

**Remarks by His Excellency Elmar Mammadyarov,
Minister of Foreign Affairs of the Republic of Azerbaijan
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Dr. Niblett,
Ladies and Gentlemen!

It is both pleasure and honor to appear here today before all of you. The walls of CSIS and many familiar faces I see in the audience return me to days not so distant, bringing back the nostalgic memories of my tenure as a Deputy Chief of Mission at our Embassy here. One can't help but feel that way when visiting a place where he used to live and work for years.

To be quite honest, working at an Embassy in Washington is the best possible way of preparing a diplomat to almost any challenge he/she might face in the future. But nothing can prepare you for the task of directing foreign policy for a country, which has made a rapid transition from relative obscurity to the world spotlight in just a few years. As a Foreign Minister of such a state you might have to attend prominent events like the NATO Summit in Istanbul and the IPAP-dedicated meetings in Brussels, also working on state visits of heads of such diverse states as Greece and Pakistan, and all that in less than a month. Actually, that was my schedule prior to coming to DC.

Azerbaijan's balanced foreign policy in the region and conscious political choices, as well as growing US interest triggered my country's evolution from a "country of interest" to "important nation" to "strategic partner and ally" of Washington.

The recent proof of that growing prominence is the mention of Azerbaijan which can be found in the language of the Istanbul NATO Summit's Communique welcoming Azerbaijan's decision to develop the Individual Partnership Action Plan with NATO. The Plan was presented by the President Ilham Aliyev during his May 2004 official visit to the NATO and EU headquarters.

The fact remains that, as my contacts in both Istanbul and more recently in Brussels have shown, the Partnership for Peace (PfP) program has become very instrumental in bringing South Caucasus closer to the NATO doorstep, providing, in our view, a logical continuation to the process which in our case started in 1994 with Azerbaijan's accession to the PfP. Since that time we worked quietly and intensively on developing closer ties with the Alliance, including submitting the detailed IPAP earlier this month by myself.

This is just one aspect of the nation's drive closer to Europe, to the Euro-Atlantic community, which has been recently (June 2004) re-confirmed by the EU's decision to include South Caucasus into the Neighborhood policy. For Azerbaijan, it became yet another, after early 2001 admission into Council of Europe, symbol of recognition of the country's achievements on the path of political and economic reforms, of building a democracy based on protection of human rights and civil freedoms.

Azerbaijan's full and unconditional support to the Global War on Terror is a good example of a conscious choice in the nation's foreign policy. Steps undertaken by Baku included, among others, an offer to provide overflight and field services rights. By sending troops to Kosovo (36), Afghanistan (23), and becoming the first Muslim nation to contribute a force (150) to the Coalition of the Willing in Iraq, the Government of Azerbaijan has confirmed its dedication to developing the country's peace-keeping capability, as well as the irreversibility of the above-mentioned choice. And, while making this choice in our geopolitically volatile region of the world, there were potential consequences to be reckoned with. Thus, for Azerbaijan this was a principled decision, which required a great amount of political courage.

It should be emphasized that our bilateral cooperation got more active and effective after the heinous acts of terror of September 11, 2001. This tragedy has demonstrated with full clarity the controversial circumstances we were living through: forced by the terrorist attacks to react, America found itself in the situation where it could not allow to neglect allies willing and ready to help. Section 907 of the Freedom Support Act, the unwise 1992 – adopted Congressional sanctions, severely restricting US Government - to - Government aid to Azerbaijan because of distorted perception of realities in the South Caucasus, had to be reversed.

Azerbaijan's post 9/11 offer of "whatever necessary" materialized later in overflight and refueling rights for US aircrafts, as well as in contributing troops to ISAF. By now Washington was aware that the sanctions were precluding it from taking full advantage of this sincere offer to help. Only then it became possible to waive the infamous sanctions, though not lift them fully. It immediately resulted in increased cooperation, especially in the military and security areas.

Let me talk about the basis, which allowed us to undertake the reforms and to pursue the ideals of full independence. Azerbaijan's current stage of independent evolution is largely based upon the secular and democratic ideals of the Azerbaijan Democratic Republic of 1918 - 1920, and is a logical follow-up to the latter. 13 years ago the country encountered a number of obstacles, including both problems common for the post-totalitarian states such as loss of traditional markets, disruption of economic ties, galloping inflation, steadily growing unemployment, etc., and a number of region- and country- specific

issues (internal political turmoil, separatist movements, territorial conflict with a neighbor).

Wisely - designed energy policy of the late President Heydar Aliyev became a foundation for both overcoming the economic impediments and also for forging international alliances and embedding Azerbaijan's niche within the international community. Conclusion of the Contract of the Century with Western oil companies in 1994 and successful progress of both exploration and transportation projects in the Azerbaijani sector of the Caspian, coupled with continuous instability in the Middle East encouraged Baku's return to the international energy arena in the capacity of an active player. With daily oil production expected to reach 1 million barrels in 2008, as well as with discovery of huge Shakh Deniz containing almost 1 trillion me of gas plus considerable amounts of gas condensate, Azerbaijan became a prominent international energy player.

Diversification of energy supplies to the Western markets, which became especially crucial in the last decade, with oil being frequently used as a pressure instrument, is an idea very close to Azerbaijan, which throughout its years of independence operated based on the assumption that "happiness is in multiplicity and diversity." The energy policy of the Azerbaijan Government helped to re-discover the Caspian for the American companies and led the US Administration to terming the basin a "rapidly growing new area of supply."

Azerbaijan's emergence as a significant factor in Washington's quest for supplies diversification will be supported by the upcoming completion of the Baku- Tbilisi- Ceyhan Main Export Pipeline in 2005 and Baku- Tbilisi- Erzerum gas pipeline in 2006. In a landlocked region like the Caspian, transportation routes are vital, especially if it aspires to become a new major and reliable source of supply.

As mentioned earlier, strong and persistent policy of the Government of Azerbaijan is aimed at using the oil assets to finance the economy's reconstruction and diversification. Fully transparent Oil Fund, specifically established for the purpose of accumulating the energy revenues, is a handy tool to that end.

Azerbaijan's Government was fully aware that, after bringing the inflation under control, most important economic issues included creation of an investor-friendly climate and growth of the investment flow in a non-energy sector, which would lead to, among others, curbing unemployment. Azerbaijan has already attracted over 100 businesses and achieved steady growth of trade between the two nations, which peaked in 2003 with US imports from Azerbaijan nearly tripling compared to the year 2000 and reaching approximately \$600 million. Direct per capita foreign investments portfolio in Azerbaijan became the highest in the CIS. TDA- financed projects in the fields of information technologies, tourism, and education contribute to further diversification of Azerbaijan's economy.

Regional and trans-regional groups and entities, such as the Silk Road, TRACECA, GUUAM, make their contributions in spurring economic growth and building better understanding among the nations, thus both promoting the regional political and economic cooperation and contributing to the Euro-Atlantic and global security.

The Republic of Azerbaijan considers aggressive separatism to be one of the most dangerous challenges to international security and stability. And there is good practical reason for that: with its abundance of natural and human resources, our region is, unfortunately, also rich in conflicts. That is why, whenever asked about my priorities in the current position, I usually answer in one word - "the conflict". The unresolved issue of decades-lasting Armenian armed aggression against Azerbaijan which resulted in occupation of nearly 20% of Azerbaijan's territories and emergence of about 1 million refugees and internally displaced persons, remains in the focus of attention not only of the Government in Baku, but also of the international community, including the UN, OSCE, OIC, Council of Europe and the European Union. The US is a co-chair, along with Russia and France, of the OSCE Minsk Group, established to help with mediating this dispute. Effectiveness of the meetings between the two Presidents, later complemented by another format, on the level of foreign ministers, has, unfortunately, been continuously undermined by the inability of the Armenian side to reach political consensus and define a single national approach to the settlement issue.

Azerbaijan's policy is aimed at a just and lasting peaceful solution to the conflict. The only viable way out of the created impasse is to settle the conflict based on the principles of international law. Yet, let me be totally frank with you: only with the return of the IDPs to their homes will the path be cleared towards real breakthrough. More and more members of the international community understand that. As recently as July 13th the CoE Committee of Ministers emphasized, among others, the need to accelerate efforts aimed at lasting and peaceful solution to the Armenia - Azerbaijan, Nagorno Karabakh conflict, "in conformity with the territorial integrity of the country [Azerbaijan]".

Summing up my presentation, I will leave one final thought with you. Azerbaijan may be still carrying some heavy burdens of the last hundred years, yet we are all ready for the challenges of the XXI century. Even more, we work actively to meet them.

I'll be glad to take your questions.