

Summary: Azerbaijan's Strategic Role in Eurasian Pipeline Politics

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Featured Speaker:

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REMARKS ON AZERBAIJAN'S STRATEGIC ROLE

Elkhan Nuriyev

As a stable and democratizing country in the geo-strategically important South Caucasus region, Azerbaijan plays a key role in energy security, stability, and regional economic cooperation. It is therefore important that Western nations, the European Union in particular, should safe-guard Azerbaijan as an energy and resource hub for both the EU and Central Asia.

The Heightened Importance of Energy Transit and Security

The global financial crisis and the collapse of oil prices showed the importance of pipeline politics, namely the importance of ensuring access to energy resources in times of economic uncertainty. This is especially true for the sustainable development of Eurasian energy corridors.

As energy security is viewed as an increasingly important strategic goal, it is important to look at energy security in the broader context of increased cooperation and long-term geo-strategic goals.

The Importance of Azerbaijan's Role as an Energy Supply Transit Country

Azerbaijani President Ilham Aliyev's foreign policy strategy is to ensure Azerbaijan's role as a leader in the South Caucasus. Azerbaijan's position as an energy supply and transit country, and in particular its contribution to the diversification of energy routes, has helped the country reach these goals. Several projects have solidified Azerbaijan's geo-strategic role in energy transport, including the BTC, Baku-Supsa, Baku-Novorossiysk, Baku-Tbilisi-Erzurum pipelines, and the purchase of Kulevi oil terminal. Together, these projects have led to geo-strategically important route diversification capacity for both suppliers (in ensuring stable rates) and consumers (ensuring energy security and a steady supply of energy).

Potential Benefits of Azerbaijan's Geo-Strategic Role

Azerbaijan's importance in the region is not limited to its role as an energy production and transport nation; it is also a stable trading partner and a democratizing nation in a region not known for either of those qualities. Rents

and subsequent income from the diversification of oil and gas pipelines have enabled Azerbaijan to begin diversifying its domestic economy, with the goal of becoming less dependent on oil and gas in the future. Further, the cooperation and mutual interest engendered through transnational projects have encouraged greater cooperation between the Caucasus and the Western world. In addition, the BT-Kars railway project will likely foster greater regional economic cooperation and therefore foster greater cooperation in both east-west and north-south trajectories.

Finally, it is important not to underestimate Azerbaijan's potential role as a cultural mediator in the region. It is possible that Azerbaijan, as a stable trading partner committed to economic pragmatism, might play a role in helping not only the south Caucasus, but the Middle East as well. Azerbaijan has already shown its capacity for dialogue with nations in the region and its dedication to a balanced foreign policy. As a result, the United States and the European Union should develop relationships with Azerbaijan that are based on mutual trust and benefit.

Future Opportunities and the Nabucco Pipeline

Azerbaijan currently operates at about 50% of potential production capacity, with transit capacity serving as the limiting factor. The Azerbaijani government is examining additional opportunities for exploration and transit, including the Turkey-Greece-Italy corridor and the proposed Nabucco pipeline.

Azerbaijan supports the Nabucco project, as it would enhance Azerbaijan's role as a key geo-strategic player in the region, bring increased revenues to the region, and ensure greater energy security for the EU. However, Azerbaijan realizes that the project still faces a number of obstacles, including:

- 1) Lack of clarity regarding project funding
- 2) The lack of an integrated EU energy policy
- 3) Divided opinion among EU leadership*

President Ilham Aliyev is advocating fiercely for the project. However, in order for Nabucco to be successful, European companies must take ownership, and the EU leadership must be prepared to stand up to Russia. Because of the negative effects of the Russia-Ukraine gas crisis, Europe now has an increased interest in developing new routes. However, this has not translated to consolidated support for Nabucco, and Mr. Aliyev cannot advocate any more adamantly for the project than the Europeans do.

Conclusion

Azerbaijan seeks a pragmatic, economics-based approach to foreign policy in which the relationships between energy suppliers, transit countries, and consumers is based on common interest. Because of Azerbaijan's ability to take part in large, transnational energy projects and their commitment to democratic

* Despite support from Brussels, the fact that only some Central and Eastern European countries would benefit from Nabucco has led to a lack of consensus on the project.

government, they play an important geo-strategic role not only in the South Caucasus, but also in the wider Black Sea/Caspian Sea basin and the Middle East as a whole. Therefore, the West (and particularly the European Union) should work toward the development of a new energy policy based on long-term geo-strategic goals in the region that also takes into account the unique geo-strategic importance of Azerbaijan.

QUESTIONS & ANSWERS

Andrew Kuchins began the discussion with the first question about Russia and its role in the Azerbaijan's strategy and what challenges and opportunities they present. Mr. Nuriyev stated that Russian factor is very strong in the South-Caucasus, and that it is trying to increase its influence in the region. Russia has been quite successful in promoting its role and reemerged as a stronger player. On the other hand, Mr. Nuriyev argued, recognition of being an integral part of a wider Black Sea – Caspian basin allowed Azerbaijan leaders conduct interest-based foreign policy in this region. Mr. Nuriyev also said that Azerbaijan has a very clear picture of the major forces in the region and will keep a balanced but diplomatic stance in its relations with all neighbors. Russia, Nuriyev noted, is considered a strategic partner and is in very good relationship with Azerbaijan. However, Azerbaijan will try to mitigate its dependence on Russia's influence despite the fact that Russia is becoming a global player. A good strategy for Azerbaijan would be, Nuriyev argued, to try to balance between Russia and the U.S., especially when Russian and the U.S. interest coincide in Azerbaijan.

Answering a question whether good relations with Russia asserted that Azerbaijan might sell all exportable gas to Russia, Nuriyev said that this proposal is under consideration and will be seen in the light of diversification efforts of Azerbaijan. Recent meetings of the presidents of the two countries do not imply that Azerbaijan is ready to sell its gas to Russia. At the same time, Azerbaijan cannot ignore Russia and its interests, Mr. Nuriyev said.

One of the discussants was interested in Nuriyev's opinion about Nabucco project and argued that in the light of a recent agreement with Gazprom and growing support of the South Stream pipeline Nabucco becomes a less viable solution. A question was asked whether there are any private companies working in Azerbaijan that support Nabucco and what their views are.

Mr. Nuriyev answered that the state-controlled company SOCAR (The State Oil Co. of Azerbaijan) publicly supports the Nabucco project. European companies are cautious, because the future of the Nabucco project remains open. Major problems with the project, Nuriyev argued, pertains to the fact that certain parties try to politicize the project. There is no champion for Nabucco project while there are major companies and national leaders that support the rival projects. Nabucco is not economically viable and there is no need for another east-west pipeline. Generally speaking, Azerbaijan's policy is right in this regard.

Mr. Nuriyev continued the conversation by saying that there is a lack of pragmatism of the parties involved in the projects. The BTC (Baku-Tbilisi-Ceyhan) pipeline was a very pragmatic choice as well as Baku-Novorossiysk project. Mr. Nuriyev believes that since Azerbaijan is in the center of the pipeline politics in the region it should and does play a pragmatic role. In the case when one of Azerbaijan's neighbors is extremely pro-U.S. and other is extremely pro-Russian it is extremely hard for Azerbaijan to develop a balanced and pragmatic policy, Nuriyev added.

Continuing the topic, Mr. Nuriyev was asked to draw a likely scenario in the case if the situation in the region stays the same in the near future. Mr. Nuriyev said that Azerbaijan is mostly concerned with the issues of regional security. Azerbaijan wants to see Georgia to become and remain stable, and it also wants and does invest abroad. Furthermore, Mr. Nuriyev noted that Azerbaijan does not understand EU's strategy in South Caucasus, and EU should outreach directly to all member of the South Caucasus community instead of having a comprehensive strategy for the whole region. The EU should not serve as a mediator in the region between Russia and the U.S., Nuriyev stressed.

The next question pertained to the Azerbaijan's relationship with Kazakhstan and progress in the oil transit corridor between the two countries. Mr. Nuriyev said that he does not see any issues with Kazakhstan and added that the two countries enjoy a great level of economic engagement. Azerbaijan maintains a strategic dialogue in a variety of issues between the two countries and considers Kazakhstan a very strategic partner.

Discussion continued with a question how the prospects for the East-West transit corridor could be affected by the fall in the investment from Kazakhstan into Georgia. Mr. Nuriyev stated that Azerbaijan is extremely concerned with the current situation in Georgia, and the Western policy toward Russia that led to the war in Georgia was a very big mistake. He also said that current situation in Ukraine is becoming a very serious geopolitical issue, and he hopes that the country will manage to overcome its troubles. He also noted that Ukraine is still very far from being called a democracy.

Continuing the discussion, Andrew Kuchins agreed with Mr. Nuriyev that EU needs to deal directly with the countries in the region, and asked Nuriyev what the content of the more assertive EU's policy in the region should be. Nuriyev answered that Azerbaijan has a NP action plan of 2006 as a part of NAP, and it would like the EU to play a bigger role than it currently does in the resolution of the Nagorno-Karabakh conflict. French representation in the Minsk Group is not sufficient for the resolution of this conflict. Nuriyev also added that EU has large potential and well-established foreign policy institutions to initiate dialogue to promote conflict resolution in the region, and this calls for a need for a comprehensive action plan or agenda for conflict resolution measures.

Next question concerned the Azerbaijan's relations with Iran. Mr. Nuriyev answered that the relations are very positive even though Iran is being cautious of NATO expansion in the region. Although the bilateral relations were on a low level in the 90's, Iran accepted Azerbaijan's role in the region and developed a

pragmatic partnership. Azerbaijan has numerous projects with Iran from gas to agriculture, and both countries benefit from it economically and politically. Iran also tries to influence current and future developments in South Caucasus.

Commenting on Mr. Nuriyev's opinion it was stated that Iran definitely asserts its role in the region, and provides help to Turkmenistan. Turkmenistan has links with Iran, Turkey and Armenia. Mr. Nuriyev said he thinks that the matter will depend on development between US-Russia relations and he hopes that they become more programmatic than political.

Dr. Kuchins continued by asking if Mr. Nuriyev was optimistic about Iran's willingness to work with the U.S. administration. Mr. Nuriyev said there should be a more direct and honest dialogue established between the two countries with no intermediaries.

Discussion then moved to the question on Azerbaijan's position on the ongoing reconciliation between Turkey and Armenia. Mr. Nuriyev said that Azerbaijan never interferes with Turkish affairs, and that Turkey sent signals to Armenia that its troops should be removed from outside of Nagorno-Karabakh. Armenia should get rid of its unconstrained position and is ready to compromise, but its leadership does not want to compromise. He also added that Armenia is under strong pressure from Russia and the reason behind this is that Armenia wants a status-quo and good relationship with the Kremlin.

On the pipeline policy in the region Mr. Nuriyev commented that it is difficult to discuss such plans with Armenia until it withdraws from Nagorno-Karabakh. Azerbaijan is ready to invest in Nagorno-Karabakh and currently there is a strong demand for it. Furthermore, Azerbaijan has a strategic plan for Nagorno-Karabakh. Armenia does not yet seem to be ready for such a move, Mr. Nuriyev stated.

The last question concerned Azerbaijan's expectations of the U.S. new administration. Mr. Nuriyev asserted that there should not be double standards in regard to small countries, and a new strategy based on mutually beneficial relations should be adopted. Russia and the U.S. remain big powers but need to work on their relations. Azerbaijan expects real change from the Obama's administration, but faces a lot of challenges in international relations. Russia and the U.S. should start to think strategically about the South Caucasus/Caspian basin relations: what region can give and what the U.S. and Russia can offer. These countries should think economically first, and then politically, Mr. Nuriyev stressed. Azerbaijan is on the path to modernization, and promotes democratization through modernization, Mr. Nuriyev concluded.