, MA: and London: MIT Press, 2005, p. 29; Stephen Blank, "Russia and Europe in the Caucasus," *European Security*, vol. 4 No. 4, Winter, 1995, pp. 622-645.

policy, for after all, Russia has no less an interest than does the U.S. in strategic stability at lower weapons numbers, stopping the Taliban and Islamic extremist threat, and forestalling Iranian proliferation. If these are vital Russian interests as Moscow says they are then it cannot demand and Washington should not give it what Moscow regards as concessions that are due to it that subjugate the CIS to its neo-colonialist policies. Those policies foreclose equally vital U.S. interests as well as create the conditions for conflict by perpetuating authoritarian governments who are subjugating themselves to Russia against their own people's interests. Otherwise Russia will continue to probe and seek to undermine the post-Cold War status quo that has prevailed in Europe. Moreover, a policy that engages the South Caucasus and possesses a clear strategic vision for the region backed up by coherent and unified Western policies meets the expressed desires of the local governments, including to some degree Armenia, which has expanded cooperation with NATO.¹⁶⁶

Moreover, a vibrant Western policy will help secure the primary goal of engaging an increasingly democratic Russia since as long as "the lure of something erotic on the peripheries" is seen by Moscow as not just enticing, but also attainable, it will continue to pursue the policies of internal and external colonialism with terrible results for its own people as well as for its neighbors and interlocutors. Ultimately Russian empire, even in a watered down neo-colonial format, is incompatible not only with democracy and genuine prosperity for Russia, the former Soviet republics, and Europe, it is also incompatible, as the North Caucasus shows, with any chance for peace inside Russia. All these considerations therefore mandate a change in policy toward Azerbaijan and the South Caucasus in order to rekindle the U.S. awareness of this region's strategic importance and its importance, in particular, to the U.S. and its European allies. But such an initiative must be carefully and thoughtfully prepared.

¹⁶⁶ "NATO-Armenia Military Cooperation Is Developing," *www.Times.am*, January 24, 2012; "Armenia wants to be part of NATO, UK Ambassador says," *Armenian Life*, April 13, 2012, <http://www.armenianlife.com/2012/04/13/armenia-wants-to-be-part-of-nato-uk-ambassador-says/>

For Azerbaijan to engage the U.S. it must continue to expand its European presence and diplomacy as it has been doing. But it must also make tangible and credible action towards a liberalization and democratization of its politics. Hard as that may be, such actions will force Washington to notice Azerbaijan and deprive it of excuses for inaction. Unfortunately, the conduct of the last presidential election led Baku to lose rather than gain credibility in Washington when fate had given it a golden opportunity to impress both Washington and Europe.

There is no reason to stop the defense buildup but violent rhetoric and hints of readiness for war do little to advance Baku's interests since it is well known that Baku cannot win such a war and that initiating one would lead to a disaster. Instead, Baku needs to prepare an initiative that would bring about a fundamental rethinking of U.S. policy. The preparation of such an initiative also requires extensive work among U.S. elites to induce them to see the validity of the need for the U.S. to act here.

As Turkish officials have been arguing for years, the initiative must be one to negotiate the entire set of issues pertaining to Nagorno-Karabakh, territorial status, delimitation, return of indisputably Azerbaijani territory, (i.e. the Lachin corridor) settlement of all financial and refugee claims leading to peace and normalization of relations not only between Armenia and Azerbaijan but also between Turkey and Armenia. The previous U.S. initiative that severed the connection between the Turkish-Armenian and Armenian-Azerbaijani relations justifiably failed because it was not locally credible (neither is it credible to many experts). The Azerbaijani initiative here must make it clear that as a reward for peace, not only would Armenia and Turkey normalize relations, Turkish sanctions against Armenia and border closings would end and trade would resume. This "blockade cost Armenia up to 15 percent of its GDP so ending it should be a major incentive. It is clear that substantial investments must be made in both Armenia and Azerbaijan to settle claims and deal with refugee issues, but those expenses should be made in the interests of peace and the opening up of normal economic life in the region. In the end that process should ultimately repay those expenses.

Third, as a result of Turkey's participation in the settlement (and if it wants to contribute to these aforementioned investments, that should be encouraged) the EU would finally take serious account of its application for membership. It is long since visible to everyone how much the failure take Turkey's applications seriously has cost Europe.

The ensuing pacification of the Caucasus would not only open the way for full development of Azerbaijani gas and oil shipments to Europe, it would galvanize economic development throughout the Caucasus to both Turkey's and Russia's advantage, allowing Russia to gracefully demilitarize its large presence there and to benefit from expanding trade and economic ties with a growing region. This settlement could create something of a precedent for other outstanding regional conflicts as well. And as a virtuous circle strengthening Europe by ringing Turkey fully into its midst would probably strengthen the EU's capacity for dealing with issues in Southeast Europe like Cyprus and the full integration of the Balkans along a Western basis.

Moreover Azerbaijan should work with its Caspian sates like Kazakhstan and Turkmenistan as well as with Washington and the EU not only to obtain political cover for a Trans-Caspian pipeline, which could also be a byproduct of a hoped for peaceful resolution of Iran's problems with the West, but also for the development of LNG and other technologies that would allow for Central Asian gas to traverse the Caspian by ship and not by pipeline. As has been indicated, that development would sidestep the tortuous negotiations over delimiting the Caspian and provide a robust legal basis for moving that gas to where its producers and potential consumers want it to go. That would also strengthen the realization of all the U.S. and Azerbaijani objectives bound up with the free movement of hydrocarbons through the Caspian. None of these moves would preclude either the U.S. or for that matter Russia from providing requested military aid and assistance to local governments like Azerbaijan or Armenia. But there would then be no acts of war and a general transformation of relations among local governments. Peace would also reduce justifications for authoritarianism in both rhetoric and policy and if these recommendations are heeded, they would also be preceded by Azerbaijani moves to liberalize the government of

the country and strengthen it internally against Iranian and/or Russian incitement.

One should have no illusions that this rosy future is just waiting for us to seize it. Governments will have to work hard indeed to make it happen. But the outcomes of a failure to take such steps, whether they are in Baku or in Washington, are already clear to most observers. War and continued authoritarian rule also undermines progress towards integration and democratization in Europe leaving European security issues open for new clashes and strife. Due to events in the Caucasus, one cannot take either the Caucasus' or Europe's security for granted. The beginnings of wisdom for both Baku and Washington lay in understanding all the implications of that injunction to not take regional security for granted. For if one thinks through what that really means for all the factors and governments involved here, the necessity for a new Azerbaijani and a new U.S. approach become logically overwhelming. While logic hardly governs all human endeavors, we should remember that, as Samuel Johnson put it, "the fear of being hanged in the morning wonderfully concentrates the mind." If either or both sides continue to fail to act, the consequences are clear to see. Since one cannot imagine that either Azerbaijan or Washington wants to see such negative outcomes instead of the steps towards a virtuous circle proposed here, both Baku and Washington should concentrate their minds and come to see the need for greater unity and coordination sooner rather than later.

Author Bio

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