

**AZERBAIJAN'S RELATIONS WITH THE UNITED STATES
IN
THE POST-SOVIET ERA**

**A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
THE MIDDLE EAST TECHNICAL UNIVERSITY**

BY

YELİZ KÜPÇÜK

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
THE PROGRAM OF EURASIAN STUDIES**

APRIL 2006

Approval of the Graduate School of Social Sciences

Prof. Dr. Sencer Ayata
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

Assoc. Prof. Dr. Ceylan Tokluođlu
Chair of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

Assist. Prof. Dr. Oktay F. Tanrısever
Supervisor

Examining Committee Members :

Assoc. Prof. Dr. Ceylan Tokluođlu	(METU,SOC)	_____
Assist. Prof. Dr. Oktay F. Tanrısever	(METU, IR)	_____
Assist. Prof. Dr. Ayşegül Aydingün	(METU,SOC)	_____

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last Name: Yeliz KÜPÇÜK

Signature:

ABSTRACT

AZERBAIJAN'S RELATIONS WITH THE UNITED STATES IN THE POST-SOVIET ERA

Küpçük, Yeliz,

M.S., Eurasian Studies

Supervisor: Assist. Prof. Dr. Oktay F. Tanrıseven

April 2006, 95 pages

After the Soviet dissolution, the newly independent post-Soviet state of Azerbaijan intensified its efforts at developing its relations with the United States. Based on the analysis of the Azerbaijan–U.S. relations between 1991-2006, the thesis tries to answer which factors could account for the existing political problems between these countries, given that both countries have a common interest in deepening their cooperation concerning the Caspian energy resources as well as the fight against international terrorism. This thesis argues that although both countries have many interests in common, they are unable to deepen their level of cooperation because of the Nagorno-Karabakh problem which, since it breaches the territorial integrity of Azerbaijan, is that state's main priority.

The thesis has four main chapters: after a general overview of the evolution of Azerbaijan's foreign policy in the post-Soviet era and the U.S. policies towards the Caucasus, I examine Azerbaijan's cooperation with the U.S. in the field of energy, the Nagorno-Karabakh problem in Azerbaijan's relations with the U.S., and Azerbaijan's cooperation with the U.S. in the fight against international terrorism. In this thesis I focus on these three interests of Azerbaijan in its relations with the U.S. because in analyzing this country's foreign policy these are vital issues that include economic development, territorial integrity and its global political role concerning security.

Keywords: Azerbaijan, The U.S., Caspian Energy Resources, The Nagorno-Karabakh Conflict, International Terrorism.

ÖZ

SOVYET SONRASI DÖNEMDE ABD- AZERBAYCAN İLİŞKİLERİ

Küpçük, Yeliz,

Yüksek Lisans, Avrasya Çalışmaları

Tez Yöneticisi: Yrd. Doç. Dr. Oktay F. Tanrısever

Nisan 2006, 95 sayfa

Sovyetler Birliği'nin dağılmasından sonra bağımsızlığını kazanan Azerbaycan devleti çabalarını ABD ile ilişkilerini geliştirmeye yoğunlaştırdı. Tezde; 1991-2006 yılları arasında Azerbaycan ve Amerika Birleşik Devletleri'nin ilişkilerinin analizi yapılırken bu devletlerin Hazar enerji kaynakları ve uluslararası teröre karşı işbirliği konularındaki ilişkilerini güçlendirmeleri her iki ülkenin ortak çıkarlarına katkıda bulunacakken hangi faktörlerin bu iki ülke arasındaki mevcut sorunlara yol açtığı sorusuna cevap verilmeye çalışılmıştır. Bu tez her iki ülke arasında birçok ortak çıkarlar olmasına rağmen, Dağlık Karabağ anlaşmazlığının işbirliğini geliştirme potansiyelini önemli ölçüde sınırlandırdığını savunmaktadır. Çünkü Dağlık Karabağ sorunu her ülkenin olduğu gibi Azerbaycan'ın da önceliği olan toprak bütünlüğünün ihlali ile ilgilidir.

Bu tez dört ana bölümden oluşmaktadır : Bu bölümlerde Azerbaycan dış politikasının evrimi ve Amerika Birleşik Devletlerinin Kafkasya'ya yönelik politikalarına genel bir bakışın ardından Azerbaycan'ın enerji alanında Amerika Birleşik Devletleri ile işbirliği, Azerbaycan'ın Amerika Birleşik Devletleri ile ilişkilerinde Dağlık Karabağ sorununun yeri, Azerbaycan'ın uluslararası terörizme karşı mücadelede Amerika Birleşik Devletleri ile yaptığı işbirliği konuları incelenmektedir. Tezde Azerbaycan'ın Amerika Birleşik Devletleri ile ilişkilerine bu üç konu üzerinden bakılmasının sebebi Azerbaycan'ın dış politikasının incelenmesinde ekonomik gelişme, toprak bütünlüğü ve güvenlik bağlamında küresel siyasi rolün hayati öneme sahip oluşudur.

Anahtar Kelimeler: Azerbaycan, Amerika Birleşik Devletleri, Hazar Enerji Kaynakları, Dağlık Karabağ Sorunu, Uluslararası Terörizm

To My Family

ACKNOWLEDGEMENTS

I express my sincere appreciation to my Supervisor Assistant Professor Dr. Oktay F. Tanrısever for his patience, tolerance and guidance; invaluable insight and encouragement in the process of choosing the topic and writing this thesis. He has been always helpful throughout this process. The completion of this thesis would not have been possible without his supportive guidance and invaluable comments.

I also thank to the members of the examining committee; Assoc. Prof. Dr. Ceylan Tokluođlu and Assist. Prof. Dr. Ayşegöl Aydıngün, for their valuable suggestions and comments during my examining committee meeting.

No words of gratitude would be sufficient enough to thank my parents Cemal and Şükran Kıpçık for their love, unshakable trust and faith in my academic skills throughout the my education. Especially, I want to thank to my amazing mother, for being with me as the closest friend.

I offer sincere thanks to my dearest aunt Dilek Erdoğan and her husband Kerim Erdoğan for their love and support.

I also would like to thank my Head of Section Mr. Sefer Sakarya at the Ministry of Health where I work, for his sincere support, tolerance and patience; my dear friends Ebru Cengiz and Ümmühan Bostan for motivating me during my studies and being such lovely sisters.

And last but not least, I would like to thank my high school teachers Mrs. Pakize Ata and Miss. Raziye Dađtekin for their incredible support to gain my self-confidence.

TABLE OF CONTENTS

PLAGIARISM.....	iii
ABSTRACT.....	iv
ÖZ.....	v
DEDICATION.....	vi
ACKNOWLEDGEMENTS.....	vii
TABLE OF CONTENTS.....	viii
CHAPTER	
1. INTRODUCTION.....	1
1.1 Scope and Objective.....	1
1.2 Literature Review.....	4
1.3 Main Argument.....	9
1.4 Chapters of the Thesis	11
2. EVOLUTION OF AZERBAIJAN’S FOREIGN POLICY IN THE POST-SOVIET ERA AND THE U.S. POLICIES IN THE REGION.....	13
2.1 Introduction	13
2.2 Azerbaijan and the U.S.....	15
2.3 Azerbaijan and its Neighbours	22
2.4 The Recent Developments in Azerbaijan and the U.S. Influence in the Region.....	30
2.5 Conclusion.....	32
3. AZERBAIJAN’S COOPERATION WITH THE U.S. IN THE FIELD OF ENERGY	34
3.1 Introduction.....	34
3.2 Azerbaijan, U.S. and the Politics of Caspian Energy Resources.....	36
3.3 Azerbaijan, U.S. and the Politics of Pipelines.....	41
3.4 Problems in Azerbaijan’s Relations with U.S. in the Field of Energy.....	43
3.5 Conclusion.....	47

4. THE NAGORNO-KARABAKH PROBLEM IN AZERBAIJAN’S RELATIONS WITH THE U.S.	49
4.1 Introduction	49
4.2 Origins of the Nagorno Karabakh Conflict.....	51
4.3 The U.S. involvement in the Nagorno Karabakh Conflict.....	56
4.4 Prospects for the Resolution of the Nagorno Karabakh Conflict.....	62
4.5 Conclusion.....	64
5. AZERBAIJAN’S COOPERATION WITH THE U.S. IN THE FIGHT AGAINST INTERNATIONAL TERRORISM.....	67
5.1 Introduction.....	67
5.2 The U.S. and September 11 Events.....	68
5.3 Azerbaijan’s Cooperation with the U.S. in the Fight against International Terrorism.....	69
5.4 The Growing Influence of the U.S. in the Caucasus.....	75
5.5 Conclusion.....	78
6. CONCLUSION	81
BIBLIOGRAPHY	86
APPENDICES	
A .THE SHARES OF COUNTRIES IN "PRODUCTION SHARING AGREEMENT(1994).....	94
B. THE SHARE DISTRIBUTION AMONG PARTNERS (November 2002).	95

CHAPTER 1

INTRODUCTION

The foreign relations of Azerbaijan with the U.S., after the declaration of its independence may be characterized by several factors and existing problems. After the collapse of the Soviet Union in 1991, only the U.S. remained as a global political power. Azerbaijan, at the regional level, also gained a special importance in the international arena because of its strategic position in Eurasia and its energy reserves. Azerbaijan, when it gained its independence, simultaneously lost its territorial integrity, which caused an internal instability which in turn led to a regional crisis. Both the energy resources and the internal turmoil in Azerbaijan shaped its foreign relations with the U.S. In this context, the following study will elaborate the bilateral relations, concerning the existing problems between the two countries and their common interests.

1.1. Scope and Objective

The title of this thesis “Azerbaijan’s relations with the U.S. in the post-Soviet era” reflects the aim of the study in general but in detail the purpose of this thesis is to examine the Azerbaijan’s relations with the U.S. in the context of their cooperation in the exploitation of energy reserves; their partnership in the fight against international terrorism; and to analyze the existing problems concerning the Nagorno-Karabakh conflict during the independence period and up until 2006.

I decided to examine these three aspects of Azerbaijan foreign policy because in analyzing the foreign policy of any country one needs to look at the vital interests of that state. These interests include its territorial integrity as in Azerbaijan’s Nagorno- Karabakh problem, its economic interests as in Azerbaijan’s development of its oil and natural reserves and finally its global political role as in Azerbaijan’s cooperation with the U.S. in the fight against international terrorism.

In the early years of their relationship the U.S. had been involved in economic transition especially in the oil and gas sector and from the middle of the 1990s the regulation of the biggest internal problem of Azerbaijan, the Nagorno-Karabakh conflict. By the beginning of the 1990s Azerbaijan lived through a difficult period related to its territorial integrity and the separatist movement of Karabakh Armenians. After the reformation period in the USSR, which resulted in the Soviet dissolution, Azerbaijan was faced with the territorial claims of neighboring Armenia as well as its Armenian minority which composed the majority in the Nagorno-Karabakh Autonomic Region. Russian support of the Armenian invasion of Nagorno-Karabakh, the political ambitions of its other neighboring state, Iran, forced Azerbaijan to take urgent measures to maintain its territorial integrity. At the same time, the Azerbaijani political leaders faced the geostrategic isolation of their country from the other neighboring parts in Eurasia. Therefore, the political establishment of the landlocked¹ and small territory of Azerbaijan was forced “to find new partners and allies in the international arena”.² According to Azerbaijani political analyst, Vafa Guluzade, Azerbaijan handed over its positions to the U.S.³

Indeed, it is hard to imagine the formation of Azerbaijan foreign policy without the role of the U.S. and other regional powers including Russia, Iran and Turkey. There is no doubt that for the South Caucasian newly independent states, particularly for Azerbaijan, the U.S. played a dominant role both on the regional and global level. Despite its great distance from the South Caucasus, today the U.S. administration is able to seriously affect Azerbaijan foreign policy because both countries want greater cooperation concerning the Caspian energy resources as well as the fight against international terrorism; yet the Nagorno-Karabakh conflict impedes the development of closer relations between the two countries.

¹ As Houman Sadri stated, “despite having a Caspian shore, Azerbaijan is a land-locked state: a geographic factor that significantly limits its foreign relations”.

² Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

³ Bekir, Babek., “Panorama, Interview with Vafa Guluzade- the Azerbaijan President’s ex-state adviser on foreign policy.”, “*Azadliq Radiosu*”, December 26, 2005. Accessed February 3, 2006 at [ftp://realaudio.rferl.org/ch16/20051226-1400AZ.rm](http://realaudio.rferl.org/ch16/20051226-1400AZ.rm).

In addition, there are several direct and indirect obstacles in the developments of these relations. Among the existing problems, Azerbaijan is faced with competition from its neighbors because the oil and gas reserves and the agreements with the Western companies gave it the opportunity to establish a more independent foreign policy. Furthermore, Iran's dissatisfaction with the Caspian delimitation and the pressure put on the Azeri population in its territory has adversely affected the Azerbaijan-Iran relations and these disagreements have indirectly influenced relations with the U.S. Among their neighbors, maybe only Turkey, member of NATO and supporter of Western policies in the Caucasus, has not tried to compete and has actively promoted Azerbaijan's integration with the Western bloc.

The still high-level economic dependence of Azerbaijan on the Kremlin, the political frictions and instability in politics can also be counted among the problems that have made the U.S. administration suspicious towards Azerbaijan. However, in this thesis the democratization issues will not be discussed in detail; it is sufficient to explain as a critical point that the attempts for Azerbaijan integration with the "Western bloc" have failed because of the insufficient development of Azerbaijani democratic institutions.

Besides, in the early 1990s as a result of a misconception of American official circles, the U.S. Congress perceived Azerbaijan as an aggressor against Armenia and Nagorno-Karabakh and this was enshrined in Section 907 of the Freedom Support Act 1992, which imposed severe limitations on U.S. foreign aid to Azerbaijan.⁴ This can be regarded as a short-term success on the part of the Armenian lobby in Washington.

After gradual internal stabilization, during the Heydar Aliyev term as Azerbaijani President, in 1993-1995, Azerbaijan implemented a balanced foreign policy, which later resulted in the better understanding of Azerbaijan's advantages by the U.S. policy-makers. Even though Armenian lobbies are more influential than pro-Azerbaijan lobbies at the middle and high political levels inside U.S. political circles, a pro-Azerbaijan direction in U.S. foreign policy after 1997-1998 made possible the

⁴ Ambrosio, Thomas., "Congressional Perceptions of Ethnic Cleansing: Reactions to the Nagorno-Karabakh War and the Influence of Ethnic Interest Groups." *The Review of International Affairs*. Vol. 2, No.1, pp.24-45, Autumn 2002.

open support of international energy projects and therefore gave priority to the interests of Azerbaijan.

Even the displeasure of American private investors in Azerbaijan, caused by the relatively low output from the Caspian oilfield, did not change the attitude of the U.S. officials at the end of the 1990s. In my view, the growing U.S. influence in South Caucasus was especially evident in the Azerbaijan-U.S. relations. As a result, the U.S. official circles overlooked the small failures in bilateral relations and continued to support Azerbaijan.

After the September 11 terrorist attacks on the U.S. in 2001, the foreign policy of Azerbaijan changed to open military cooperation with the anti-terrorist coalition initiated by the U.S. Azerbaijan and Georgia were put on the list of most favored nations with whom the U.S. increased its military cooperation and financial assistance.

To sum up, after more than a decade of diplomatic relations, despite the advantages of Azerbaijan's geostrategic position in the developments of bilateral relations, the further exploitation agreements of Caspian energy resources for the global market, and the growing military cooperation between Azerbaijan and the U.S. in the fight against international terrorism, the full potential of this relationship has not been realized because of the Nagorno-Karabakh conflict and the continuing regional turmoil.

1.2. Literature Review

An overview of the literature analyzing Azerbaijan's foreign policy shows that no one perspective dominates. The country is relatively young, the general foreign policy principles are still being elaborated, and therefore Azerbaijan-U.S. relations are described mainly by foreign observers. There are two different views among academics on the question of the Azerbaijan- U.S. relations.

According to one group of academics and researchers, Azerbaijan is slowly moving towards integration with Western states, where the U.S. plays a significant role in the formation of its foreign policy preferences. The opposite view shows the relative slowness of Azerbaijan's integration into world affairs after the Soviet breakup. According to the latter group, Azerbaijan is a small country highly

influenced by its neighboring regional powers, like Russia and Iran. Therefore, it is useful to analyze Azerbaijan-U.S. relations in detail in the context of Azerbaijan's foreign policy developments. Thereupon, the main attention of researchers was focused on Azerbaijan's need to strengthen its independent foreign policy through the earliest recovery of its territorial integrity.

According to the former National Security Advisor Zbigniew Brzezinski in the administration of President Jimmy Carter in 1977-1981, Azerbaijan, along with Ukraine and Uzbekistan in post-Soviet area "deserve the highest U.S. support", because these states are geopolitically key regional countries.⁵ It is a strong argument, which explains why Azerbaijan foreign policy has been highly influenced by the U.S. Azerbaijan Western University researcher, Fariz Ismailzade, says that Azerbaijan provides obvious advantages for U.S. policy-makers, in spite of weaknesses inherent in the bilateral relations deriving from Azerbaijan's history and amplified by its political situation.⁶

The political analyst, former Azerbaijan presidential adviser Vafa Guluzade in his analysis of the Azerbaijan-U.S. relations comments on the growing influence of American foreign policy in Azerbaijan and also underlines the still-existing domination of regional power Russia in South Caucasus, especially in hostile neighboring Armenia, where the "Russian authorities have the last word".⁷ Authors like Sarah O'Hara⁸ and Osman N. Aras⁹ point up the importance of Azerbaijan in the international arena and emphasize the role of this newly independent state as a prospective oil and gas supplier in the Caspian basin. They regard the alternative oil

⁵ Brzezinski, Zbigniew., *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York: Basic Books, 1997; in Turkish: *Büyük Satranç Tahtası*, Istanbul: Sabah Kitapları, 1998, p.135.

⁶ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

⁷ Bekir, Babek., "Panorama, Interview with Vafa Guluzade- the Azerbaijan President's ex-state adviser on foreign policy.", "*Azadliq Radiosu*", December 26, 2005. Accessed February 3, 2006 at [ftp://realaudio.rferl.org/ch16/20051226-1400AZ.rm](http://realaudio.rferl.org/ch16/20051226-1400AZ.rm).

⁸ O'Hara, Sarah., "Great Game or Grubby Game? The Struggle for Control of the Caspian.", *The Geopolitics of Resource Wars*, 2003.

⁹ Aras, Osman Nuri., *Azerbaycan'in Hazar Ekonomisi ve Stratejisi*. Istanbul: Der Yayınları, 2001.

and gas export routes for Azerbaijan as a main instrument of gaining the independence.

The Princeton's research paper of Jofi Joseph also listed the benefits of the above- mentioned relations. His paper examines the Clinton Administration's efforts in the struggle for the future pipeline's route.¹⁰ In this sense, the foreign policy of Azerbaijan is highly influenced by the turning points in bilateral relations.

Among the authors who have researched the influence of the Armenian lobby on American foreign policy, Thomas Ambrosio has analyzed the strong presence of the Armenian lobby in the U.S. Congress and Administration which shows the importance of the influence of the Armenian lobby in formulating of the U.S. foreign policy towards South Caucasus.¹¹ In Tabib Huseynov's paper he analyzes the predominance of the national interests inside the U.S. and Azerbaijan's political authorities when one discusses the importance of the ethnic factors in the political arena.¹²

An expert on Azerbaijani foreign policy, Houman Sadri, underlines the "highly independent policy" of Azerbaijan in its early stages of independency and describes the policy of top-leaders in Azerbaijan as "oriented toward the West".¹³

In Celeste Wallander's paper Russian-American relations are described as having a powerful influence on Azerbaijan-U.S. foreign relations and as the future partnership relations. Therefore, the author focuses on the "Russia-as-partner" aspects of the relations between regional powers, Russia and the global power the U.S.¹⁴

¹⁰ Joseph, Jofi., "Pipeline Diplomacy: The Clinton Administration's Fight for Baku-Ceyhan.", *Woodrow Wilson School of Public and International Affairs*, Case Study 1/99. Accessed July, 2005 at <http://www.wss.princeton.edu/cases/papers/pipeline.html>.

¹¹ Ambrosio, Thomas., "Congressional Perceptions of Ethnic Cleansing: Reactions to the Nagorno-Karabakh War and the Influence of Ethnic Interest Groups." *The Review of International Affairs*. Vol. 2, No.1,pp.24-45, Autumn 2002.

¹² Huseynov, Tabib., "Influencing American Foreign Policy: A Case on Ethnic Versus National Interests.", Accessed October 8, 2005 at http://www.stradigma.com/english/june2003/articles_04.html.

¹³ Sadri, Houman., "Elements of Azerbaijan Foreign Policy.", *Journal of Third World Studies*, Vol.20, No. 1, Spring 2003, pp. 188- 189.

¹⁴ Wallander, Celeste A., "Silk Road, Great Game or Soft Underbelly? The New US-Russia Relationship and Implications in Eurasia.", *Journal of Southeast European & Black Sea Studies*, Vol. 3, No. 3, pp. 92-104, 2003.

The post-September 11, 2001 situation with its outcomes and the positive shifts are reflected in Elkhan Nuriyev's publication, where the author analyzes the importance of "outside help from both the U.S. and Turkey to restore a seriously violated balance of power in the [South Caucasian] region".¹⁵

The Congress Paper of Jim Nichol reflects the interests of the American political circles, which are concerned about a possible American invasion of Azerbaijan.¹⁶ The solutions of several ongoing problems in Azerbaijan, Georgia and Armenia showed the official American organizations' intentions towards Azerbaijan.

During the discussion of Azerbaijan's relations with the U.S., it is interesting to observe the alternative views, such as the statements of Alec Rasizade, which express his views of the absence of political and economic development in Azerbaijan and in which author does not recognize signs of serious democratic developments.¹⁷ He does not believe that the international cooperation of Azerbaijan has brought a transition from Sovietization to democratization, nor a respect for Western values nor long-term stability to the country or to the whole region.

The active critic of the current American policy in Eurasia, Lutz Kleveman, the writer of the *New Great Game*, describes the real situation in post-Soviet Azerbaijan and criticized the transformed U.S. foreign policy towards the authoritarian regimes in former Soviet republics.¹⁸

Generally, among the sharp critics of Azerbaijan foreign affairs, which includes also the U.S. relations, it is necessary to show the difference between the opinion of parliamentary opposition leaders and opinions of the rival, pro-Armenian, researchers, like Tavitian.¹⁹ Pro-Armenian views downplayed the importance of

¹⁵ Nuriyev, Elkhan., "Post- September 11 Regional Geopolitics: Azerbaijan and the New Security Environment in the South Caucasus.", *The Quarterly Journal*, No. 2, September, 2002, p.14.

¹⁶ Nichol, Jim., "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests.", *The Library of Congress*, January 19, 2005. Accessed July, 2005 at <http://www.fas.org/sgp/crs/row/IB95024.pdf>.

¹⁷ Rasizade, Alec., "Azerbaijan after a decade of independence: less oil, more graft and poverty.", *Central Asian Survey*, pp.349-370, 21 (4), 2002.

¹⁸ Kleveman, Lutz C., "Yeni Büyük Oyun.", (translated from English by Hür Güldü), İstanbul: Everest Yayınları, 2004.

¹⁹ Tavitian, Nicolas., "An irresistible force meets an immovable object: The Minsk Group negotiations on the status of Nagorno Karabakh.", 2000. Accessed October, 2005 at

Azerbaijan and focused on the inability of Azerbaijan to solve the Nagorno-Karabakh problem alone.

Analyzing the views of opposition leaders in Azerbaijan, Zardusht Alizade, represents the political opposition's wing and in the problem of Nagorno-Karabakh conflict resolution he claims that the U.S. presence in South Caucasus did not depend on the successful solution of the conflict. Therefore, according to him, the U.S. "uses two-faced standards" and does not fully support Azerbaijan in its liberation attempts in those parts of Nagorno-Karabakh territories occupied by Armenians.²⁰ On the contrary, Guluzade's arguments support the idea of American domination, already established in the South Caucasus.²¹

On a critical note, authors mentioned the high level of corruption in Azerbaijan, the high differentiation of per capita income between rich and poor, and disappointing yields of oil reserves, which decided some of the U.S. oil corporations against investing in the main export pipeline.

The writers also say that the Nagorno-Karabakh conflict is not solvable in Azerbaijan's near future. Therefore, as a critical point, it should be noted that the Azerbaijan-U.S. relations up till now have not reached their full potential for either side during the more than a decade period of relations. In order to understand the latest developments in Azerbaijan-U.S. relations, I used the different media sources along with the official web sites of the international organizations and the affiliated institutions. Generally, the preservation of the Azerbaijan's territorial integrity and the further development of Azerbaijan-U.S. relations is found in most papers of the cited authors and analyses given in other references. I kept my literature review in order to not reiterate the main arguments and to focus the attention of readers on the issues listed below. As a result of the different arguments' comparison, I made the following main argument on the basis of the above-mentioned range of perspectives and the literature review.

<http://www.wws.princeton.edu/cases/papers/minsk.html><http://www.wws.princeton.edu/cases/papers/minsk.html>.

²⁰ Alizadeh, Zardusht., "We shouldn't expect anything from the US on solution of the Karabakh problem.", *525 Gazet*, June 15, 2002.

²¹ Bekir, Babek., "Panorama, Interview with Vafa Guluzade- the Azerbaijan President's ex-state adviser on foreign policy.", "*Azadliq Radiosu*", December 26, 2005. Accessed February 3, 2006 at <ftp://realaudio.rferl.org/ch16/20051226-1400AZ.rm>.

1.3. Main Argument

This thesis tries to show which factors could account for the existing problems between these two countries, despite the fact that both countries have many common interests in deepening their cooperation concerning Caspian energy resources as well as the fight against international terrorism. The thesis argues that although both countries share common interests, the Nagorno-Karabakh conflict, which impedes the internal stability and peaceful atmosphere, limit the potential for greater levels of cooperation. I think this conflict will have the highest priority until Azerbaijan's territorial integrity is restored.

During the first years of the Azerbaijan-U.S. relations, the interstate relations experienced different stages of cooperation. The U.S. *de facto* increased its influence in South Caucasus. No matter how developed the U.S. influence in the region, the strong Armenian lobby in Washington continues to divide US policy-makers on the issue of whether Armenia or Azerbaijan has the rights to this disputed territory.

As a result of the powerful influence of the Armenian lobby, the proactive positive U.S. foreign policy at the early stage of relations with Azerbaijan was not clearly implemented. The suppressed Section 907 implementation of the Freedom Support Act to former Soviet states even cut the American external assistance to Azerbaijan in the 1990s. But due to the activated oil policy of Azerbaijan, the door was opened to new oil investments from the international oil companies which, in turn, in the modest shift of U.S. foreign policy towards Azerbaijan after 1997.

Azerbaijan stabilized its internal situation and started to develop the economic relations with the American and other Western oil corporations. The political priorities of both Azerbaijan and the U.S. after the big oil investments in Azerbaijani Caspian region, shifted mostly from conflict resolution to the economic cooperation. Azerbaijan became known as a rich oil country and a supporter of U.S. interests in South Caucasus. Thus, the U.S. Government during President Bill Clinton and later President George W. Bush's tenures started to take into account the future American investment and the U.S. economic interests, which automatically led to efforts to suppress the strong Armenian lobby in the U.S.

However, at the same time the U.S. administration had to take into account the intention of Russian military circles to turn back to Azerbaijan. As an ideological rival to the U.S., Iran also intends to increase its influence in neighboring Azerbaijan. As an element of counter-balance in the blocked geopolitical position of Azerbaijan, the other neighboring state and culturally relative neighbor – Turkey - may play a positive role in bringing closer the U.S.-Azerbaijani positions. According to Vafa Guluzade, Azerbaijani government in the last years already “yielded its positions to the U.S.”²² Generally, he continues, the U.S. policies will spread to all states in the South Caucasus, include Azerbaijan, but the solution of the Nagorno-Karabakh conflict would become complicated because of Armenian lobby represented in both Washington and Moscow.²³ Therefore, in the near future and without deep geopolitical shifts, it is hard to foresee a resolution of Azerbaijani internal problems.

On the other hand, since September 11, the U.S. foreign policy changed its global tactics from the rather passive stander-by, to the active anti-terrorist involvement in different world regions, including South Caucasus. Under the anti-terrorist measures, along with the Russian Federation, the U.S. increased military cooperation, especially with Georgia and to a lesser extent with Azerbaijan.

Meanwhile, the growing military cooperation with the Russian Federation in preventive measures against Al-Qaeda groups in the Caucasus made the American military involvement in South Caucasus obvious.

It may be concluded that although the prospects for the positive development of Azerbaijan’s relations with the U.S. are high due to their common interests in the exploitation of Caspian energy resources, and the bilateral cooperation on security in the Caspian region which began in 1996 and which has intensified considerably since the terrorist attacks of September 11, 2001²⁴ these countries currently find it difficult to completely solve the problems caused by the Nagorno-Karabakh conflict.

²² Bekir, Babek., “Panorama, Interview with Vafa Guluzade- the Azerbaijan President’s ex-state adviser on foreign policy.”, “*Azadliq Radiosu*”, December 26, 2005. Accessed February 3, 2006 at <ftp://realaudio.rferl.org/ch16/20051226-1400AZ.rm>.

²³ *Ibid.*

²⁴ Ziyadov, Taleh., “Baku Prepares For New Phase In U.S.-Azerbaijani Strategic Relations.”, *The Jamestown Foundation Eurasia Daily Monitor*, Volume 3, No.71, April 12, 2006.

Consequently, I believe that the main purpose of the Azerbaijani society and the government is the fight for the liberation of its occupied territories. It is a factor, which determines the direction of Azerbaijani relations with the U.S. and on which the future successes of the newly independent state depends.

1.4. Chapters of the Thesis

In order to understand the details of Azerbaijan-U.S. relations and to determine what developments are likely to take place with regards to the Azerbaijan foreign policies toward the U.S., I will look in Chapter One at several issues which form the basic interests of any country's foreign policy, including economic achievements (Azerbaijan's energy policy), territorial integrity (Azerbaijan's Nagorno-Karabakh conflict) and global political role (Azerbaijan's security policy).

In Chapter two, there is a general overview of Azerbaijan's foreign policy and the different stages of relations with the U.S. Generally the Azerbaijan-U.S relations will be analyzed in the framework of the U.S.'s role as a global power and the influence of the other regional actors, the Russian Federation, Iran and Turkey. Besides, the role of rather small neighboring countries, Georgia, Kazakhstan and Turkmenistan, which also formed the foreign policies' priorities of Azerbaijan, will be examined. Consequently, I will discuss the common interests of Azerbaijan and the U.S., to evaluate the recent developments and to show the approaches to creating effective bilateral relations.

In Chapter Three I will analyze the growing Azerbaijani-U.S. cooperation in the field of oil and gas exploration along the Caspian seashore. This part of the work will focus mostly on the influence of the international oil corporations on the political situation of Azerbaijan, both on the regional and global scale. The growing importance of Azerbaijan as a partner of the U.S. will be examined. It will confirm the successful realization of oil exploitation projects and the oil and gas transportation during the last decade. Both the accumulated positive experience and the obstacles in the energy field will be reflected as the instruments of Azerbaijan foreign policy.

Chapter Four will examine the most serious problem of Azerbaijan, the Nagorno-Karabakh conflict. It traces the tactical steps taken by Azerbaijan in its resolution of the dispute by using the authority of the U.S. administration and the international institutions. This part also will explain the historical bases of the conflict and the attitudes of the interested parties. I will focus my attention on U.S. involvement in the regional conflict's reconciliation during a period lasting more than a decade.

In Chapter Five I will analyze the relations between the two countries in the fight against terrorism, and the political developments and changing balances in Azerbaijan policy towards the U.S. The American administration enlarged the proactive military and security cooperation with the South Caucasian states after the terrorist attacks in September 11, 2001. The focus will be on the possible ways of the internal conflict's resolution in Azerbaijan in the light of the growing influence of the U.S. in the region.

In Chapter Six, which is the concluding part of the thesis, I will bring together the results of the previous chapters. I will account for both the problems that hinder the countries' common interests and the factors that promote their cooperation. In the light of the developments in bilateral relations, the prospects for deepening the mutual cooperation and prospects for resolution of the Azerbaijan's territorial integrity problem, the Nagorno-Karabakh conflict, will be examined.

CHAPTER 2

EVOLUTION OF AZERBAIJAN'S FOREIGN POLICY IN THE POST-SOVIET ERA AND THE U.S. POLICIES IN THE REGION

2.1. Introduction

After the Soviet breakup and the emergence of the newly independent states, all countries in post-Soviet space needed to form adequate foreign policies. The Republic of Azerbaijan in the Eastern part of the South Caucasus was faced with the necessity to urgently open up to the world in order to ward off the threat of the separatist movement in its territory of Nagorno-Karabakh.²⁵ On the other hand, Azerbaijan is one of the global oil-rich regions, making it attractive to foreign investments. The relations with global leader, the U.S., the new regional balances among the local powers, the Russian Federation, Turkey and Iran, and the neighboring countries Georgia, Kazakhstan and Turkmenistan will be presented in this chapter. Generally, the newly formed foreign policy of Azerbaijan has been affected by the regional influence of the Western countries including the U.S. The stronger and relatively independent position gave Azerbaijan the opportunity to build economic relations with other countries.

The U.S. foreign policy over the newly independent Azerbaijan during the last years has undergone several changes. Increasing interests of the U.S. Government and the oil companies in the Azeri oil resources of the Caspian basin produced new initiatives from the U.S. administration in the region. Starting from 1997, the U.S. became increasingly involved in the exploration and transportation of Caspian oil, which boosted the confidence of the Azeri government in the U.S. to the extent of requesting U.S. co-chairmanship of the *Minsk Group*.

²⁵ For the Azerbaijan's Ministry of Foreign Affairs see [http:// www.mfa.az](http://www.mfa.az)

The Minsk Group, in which the U.S., France and the Russian Federation are co-chairmen, was established by the Organization on Security and Cooperation in Europe (OSCE) and initiated international mediation in the Armenia-Azerbaijan conflict already in progress in 1992. It was by signing the 1994 cease-fire that Azerbaijan reiterated its choice of a non-military approach to deal with the Nagorno-Karabakh conflict.²⁶ According to the Dictionary of International Relations, the OSCE was founded on the base of the Conference on Security and Cooperation in Europe, which unites Europe, the U.S. and Canada into a security organization in the second part of the last century.²⁷ The basic document of this organization was signed in November 1990 and in December 1994 the status of the organization was declared. It is within the framework of the OSCE that Azerbaijan has tried to find a peaceful way of conciliation in the Nagorno- Karabakh conflict.

As Svante Cornell observed, "Azerbaijan's perception of U.S. policy had grown in such confidence that Baku actually demanded Washington's participation in the Minsk Group, something that had hardly been imaginable a few years earlier"²⁸. As mentioned above, the increasing U.S. interests in the region, especially related to oil resources, correlated with the greater U.S. participation in the conflict-resolution process.

The other main factor in the dynamics of bilateral relations is the terrorist attack on the U.S. in September 2001, which influenced American foreign policy and Azerbaijan-U.S relations. Since both countries share many common interests in the region, Azerbaijan is limited in its ability to cooperate because the territorial integrity of the state has not been restored. These limits include the impossibility of providing the territorial integrity – the main priority of the state - and only after the solution of the Nagorno-Karabakh conflict, may Azerbaijan strengthen its foreign policy attitude and consequently the realization of the common interests with the U.S. would be

²⁶ Minsk Process. *Mission Survey*. OSCE Publications, <http://www.osce.org>

²⁷ Sönmezoğlu, Faruk., *Uluslararası İlişkiler Sözlüğü*, İstanbul: Der Yayınları, 2005, pp. 71-74.

²⁸ Cornell, Svante E., *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus*, London: Curzon Caucasus World, 2001, p.378.

fulfilled. More elaborate analysis of the Azerbaijan situation, will clarify the nature of this country's foreign policy.

2.2. Azerbaijan and the U.S.

For newly independent Azerbaijan, the Soviet breakup can be considered as the restoration of her independence, as in 1918-1920 the first Azerbaijan Democratic Republic already existed, yet was crushed by the Sovietization and ambitions of the Bolshevik government. It is no exaggeration to say, with F. Ismailzade, that "restoration of the independence was perhaps one of the greatest achievements in the history of the modern Azerbaijan."²⁹

Speaking briefly about the stages of Azerbaijan foreign policy, these policy directions had been changed during the Presidency of Ayaz Mutallibov (1991-1992), Abulfaz Elchibey (1992-1993) and Heydar Aliyev (1993-2003). During the independence period, consequently as a Foreign Ministers the name of Tofiq Gasymov, Hasan Hasanov, Tofiq Zulfugarov, Vilayat Guliyev and Elmar Mammadyarov appear until our days. The state's budget crisis in the 1990s caused by the internal turmoil after the Nagorno-Karabakh failure, made it impossible to build strong relations with the outside world. While the role of the Azerbaijani government does not deserve special attention, the role of its presidents was vital because it was they, rather than the Cabinet of Ministers or the Foreign Affairs Ministry itself, who directly managed foreign policy.

The first President of Azerbaijan, Ayaz Mutallibov's foreign policy towards the U.S. and generally Western states was not differentiated clearly from the positions of Gorbachev's Kremlin policy. After the Soviet breakup, the autonomous foreign policy of Mutallibov was not effective, because as the observations showed, he lost control of the internal developments in the country. Discussing the policies of the second President of Azerbaijan, according to Nazim Cafersoy, the Elchibey's foreign policy in short period of internal turmoil in 1992-1993 was positively turned

²⁹ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

towards the U.S. and other Western states, in order to escape from the Russian dominancy and to escape from Iran's growing influence.³⁰

The period of the subsequent President Heydar Aliyev (1993-2003), and of his successor, Ilham Aliyev, was characterized by a balanced approach towards both the Russian Federation and U.S., and the determination to resolve the problems with Iran.

After gaining international recognition in 1992, Azerbaijan became a member of the United Nations and established diplomatic relations with such countries as Turkey, Iran, the U.S., Pakistan, the United Kingdom and France. The country's leadership was immediately confronted with difficult foreign policy choices: to move towards Russia, from which it had just broken away; to move closer to the Asian or Islamic world, or Iran next door; or to move towards Europe and the West. In the post-Soviet history of Azerbaijan, this was the first vital foreign policy choice that the country needed to make.³¹ According to this position, the first stage of separation from Russia started with the shift toward the Western countries, in particular toward the U.S.

In the U.S.'s turn, Sadri emphasized the following main components of the American foreign policy:³²

- 1) The U.S. intends to decrease its dependence on OPEC oil, especially from the Persian Gulf.
- 2) As the global power, the U.S. aims to influence the international energy market by increasing its connections to the newly independent states of the Caspian Sea region, which are rich in petroleum and natural gas.
- 3) Washington intends to check the growing power of Moscow in the Caucasus region. In this rivalry known as the New Great Game (taken from the title of Lutz Kleveman's book), Azerbaijan is playing a central role, which at the same time provides Baku with the opportunity to increase its policy options.

Bilateral foreign relations must also be analyzed from the U.S. perspective, because U.S. steps in this field broke the deadlock. The U.S. opened an Embassy in Azerbaijan's capital, Baku, in March 1992. It was in the framework of their foreign

³⁰ Cafersoy, Nazim., *Elçibey Dönemi Azərbaycan Dış Politikası, Haziran 1992- Haziran 1993*, Ankara: ASAM Yayınları, 2001, p.71.

³¹ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

³² Sadri, Houman., p.184.

policy's interest at the beginning of the diplomatic movement to support the newly independent states of South Caucasus. The factor influencing the foreign policy was the desire of the U.S. to prevent the former Soviet republics from falling back into the Russian sphere of influence and thus aiding the possible restoration of the Soviet Union. Later it was observed that the U.S. presence in Azerbaijan had been enlarged by the weakening of Moscow's influence in the region, and due to the courageous steps taken by Azerbaijani President Heydar Aliyev in the energy field. The alternative routes of energy export from Azerbaijan guaranteed the independence of its foreign policy. Therefore, it would take more than the existing export pipeline through the Russian Federation to the world energy market to support the independency in foreign policy. Thus the different oil transport agreements were signed as a result of the U.S. foreign policy's initiatives.

As part of the bilateral agreements, the one-sided assistance of the U.S. administration to post-Soviet republics was important. The political authority of the U.S. administration after the Soviet breakup played a considerable part in the political support to small republics like Azerbaijan. The U.S. Congress affected the U.S. foreign policy especially through its role in appropriating funds for various programs. It should be noted that the Congress has become increasingly active and assertive in funding certain foreign policy programs and proscribing limits on others. Faced with calls in Congress and elsewhere for the U.S. aid policy for the Eurasian states, then-President George Bush sent the Freedom Support Act (FSA) to Congress, which was signed with amendments into law in October 1992.³³ Starting from this date, the active U.S. policy was also implemented by the U.S. Congress.

The program was established by the Freedom Support Act and contained a provision - Section 907 - which prohibits the U.S. Government lending assistance to Azerbaijan until the President can assure Congress that Azerbaijan has ceased offensive actions against Armenia (including Azerbaijan's economic embargo of Armenia). In fact, legally speaking Azerbaijan had not taken the offensive and Section 907 was the result of Armenian lobbying. It was noticed later that "Section 907 of the Freedom Support Act of 1992, which restricts the U.S. government's

³³ Nichol, Jim., "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests.", *The Library of Congress*, January 19, 2005. Accessed July, 2005 at <http://www.fas.org/sgp/crs/row/IB95024.pdf>.

assistance to Azerbaijan, prevents it from playing an impartial role in the mediation of the Nagorno-Karabakh conflict. As the world's only superpower, it has the responsibility to step in and work out a solution to this deadly dispute, which has dragged on for over a decade."³⁴ Thus the Freedom Support Act regulation also reflected the tensions between Azerbaijan and the U.S. in the 1990s.

In a detailed analysis of Section 907, American analysts explained its origin as the result of, "the successful lobbying efforts of such groups as the Armenian Assembly of America and the Armenian National Committee."³⁵ All efforts by the Azerbaijani government and the U.S. administration to reverse the discriminatory act of the U.S. Congress failed due to "the close relations between the lawmakers and the Armenian lobby groups in early 1990s. In the U.S. the nearly one million-strong Armenian-American community is powerful and well organized and supports a sophisticated political lobbying apparatus to insure that American-Armenian relations are excellent."³⁶

In the 1990s Section 907 significantly hindered the bilateral relations between the Azerbaijani and U.S. governments. During this period "the U.S. Administration was unable to provide technical assistance to the Azerbaijani government in the fields of economic, political and social reforms. Moreover, the humanitarian assistance to the refugees and internally displaced persons of Azerbaijan was also mainly handicapped due to the prohibition to involve the Government structures into the humanitarian aid."³⁷

That is why, paradoxical as it may seem, that Armenia, which has the most significant diaspora in the West, became an ally of Russia and, as a matter of fact, a

³⁴ Shaitelman, Kenneth., "The Azerbaijan-Armenia Conflict: The War in Nagorno-Karabakh, Section 907, and their Impact on Oil Pipeline Routes.", January 4, 1999. Accessed January, 2005 at <http://www.wws.princeton.edu/wws401c/1998/ken.html> .

³⁵ MacDougal, James., "A New Stage in U.S.- Caspian Sea Basin Relations", *Central Asia and Caucasus Journal of Social and Political Studies*, Sweden: Information and Analytical Center, No.5 (11), 1997. Accessed March, 2005 at http://www.ca-c.org/dataeng/st_04_dougall.shtml .

³⁶ Shaitelman, Kenneth., "The Azerbaijan-Armenia Conflict: The War in Nagorno-Karabakh, Section 907, and their Impact on Oil Pipeline Routes.", January 4, 1999. Accessed January, 2005 at <http://www.wws.princeton.edu/wws401c/1998/ken.html> .

³⁷ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

supporter of its political interests in the region. This, in spite of the fact that it was precisely on the insistence of the Armenian diaspora that the U.S. introduced in 1992 sanctions against Azerbaijan in the "Freedom Support Act" (FSA), which made Azerbaijan the only country among the post-Soviet states deprived of the U.S.' humanitarian assistance.³⁸ Moreover, the Republic of Armenia continues to believe that it can realize its goals only in alliance with Russia. Most likely, such judgment would be viable until the complete demilitarization of Transcaucasus, which in the minds of U.S. strategists means the withdrawal of Russian troops from the South Caucasus. Thus on the list of the prioritized goals for the Azerbaijani foreign affairs, the idea that "Baku intends to decrease its traditional dependence on Russia" took a leading place.³⁹

Afterwards, in 1994-1995, the Clinton Administration, in order to break the Russian monopoly in Caspian oil and gas market, decided to support the pipelines passing through Turkey rather than the Russian Federation.⁴⁰ The U.S. Administration built its energy and foreign policies with the intention of weakening Moscow's influence over the post-Soviet states. This strategy deeply affected Azerbaijan's foreign policy, where the opening to global energy markets and the preservation of the territorial integrity after the Nagorno-Karabakh clash became the most preferable steps. As a result of these developments, Azerbaijan foreign policy experienced the clarifying of its targets and the updating of its strategies, which in the middle of 1990s verified the irrevocability of the Soviet breakup, uncovered the need to open to the world and revealed the new geostrategic role of Azerbaijan.

In just the same way, by mid-1996, it became apparent that Azerbaijan was bound to emerge as a leading producer of energy resources in Europe. In Croissant and Aras's source it is noted that,

...after a period of certain hesitation, Washington opted for a clearly pro-Azerbaijani slant in its regional policy, even at the expense of alienating one of the strongest ethnic groups traditionally involved in active political lobbying inside the United States - the Armenians. Lured by prospects of big oil money, the Americans were also prepared to start "treading on

³⁸ The Section 907 of the Freedom Support Act is one of the distinguished official documents issued by the U.S. Congress. The different aspects of this document also analyzed in next chapters.

³⁹ Sadri, Houman., p. 189.

⁴⁰ Erhan, Çağrı., "ABD'nin Orta Asya Politikaları ve 11 Eylül Sonrası Açılımları" Mustafa Aydın, eds., *Küresel Politikada Orta Asya (Avrasya Üçlemesi I)*, Ankara: Nobel Yayın Dağıtım, 2005, p.21.

Moscow's feet" in the Caucasus, despite earlier expressed readiness to recognize, even if tacitly, Russia's preeminence in regional affairs.⁴¹

After the Azerbaijan-U.S. high-level meetings in 1990s, there have been more definitive steps toward bilateral relations development. As explained in the next chapter, as a result of the oil transport negotiations in 1995 the diplomatic traffic between the presidents of the two countries intensified. The letter from President Clinton was delivered to Heydar Aliyev by Brzezinski at the request of Tony Lake, the U.S. National Security Council Advisor.⁴² During the summer of 1997, when President Aliyev visited the U.S. and met with President Clinton and several members of Congress, was described by a White House press release as follows: "President Aliyev's visit marks a milestone in the partnership between two nations and shows the promise of growing cooperation." An Azerbaijani assessment of Aliyev's visit states that "official Baku has put the word 'strategic' in front of the phrase 'partnership relations' with the U.S."⁴³

The aim was to create an economic corridor in the Caucasus and also to end the ban on aid to Azerbaijan.⁴⁴ In fact the first attempts to revive the Azerbaijan foreign policy was made inside U.S. political circles. Groups such as the Anti-Defamation League and the American-Israeli Public Action Committee (AIPAC) worked diligently to ensure continued support for the Silk Road legislation. Among many American foreign policy experts, the passing of the Silk Road bill in committee is a realization that the oil resources of Azerbaijan and the Caspian basin will likely be more important than the narrowly focused efforts of the Armenian lobby. All these developments strengthened the positions of analysts regarding the growing mutual interests of the U.S. administration towards Azerbaijan. Later on, the

⁴¹ Croissant, Michael., and Bulent Aras., "Oil and Geopolitics in the Caspian Sea Region", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999, p. 147.

⁴² Joseph, Jofi., "Pipeline Diplomacy: The Clinton Administration's Fight for Baku-Ceyhan.", *Woodrow Wilson School of Public and International Affairs*, Case Study 1/99. Accessed July, 2005 at <http://www.wws.princeton.edu/cases/papers/pipeline.html>.

⁴³ Clinton, Bill., "Joint Statement on Azerbaijani- United States relations."Source: *Weekly Compilation of Presidential Documents*; 4 August 1997.

⁴⁴ Shaitelman, Kenneth., "The Azerbaijan-Armenia Conflict: The War in Nagorno-Karabakh, Section 907, and their Impact on Oil Pipeline Routes.", January 4, 1999. Accessed January, 2005 at <http://www.wws.princeton.edu/wws401c/1998/ken.html>.

U.S. government declared that the East-West transportation corridor, including access to the energy resources of the Caspian Sea, has been a top U.S. priority during the past three U.S. administrations.

After the election of George W. Bush and after the September 11 terrorist attacks in New York the U.S. policy in Transcaucasus was activated. As a result of these developments, in January 2002 President George W. Bush waived Section 907 of the Freedom Support Act, opening new opportunities for the direct U.S. assistance to the Azerbaijan government in economic reform, tax administration, rural development and implementation of the country's new budget law. Therefore, in Azerbaijan after 2000, oil and gas flowed from the Absheron Peninsula and the Caspian offshore fields to the Black Sea. Today it is expected that "Baku-Tbilisi-Ceyhan Pipeline will export up to 1 million barrels per year of high-quality Caspian crude by [the end of] 2005."⁴⁵

Moreover, there are numerous political factors which contribute to Azerbaijan's recent preeminence as the focus of the U.S. interest in the region. The factors operate at the variety of levels of analysis from the level of U.S. domestic politics, that "debate currently wages over the U.S. assistance to Azerbaijan, to the level of regional politics, where the issue of resolving the ongoing conflict in Nagorno-Karabakh seen as the most important."⁴⁶

The rise of transitional movements from the Soviet regime, the Nagorno-Karabakh conflict and the disappointment with the communist ideology essentially led Azerbaijanis to believe that the development by the neighboring Turkish secular, Muslim, democratic model and the integration into the Euro-Atlantic institutions was not only the right way to develop the country but also the only way to secure Azerbaijan's independence from Russia.⁴⁷ The Azerbaijan government accepts that the U.S. has generally viewed Turkey as able to foster pro-Western policies and

⁴⁵ Cohen, Ariel., "Securing the Democratic Transition in Azerbaijan, Research, Russia and Eurasia.", *Executive Memorandum*, No. 886, June 18, 2003.

⁴⁶ MacDougal, James., "A New Stage in U.S.- Caspian Sea Basin Relations", *Central Asia and Caucasus Journal of Social and Political Studies*, Sweden: Information and Analytical Center, No.5 (11), 1997. Accessed March, 2005 at http://www.ca-c.org/dataeng/st_04_dougall.shtml .

⁴⁷ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

discourage Iranian interference in the South Caucasus states, though favoring Azerbaijan in the Nagorno-Karabakh conflict. Critics of Turkey's larger role in the region caution that the U.S. and NATO might be drawn by their ties with Turkey into regional muddles.

Nevertheless the different authors, the researchers of the Azerbaijan's foreign policy, appreciate the foundation of moderate independent Azerbaijan foreign policy after the election of Heydar Aliyev in 1993.⁴⁸ The foreign policy at the beginning of the Aliyev's tenure was not as strong as the implemented policy in 2000s. And further development in the Azerbaijan- U.S. collaboration was also observed in the war against global terrorism after 2001. In order to better understand the reasons of Azerbaijan's active pro-Western policy, it is necessary to explain the relations of Azerbaijan with its neighbors.

2.3. Azerbaijan and Its Neighbors

It is needless to stress that sandwiched between regional powers, such as Russia, Iran and Turkey, Azerbaijan has always faced external pressure and influence from neighboring countries. In addition to this rivalry, the U.S. and European Union joined the competition for rich oil and gas resources of the Caspian Sea. Thus Azerbaijan leadership remains challenged on ways to balance its foreign policy between Russia and the West on the one hand, and the Islamic world and the U.S. on the other. Before analyzing her relations with the regional powers, it would be useful to examine the relations of Azerbaijan with her other neighbors.

Georgia is the nearest country affected by Azerbaijan's foreign policy, composed in different periods of state building the tandem in pro-Western policy promotion in the South Caucasus. As a contemporary example of strong regional partnership between Azerbaijan and Georgia, two nations with very different dominant ethnic and religious groups, it shows that not only a cooperative arrangement within the South Caucasus is possible, but also it is clearly in the interest of both participants. Moreover, the Azerbaijani-Georgian cooperation has

⁴⁸ Sadri, Houman., p. 181.

had a strong impact on the wider region, among other things by establishing the basis for the Baku-Tbilisi-Ceyhan (BTC) pipeline⁴⁹, the largest infrastructure project in the areas to date, and by having served as the core for the GUUAM⁵⁰ group, which included Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova.⁵¹ After the political transformation in Georgia, which was supported by the U.S. administration and later spread to the Ukraine, the coalition confronted the discrepancies between leaders of Georgia- Ukraine and Uzbekistan. Consequently, after the rapprochement of the Uzbek and Russian positions in Central Asian common interests, in 2005 Uzbekistan left from GUUAM coalition.

The examples of Azerbaijan-Kazakhstan and Azerbaijan-Turkmenistan relations are two typical Caspian neighborhood policies that move into opposite directions. The relations with Kazakhstan are a partnership in economic cooperation. Azerbaijan and Kazakhstan built the main export pipeline, where after the BTC Project completion, crude oil from the Kazakh Kashagan oilfield will be added and will supplement the capacity of the route.⁵² Moreover, Kazakhstan and Azerbaijan support each other in the Commonwealth of Independent States⁵³ (CIS) whenever their interests coincide or are threatened. By contrast, Azerbaijani-Turkmen relations are frozen, and have been since the crisis in the Caspian Kapaz-Serdar oilfield. Turkmenistan demanded Azerbaijan to refrain from going forward in the Caspian Sea, because of the uncertainty about maritime boundaries. Generally, even today, Turkmenistan preserves the status quo of a non-alignment country and refuses to join in any agreement about the status and the oil and gas exploration principles in the Caspian Sea. Therefore, Azerbaijani-Turkmen foreign relations are unclear.

The most complicated relationship may be observed between Azerbaijan and the Russian Federation. As mentioned above and explained below, Russia's

⁴⁹ For the details about BTC pipeline see the chapter about the energy cooperation.

⁵⁰ GUUAM- the alternative union of post-Soviet states in order to weaken the dominance of Russian Federation in CIS after 1998.

⁵¹ "The GUUAM Group: History and Principles.", *Briefing Paper*; November 2000. Accessed April, 2004 at <http://www.guuam.org> .

⁵² For further details see www.caspiandevlopmentandexport.com

⁵³ CIS- the Union of the post Soviet states, except Baltic republics, created at the scene of the USSR.

weakened military position in the Transcaucasus in the 1990s had affected the development of both Azerbaijani-Russian and the Azerbaijani-U.S. relations. During the presidency of Boris Yeltsin, the Azerbaijani-Russian relations deteriorated and the blame for this rests with the Russian side. Russian policy in the Caucasus in the early 1990s was chaotic and uncoordinated. It is important to underline that whereas the Russian Ministry of the Fuel and Energy supported the idea of working in close partnership with the Azerbaijan, the power ministries, include Ministry of Defense and the Federal Security Council (FSB) at the same time provided ammunitions and armament to the Armenians, thus angering Azerbaijani public and creating confusion as to what to expect from the Russian side. Azerbaijan leadership insisted on removing the Soviet, later Russian, military bases from its territory and in 1992 Azerbaijan “became the first former Soviet Union republic that completely got rid of the Russian bases.”⁵⁴ That fact became the main argument for further Azerbaijan pro-Western foreign policy. The disappointment between Russia and Azerbaijan was also reflected in the distrust among Azerbaijani policy makers towards Russian foreign policy in Transcaucasus in early 1990s.

For Brzezinski, Azerbaijan could be the prioritized target for submission of the Western policy in South Caucasus. The compliance of Azerbaijan would help to close the Central Asian states to the Western world, especially to Turkey; this would meant “the growing Russian influence over the violated Uzbekistan and Turkmenistan.”⁵⁵

As was observed in the middle of the 1990s, Moscow actively used the ethnic conflicts in the Caucasus in order to maintain its political and economic control over the newly independent republics. Russian soldiers widely participated in the Nagorno-Karabakh conflict between Armenia and Azerbaijan; and the Russian policy in the Caucasus was wholeheartedly directed toward stirring up conflict and weakening both sides. As subsequent events proved, this was not the best way to develop partnership with Azerbaijan and mainly indicated a neo-imperialistic policy

⁵⁴ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

⁵⁵ Brzezinski, Zbigniew., *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York: Basic Books, 1997; in Turkish: *Büyük Satranç Tahtası*, Istanbul: Sabah Kitapları, 1998,pp. 129-130.

on the part of Russia towards Azerbaijan. After the opening of Azerbaijan's doors to foreign investors, Russia was irritated by the fact that Azerbaijan closely cooperated with the U.S., European Union and Turkey in the development of oil and gas fields in the Caspian Sea. Moscow was suspicious of Baku's plans to integrate with NATO and bring more American presence into the Caucasus region, which Moscow considered as its own backyard.

Nevertheless in the fall of 1993, Aliyev granted a few concessions to Russia.⁵⁶ Subsequent events revealed that as part of the negotiations, 10 percent of SOCAR's share of Chirag, Azeri and Guneshli were transferred to LUKoil.⁵⁷ It should be mentioned that the Russian side did not carry out the promises to which both sides had agreed. Aliyev's appeasement of Russia, the real player in the revolt, accelerated through late 1993, as crippling defeats were inflicted on the Azerbaijan army by Armenia in Nagorno-Karabakh and surrounding areas. Aliyev wanted to demonstrate that, in comparison to Elchibey, his administration's intentions were fundamentally different towards Russia. It was with this intention that the new leader confirmed Azerbaijan as a member of the Commonwealth of Independent States (CIS) in September 1993. It is worth noting that, despite the fact that Azerbaijan was a member of the CIS, Armenia continued with its occupation of Azerbaijani territories.

An important milestone in Russian-Azerbaijani relations in the early 1990s was December 1994, when the first Chechen war broke out and the Russian army invaded Chechnya. Russians accused Azerbaijan and Georgia for supporting Chechens and closed the border.⁵⁸ This negatively affected the economy of Azerbaijan and the business interests of the Azerbaijanis'. Food and gas prices increased in the country and the general welfare of the citizens suffered. Although

⁵⁶ On 19 November 1993, Russian Fuel and Energy Minister Yuri Shafrannik visited Baku with Vagit Alekperov, president of the Russian firm LUKoil. The Russian delegation insisted that a 20 percent share in the future consortium be granted to Russia. At the same time, Shafrannik demanded that the agreed consortium should limit its activities to only two fields. During this trip, Russia and Azerbaijan signed a number of contracts concerning cooperation in energy and oil engineering.

⁵⁷ Croissant, Michael., and Bulent Aras., "Oil and Geopolitics in the Caspian Sea Region", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999, pp. 106-107.

⁵⁸ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

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

The cool standoff between Russia and Azerbaijan continued until the end of Yeltsin's presidency. When Vladimir Putin was elected as the President of Russia, the bilateral relations significantly improved. As former KGB officials, both Putin and Aliyev felt mutual sympathy to each other and thus developed a common language on ways to strengthen bilateral ties. Putin visited Baku in 2000 and Aliyev visited Moscow on several occasions after that. As a result of these visits, the agreement on the delimitation of the territorial waters of the Caspian Sea and the rent of the Gabala RLS (Radio Relay Station) was achieved. Azerbaijan cut off any support for Chechen refugees and cultural centers in Baku. Trade between the two countries also increased and Moscow took a more pragmatic approach towards the Nagorno-Karabakh conflict, mainly trying to stay neutral. The tool of ethnic conflicts was replaced by the tool of energy and business interests, which was supported by the part of neo-liberal politicians in Russia, like A. Chubais, who implemented their new policy of economic expansion in Armenia by owning the shares of Armenian energy monopolies.

It is important to notice the signing of two important agreements between Russian Federation and Azerbaijan. On January 22, 2002, the two countries signed an interstate agreement on the status, principles and conditions of use of the Gabala Radio Relay Station - the strategic military unit in Azerbaijani territory on the border with Russia. Under this agreement Russia acquired the right to use the Gabala station (an important element of the early warning system in the southern strategic air-and-space sector) during the next decade. On the other hand, the question of the seabed division in the northern and central parts of the Caspian basin has been settled afterward. In September 2002, Azerbaijan and Russian Federation signed an

Agreement on Delineating the Adjacent Strips of the Caspian Seabed. In May 2003, three countries (Russia, Azerbaijan, and Kazakhstan) signed an agreement on the point where the delineating lines meet.⁵⁹ According to these trends, after the signing of juridical acts, which further clarified the Russian-Azerbaijani foreign relations, Azerbaijan improved its positions as an actor in the Caspian basin.

A brief analysis of relations with the two other influential neighbors, Turkey and Iran, will complete the picture of the regional Azerbaijani foreign policy which should also reflect the U.S. policy towards this newly independent South Caucasian state.

Azerbaijan's south-western neighbor, Turkey, had built close relations due to the close linguistic and cultural ties. "One nation - two countries" became the motto of Azerbaijani and Turkish Presidents throughout the 1990s. "Turkey was the first country that recognized the independence of Azerbaijan and render a significant amount of economic, military⁶⁰, political and humanitarian assistance to Baku. The most important factor of trust was reflected in the military cooperation, where Turkish army trained the Azerbaijani soldiers and officers. Regarding the Nagorno-Karabakh conflict, Ankara imposed a trade embargo on Armenia for occupying 20% of Azerbaijani lands. Moreover, in the energy sector, the Baku-Tbilisi-Ceyhan (BTC) pipeline became "another factor that closely bound the two nations."⁶¹

The relations between Azerbaijan and its south neighbor Iran were not stable after the former gained its independence. Interestingly enough, Iran, a country that shares the Shia branch of Islam with Azerbaijan, was also rejected as a possible foreign policy direction for Azerbaijan. In the first year of independence, the Azerbaijan President Abulfaz Elchibey strongly objected to Iran's oppression of the 30 million Azerbaijani minority in the country. In addition to that, Iran objected to the later integration with the West and Azerbaijan's invitation of the U.S. oil

⁵⁹ Chepurin, Aleksandr., "Aliev after Aliev.", *Journal of International Affairs*, Moscow:Vol.50, No.1, 2004.

⁶⁰ the NATO-Partnership for Peace Program gave the opportunity to provide the close military cooperation.

⁶¹ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

companies since Iran considered Azerbaijani-American relations unacceptable for the region. Thus, Iranian-Azerbaijani relations were off to a slow start.⁶²

In the Nagorno-Karabakh conflict resolution, Iran did not show open solidarity with Azerbaijan and continued trading and providing assistance to rival Armenia. Besides, Iran accused Azerbaijan of cooperating with “the evil forces” from the U.S. and Israel and of supporting the Azeri secessionist movement in Iran this is because nearly 30 million of ethnic Azerbaijanis live in Iran.⁶³ Azerbaijan in its turn was suspicious of Iran’s intentions to spread Islamic influence in the country. The negative tone in the bilateral relations reached its peak in 2000 when Iranian boats attacked an Azerbaijani vessel which was doing exploration works in the Alov field in the southern Caspian Sea. Subsequently, Iranian jetfighters repeatedly violated the airspace of Azerbaijan and threatened her security. Only after demonstrations of Turkish and American political support did the Iranians back down. Clearly;

The Iranian-Azerbaijani relations lack trust and good-will intentions. Although normalized in the past 3 years, the bilateral relations still lag behind its potential. In the summer of 2004, Iranian President Khatami visited Azerbaijan and discussed with his Azerbaijani counterpart ways to improve the trade and political relations between the two neighbors.⁶⁴

Iranian hostility towards Azerbaijan’s oil policy stems from following main factors: The first is the issue of a divided Azerbaijan. Iranian Azerbaijan, located in the northwestern part of Iran, is approximately twice the size of the Republic of Azerbaijan. The Azerbaijanis in Iran make up a third of the country’s population.

The restoration of independence in post-Soviet North Azerbaijan made it the political and cultural center for Azerbaijanis around the world. The existence of an independent Azerbaijan Republic influences the national-ethnic movement in Iran immensely. Consequently, this factor, together with the growth of national awareness among the Azerbaijani Turks in Iran, created a new stage for the Azerbaijani national movement in Iran. Another factor is that Iran views the exploration of the oil

⁶² *Ibid.*

⁶³ Shaffer, Brenda., “Is There a Muslim Foreign Policy? The Case of the Caspian.”, *Current History*, November 2002, p. 384.

⁶⁴ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

resources in the Caspian basin as a threat to its economic interests. Particularly in comparison to Azerbaijan and Kazakhstan, Iran's sector in the Caspian has smaller reserves than the others.⁶⁵ Iran is apprehensive about Western investment in major projects so close to its borders. Iranian politicians understand that large amounts of Western capital invested in the Caspian basin will not only neutralize Russia's unconditional hegemony in the region in the foreseeable future, but will also prevent Iran's efforts to gain influence.

Concerning the U.S. approach to the Azerbaijan-Iranian relation, Deputy Secretary of State Strobe Talbott declared,

We continue to caution nations throughout the [Caucasus] region about the development of close relations with Iran. As a state-sponsor of terrorism and a nation bent on the development of weapons of mass destruction, Iran still poses a threat to all its neighbors. Moreover, we are against any state in the region being allowed to dominate the region, politically or economically. We will continue to work with all the states of the Caucasus to thwart the growth of Iran's influence in the region.⁶⁶

Therefore, the current Iranian regime, considers the Azerbaijan-U.S. relations as a threat to its future existence in the Caspian region. Talbott's views confirmed that Iran is not wrong in what it foresees.

Besides, when the Deputy Minister of Foreign Affairs of Azerbaijan, Araz Azimov, visited the U.S. recently, and was asked whether Iran was a subject of discussions, he said that;

Some 130-km long section of the Azerbaijan-Iran border is currently under Armenian occupation and outside of Azerbaijan's control, which is a serious security threat." In addition, Azimov stated that, "Iran's recent activities in the southern sector of the Caspian Sea, which Azerbaijan shares with Iran, worried official Baku. As for the Iranian nuclear program Azerbaijan supports a peaceful resolution of the issue."⁶⁷

⁶⁵ Croissant, Michael., and Bulent Aras., "Oil and Geopolitics in the Caspian Sea Region", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999, p. 114.

⁶⁶ Talbott, Strobe., "U.S. Congress, Senate, testimony before the Subcommittee on Foreign Operations.", *Appropriations Committee*, 105th Congress, 2nd Session, 31 March 1998. Accessed November, 2005 at www.wws.princeton.edu/cases/papers/pipeline.html.

⁶⁷ Ziyadov, Taleh. "Baku Prepares For New Phase In U.S.-Azerbaijani Strategic Relations." *The Jamestown Foundation Eurasia Daily Monitor*. Volume 3, Issue No.71, April 12, 2006.

It is clear that the fluctuating relations between Azerbaijan and Iran might affect the prioritized relations between the Azerbaijan and the U.S. administration. Finally, the above-mentioned facts prove that the relations of Azerbaijan and Iran have little chance to improve positively in the near future.

2.4. The Recent Developments in Azerbaijan and the U.S. Influence in the Region

The details of Azerbaijan's foreign policy and Azerbaijan-U.S. relations which concern the energy field cooperation in the Caspian region, the role of the U.S. Administration in Nagorno-Karabakh conflict resolution and the close cooperation of Azerbaijan with the U.S. in the field of the fight against terrorism will be shown in next chapters. In the remaining part of this chapter, I will explain the latest political and foreign affairs developments in Azerbaijan, which affected the bilateral relations.

In the conflict resolution process between Azerbaijan and Armenia, the U.S. Administration continues the search for a peaceful solution to the Nagorno-Karabakh disagreement, including restoration of Azerbaijani territorial integrity and sovereignty, through an additional round of trilateral consultations with Azerbaijan and Armenia. The U.S. has taken the responsibility for supportive efforts in the Minsk Process, the only existing multilateral process on Nagorno-Karabakh, which began in the early 1990s under OSCE auspices. In my view, the political influence of the current U.S. administration is sufficient for the starting of a dialogue between conflicting sides. But the fragile political balances in the South Caucasus and the high dependence of Armenia on the Russian Federation still impede the possibility of a peaceful conciliation in the foreseeable future.

It is important to notice that, as in the latest developments in the U.S. policy towards the post-Soviet states in last years, cardinal shifts in foreign policy's preferences were observed. After the re-election of the U.S. President George W. Bush in 2004, a new American foreign policy was implemented for the South Caucasus states, where instead of the previous 'stability policy' the more likely spread of 'democracy policies and principles' were applied. Action on these principles were postponed in countries under post-Communist regimes because of

the fear of destabilizing these countries during their transition periods. President George W. Bush's new administration in between 2004- 2006 actively supported the acts of power renovation, called the "Colored Revolution"⁶⁸ and so irritated and worried the Russian Federation which considered the post-Soviet states its own area of influence. Colored revolutions took place in Georgia, in strategically important Ukraine and the Central Asian Kyrgyz Republic in these years but not in Azerbaijan because the opposition parties there could not be consolidated. The expected increase in funds which will come from the oil revenues in Azerbaijan in the near future did not diminish the importance of foreign aid to the country, especially from the U.S. Azerbaijan has more than 750 thousands refugees and internally displaced persons from the occupied Karabakh regions.⁶⁹

Therefore, U.S. humanitarian assistance and aid to Azerbaijan focus on relief to these groups by supporting primary health care facilities, training in medical service delivery for private doctors and nurses, better housing and sanitation facilities and improved access to credit and business support services to reduce dependence on humanitarian assistance. Moreover, in 2002, after the waiver of Section 907, the U.S. provided approximately \$43.8 million in humanitarian and developmental assistance to Azerbaijan and continued its aid efforts in the following years.⁷⁰

In the field of the trade cooperation, Azerbaijan and the U.S. have signed a bilateral trade agreement, and in the new era of relations Azerbaijan has the most favored nation status. Furthermore, the signed Bilateral Investment Treaty also signaled the important recent development between the small Caucasus country and the currently declared World superpower.

⁶⁸ The term of the "colored revolution" came from the selected symbols of the mass movements in post-Soviet states, which intended to change the authoritarian rulers and to spread more democratic principles of the public administration.

⁶⁹ For the details of the Armenian aggression see the official document issued by the Permanent Representative of Azerbaijan to the United Nations: http://www.mfa.gov.az/eng/armenian_aggression/conseq.pdf

⁷⁰ Nichol, Jim., "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests.", *The Library of Congress*, January 19, 2005. Accessed July, 2005 at <http://www.fas.org/sgp/crs/row/IB95024.pdf>.

Concerning the political cooperation, the question of the political relations of Azerbaijan administration with the U.S.'s top foreign policy makers is the vital point, which determined the future of the Azerbaijan-U.S. relations. It seems that Azerbaijani President Ilham Aliyev has not changed the priorities of Azerbaijani foreign policy, formulated by his predecessor, Heydar Aliyev. Both the Azerbaijan political circles and the U.S. policy makers have a common interest in the Caspian region. The Azerbaijan President tries to balance his country's priorities between the foreign policy interests of the two major actors, the U.S. and the Russian Federation. Therefore, it is hard to mark either positive or negative effects from the Ilham Aliyev's election to the Azerbaijan- U.S. relations, because Azerbaijan continues to play the balancing role in South Caucasus.

2.5. Conclusion

The goals of Azerbaijan foreign policy may be summed up as the liberation of the occupied territories and to secure Azerbaijan's independence, obtained after the collapse of the Soviet Union, and to strengthen the international connections in energy field. The major actors in the provision of these policies, the Azerbaijani President and the government, will consider any methods that will help to achieve these goals. The former Azerbaijani president Heydar Aliyev well understood the complexities of the region in which Azerbaijan is located and pursued a so-called "balanced foreign policy", which at the end of his tenure in 2002 turned to the signing of bilateral agreements with all international participants. This means that Azerbaijan cooperated equally with Russia and the West and tried not to anger one side or the other. At the same time, Azerbaijan insisted on issues of national importance, such as the construction of the BTC pipeline, which Russia opposed or the issue of the Russian military bases, which Baku was heavily pressured over. Integration with the Euro-Atlantic structures remains another priority of Azerbaijan's foreign policy and it continues to cooperate with the Council of Europe and the EU.

Also, beginning in 1994 after a cease-fire was achieved between Azerbaijan and Armenia, there was a concern that the sanctions implemented by Azerbaijan until 2002, impeded political and economic cooperation as well as delivery of

humanitarian aid.⁷¹ It is an interesting paradox that the neighboring state of Armenia gained the support from both Russian Federation and the U.S. It is clear that this factor also negatively affects the further development of the Azerbaijan-U.S. relations.

However the analysis of the Azerbaijan-U.S. relations suggests that the role of the Armenian lobby has been gradually decreasing as the American elite's and the public's awareness about Azerbaijan increased and as the American business and security interests have become increasingly tied to Azerbaijan.

Moreover, it is important to remember that both the George Bush and the Clinton administrations have repeatedly criticized the Congress for its sanctions against Azerbaijan, arguing that these sanctions ran contrary to the U.S. strategic interests in the region. Thus, in words of John Herbst, the State Department's deputy coordinator for the former Soviet states under Clinton administration, congressional efforts to reward Armenia and punish Azerbaijan were foiling the U.S. foreign policy efforts in the region.⁷² These elements were the main tendencies before the starting of the open policy started in 1997.

It would seem that Azerbaijan has to implement its "balanced foreign policy" with all its neighbors as an effective method, as applied by its penultimate and current administrations. At the same time, as its most influential ally, the U.S. must take into account the main goals of Azerbaijan in the international arena.

Finally, the cautious Azerbaijan foreign policy would help to accelerate the conflict resolution. In this sense, close, friendly relations with the U.S. would certainly lead to success in promoting Azerbaijan's foreign policy.

⁷¹ Huseynov, Tabib., "Influencing American Foreign Policy: A Case on Ethnic Versus National Interests.", Accessed October 8, 2005 at http://www.stradigma.com/english/june2003/articles_04.html.

⁷² Foley, Kevin, P., "Congress Complicating Caucasus Conflicts, Official Suggests", RFE/RL, *Weekday Magazine*. Accessed May , 2004 at <http://www.rferl.org/nca/features/1996/07/F.RU.96073116315555.html>.

CHAPTER 3

AZERBAIJAN'S COOPERATION WITH THE U.S. IN THE FIELD OF ENERGY

3.1. Introduction

Before explaining the oil history in this territory, it is useful to glance at the general history of Azerbaijan. The small territory in South Caucasus, on the seashore of the Caspian Sea, rounded by the Caucasian Mountains on the North and the West and restricted by the Aras (Araxes) River on its South border, was transformed into an independent state in 1991, after the breakup of the Soviet Union. As for the name of this territory, according to Tadeusz Swietochowski,

Azerbaijan is the name of the land populated today by the Azeri [in other words, Azerbaijani] Turks, the people who inhabit the region stretching from the northern slopes of the Caucasus Mountains along the Caspian Sea to the Iranian plateau... Azerbaijan is the Land of Fire because the fires in its numerous Zoroastrian temples were fed by plentiful sources of oil.⁷³

Azerbaijan could also be described as a “land between Russia, Iran and Turkey, which in political aspect more than a hundred and a half century was under the Russian influence. The Russian intrusion upon the Azerbaijan in 1828 divided the historical Azerbaijan into two parts. Its Northern part is now the independent state of Azerbaijan.

Azerbaijan already had gained its independence in 1918-1920, but after the creation of the Soviet state inside the borders of the crashed Tsarist Russia⁷⁴, Azerbaijan lost its sovereignty.

⁷³ Swietochowski, Tadeusz., *Russia and Azerbaijan: a borderland in transition*, New York: Columbia University Press, 1995, pp.1-2.

⁷⁴ Hunter, Shireen T., “Azerbaijan: Searching for new neighbors.”, Ian Bremmer and Ray Taras, eds., *New States, New Politics: Building the Post-Soviet Nations*, Cambridge: Cambridge University Press, 1997, p. 437.

One of the strategic purposes of fascist Germany in World War II was to invade Russia in order to gain access to the richest lands of the Caspian region. Later in 1950-1970s, under Soviet control, as Joseph noted, “the oil fields in the Caspian region remained dormant, ignored by Moscow in favor of the oil reserves in Siberia”.⁷⁵ During the perestroika period after 1985 the various internal problems of Azerbaijan came out, in particular the Kremlin’s unequal treatment of the Armenian population in separatist autonomous region of Nagorno-Karabakh. As a matter of fact, the Kremlin–Baku relations in this period were severed.

After the Soviet breakup in 1991, Azerbaijan started rebuilding its independent state which required the development of relations with geostrategically influential states. Beside the relations with the regional powers of Russia, Iran and Turkey, the relations with the U.S. were of special importance for Azerbaijan. Azerbaijan failed to preserve its territorial integrity after turning away from the pro-Armenian Kremlin, and thus intensified its political and economic relations with the U.S. At that point the relations in the energy fields became the main foreign policy instrument in Azerbaijan’s hand.

As the cradle of the world oil industry Azerbaijan made its name in the 1890s. The oil reserves were intensively exploited during the Tsarist period and the period of the Soviet Union, but after the large oil and gas explorations in Western Siberia and Volga Region in 1940s, the attention of Soviet economic management was shifted from Baku. The inland oil reserves in Azerbaijan were exhausted during the Soviet time, but in the early 1990s scientists began to explore the huge oil and gas reserves of the Caspian shelf.

After the breakup of the Soviet Union, Azerbaijan became the focus of attraction for the biggest oil corporations and multinational energy companies.

It is possible to partly agree with Rob Sobhani who stated in 1997 that “beyond its strategic position as the ‘cork in the bottle’ of Caspian Sea energy reserves, Azerbaijan sits between an increasingly nationalistic Russia and a menacing Iran, thus making it of significant importance to the U.S.”⁷⁶ American scientists

⁷⁵ Joseph, Jofi., “Pipeline Diplomacy: The Clinton Administration’s Fight for Baku-Ceyhan.”, *Woodrow Wilson School of Public and International Affairs*, Case Study 1/99. Accessed July, 2005 at <http://www.wws.princeton.edu/cases/papers/pipeline.html>.

⁷⁶ Sobhani, Rob S., “Influencing the destiny of Azerbaijan”, *Azerbaijan International*, Autumn 1997.

called Russia nationalistic and the other neighbor state Iran was identified as threatening. This approach also reflected the importance of Azerbaijan as an opening window to Eurasia for the U.S.' interests. The authors of book on Caspian oil and geopolitics, Croissant and Aras, say that,

Azerbaijan is landlocked geographically; hence it has no outlet to open seas. Before its crude oil can reach an oil tanker, it must travel through at least one international border or possibly two. Surrounded by not-so-friendly countries such as Russia, Iran, and Armenia, Azerbaijan has to deal with other factors at the same time. Thus, the pipeline issue is not only an economic problem; it also has a geopolitical nature.⁷⁷

The development of the oil and gas sector in Azerbaijan is one of the vital questions determining the future of international cooperation. After the Soviet breakup, Azerbaijan's state management faced with competition from its neighbors because the oil and gas reserves gave the opportunity in 1990s for establishment of a more independent foreign policy. However, the instability inside the state and the problem of territorial integrity prevented the direct opening of Azerbaijan to the world. Paradoxically, the Nagorno-Karabakh problem worsened the general political and economic conditions inside the country and therefore, oil and gas cooperation took on a special significance.

3.2. Azerbaijan, the U.S. and the Politics of Caspian Energy Resources

Just after the collapse of the Soviet Union, a group of representatives from foreign oil corporations, such as Amoco, BP, McDermott, Pennzoil, Ramco, Unocal, TPAO and Statoil visited Azerbaijan and started to discuss the rehabilitation of the Chirag and Guneshli oilfields, resulting the agreement and the ratification of the Century Contract, the first and the largest Production Sharing Agreement (PSA) in 1994.⁷⁸ The Agreement defined the structure of oil investment in Azeri Caspian field

⁷⁷ Croissant, Michael., and Bulent Aras., "Oil and Geopolitics in the Caspian Sea Region", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999, pp. 110-111.

⁷⁸ Aras, Osman Nuri., *Azerbaycan'in Hazar Ekonomisi ve Stratejisi*. Istanbul: Der Yayınları, 2001, p.58. See also "Agreement on The Joint Development and Production Sharing For The Azeri and

and shared the responsibilities and the profits gained from the future oil and gas explorations. The parties in the Agreement were the biggest oil multinational corporations, mostly from the Western countries.⁷⁹ Therefore, as F. Ismailzade says, this agreement brought the larger American presence into the region. In subsequent years, more than 20 other PSAs were signed as well.⁸⁰

At that time, unlike the U.S. government, businesses, particularly oil companies, were quick to build close ties with the Azerbaijan government. Meanwhile, the Russian Federation made the mistake of telling all Transcaucasian countries including Azerbaijan to obey Russian economic strategies formed in the Soviet period.

According to Brzezinski, before 1991 the Caspian Sea was mostly a “Russian lake”, because neighboring Iran used only a small southern part of its basin. With the strengthening of the Western oil investors’ interest in the region after the Soviet breakup, and after the consolidation of nationalistic sentiments in Azerbaijan, Kazakhstan and Turkmenistan, the Russian Federation became one of five states using Caspian resources.⁸¹

In 1992 the foreign oil corporations had established the oil consortium and negotiated with the Azerbaijan government while it was in a state of crisis. During Abulfaz Elchibey’s presidency, after June 1992, the oil exploration agreement between the State Oil Company of Azerbaijan (SOCAR) and the newly established Azerbaijan International Oil Consortium (AIOC) had been signed. According to the terms of this agreement, the share of 30% was contributed to SOCAR.⁸² Moreover, as far as the preference of the pipelines was concerned, Elchibey’s administration considered Turkey to be the safest and most reliable country for transporting the

Chirag Fields and the Deep Water Portion of the Gunashli Field in the Azerbaijan Sector of the Caspian Sea,” available at www.caspiandevlopmentandexport.com

⁷⁹ For the list of PSA see Appendix A.

⁸⁰ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

⁸¹ Brzezinski, Zbigniew., *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York: Basic Books, 1997; in Turkish: *Büyük Satranç Tahtası*, Istanbul: Sabah Kitapları, 1998, p. 87.

⁸² Aras, Osman Nuri. *Azerbaycan’ın Hazar Ekonomisi ve Stratejisi*. Istanbul: Der Yayınları, 2001, p.58.

Azerbaijani oil to the world market.⁸³ These expectations of Elchibey did not find a realistic basis for long-term Azerbaijani foreign relations.⁸⁴ That is why, after the political violence and the change of the government, in June 1993 the new leader of Azerbaijan, Heydar Aliyev cancelled the share agreement and started new negotiations with the Western oil consortium in February 1994. Heydar Aliyev's choice was more realistic and reflected the long-run expectations of Azerbaijan political establishment.

By the end of 1994, Azerbaijan President Heydar Aliyev forged ahead in his policy building, and realized very early that Azerbaijan's and the U.S.'s interests were mutually reinforcing, and nowhere did it overlap more than in the uninterrupted exploration, development and transportation of Caspian Sea oil and natural gas to the international markets. After the stage-by-stage negotiations in 1994 together with the Western corporations, the Russian Lukoil Corporation also received a 10% share from the total agreement. As a result of that geo-strategic reconciliation on September 20th in 1994, the agreement between SOCAR and AIOC was signed.⁸⁵ The State Oil Company of Azerbaijan (SOCAR) was founded on the basis of the Soviet Caspian exploration enterprise. The Azerbaijan International Operation Company (AIOC), also called a consortium, was established by several foreign multinational oil corporations in Azerbaijan. After three and a half years of negotiations, between 1991-1994, Azerbaijan and a consortium of foreign oil companies, signed a first production-sharing contract in Baku to develop Azerbaijan's Caspian oil reserves. The development of the Western influence, during the Azerbaijan's opening to the world energy market, produced objections from the Russian side:

Valter Shonia, Russian Ambassador to Azerbaijan remarked: "Russia is interested in cooperation with the West over Azerbaijan but if there are some attempts to unseat Russia, there will be unpleasant consequences." These charges stemmed from the Russian argument

⁸³ Croissant, Michael., and Bulent Aras., "*Oil and Geopolitics in the Caspian Sea Region*", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999, p. 111.

⁸⁴ Tanrısever, Oktay F., "Rusya Federasyonu'nun Orta Asya- Kafkasya Politikası: Yakın Çevre Doktrini'nin İflası.", Mustafa Aydın, ed., *Küresel Politikada Orta Asya (Avrasya Üçlemesi I)*, 2005, p.53.

⁸⁵ Aras, Osman Nuri., p.59.

that, under Soviet-Iranian treaties in 1921 and 1940, the Caspian is an inland lake rather than a sea, and it is thus subject to joint control rather than sectoral division.⁸⁶

The subsequent developments, in the 2000s, have shown the agreement between Russian and Azerbaijan leaders, therefore, such critics from the Russian side should not reduce the Western influence in Caspian region. According to the consequences of Azerbaijani-Russian relations, between 1996-1998 Azerbaijan had consistently refused to submit to Russia's view of the Caspian. Baku's success at resisting ever-growing Russian pressure was due in large measure to the backing of the U.S. In letters to President Aliyev, President Clinton indicated the U.S. support for any agreement among all Caspian states as to the disposition and development of Caspian Sea resources, as long the agreement guaranteed the freedom of shipment through the sea and clearly established ownership of the resources in question. The U.S. has also opposed Russia's idea of joint development in 1990s of the sea's resources, since this would give Iran or any other state in the region veto power over any arrangements.

The first Production Sharing Agreement (PSA), which included oil companies from the U.S., the United Kingdom, Norway, Turkey, Russia, Saudi Arabia, and Japan, called for the exploitation of the giant offshore Guneshli, Azeri, and Chirag fields on the Caspian shelf near Baku. Total projected profits from the venture, which will produce an estimated 650 million metric tons of crude over a 30-year period, have been pegged at 100 billion USD or more at current prices- 80% of which will go to the Azerbaijani treasure.⁸⁷ There have been Azerbaijani government officials who labored behind the scenes to support the U.S. interests in Azerbaijan. However, the dramatic rise in attention to the Caspian Basin and to Azerbaijan, in particular, which seems to be in the process of elevating concerns for the region to the level of a "national interest." The above-mentioned contract had covered 30 years of exploitation and the total profit is estimated around 42 billion US dollars. The profit of Azerbaijan from the biggest contract would be approximately 34 billion US

⁸⁶ Croissant, Michael., and Bulent Aras., "Oil and Geopolitics in the Caspian Sea Region", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999, p. 108.

⁸⁷ Croissant, Michael P., *The Armenia-Azerbaijan conflict: causes and implications*, Connecticut: Praeger Westport, 1998, pp. 115-116.

dollars. Therefore, after 1994, growing lobbying activities of American corporations have been observed in Azerbaijan. At the same time the U.S. administration did not neglect to pay attention to the involvement in the joint agreements.

The Shah Deniz Sea agreement is a good example of the limited role played by the U.S. administration in getting the American private sector involved in the Caspian region. The Shah Deniz Consortium was established in July 1996.⁸⁸ As a result of the Iranian OIEC company participation, no American company had participated in this production-sharing agreement. Nevertheless, Washington after 1996 actively promoted the participation of American oil and operating companies in sharing agreements (PSA) in Azerbaijan. Together with the visit of Heydar Aliyev to Washington in 1997, “the new production sharing agreement had signed between American Exxon/Mobil and SOCAR for the Oguz oil reserve.” According to the rough data given in printed media sources, American Pennzoil took part in the Karabag PSA, AMOCO appeared in the Ashrafi-Dan Ulduzu PSA, and Chevron participated in the Absheron PSA.⁸⁹ But all these facts were being published in 1999. American oil corporations, such as Exxon/Mobil, Conoco, Frontera Resources, Amerada Hess, Moncrief Oil appeared later in the other PSAs and represented the American oil interests in Azerbaijan. Therefore, the growing influence of Azerbaijan foreign policy in international arena at the end of the last century emerged. The English journalist de Waal concluded,⁹⁰

The political developments in the region shown that from 1997, the U.S. government began to give the Baku-Ceyhan project strong political support, despite the misgivings of some oil companies that its commercial viability was not proven. The pipeline project became a symbol of Washington’s desire to link Azerbaijan and Georgia to the West via Turkey and to contain both Russia and Iran. By doing so, it polarized Armenia and Azerbaijan in a new way, pulling Azerbaijan closer into Washington’s orbit and pushing Armenia further into alliance with Russia and Iran.

The further developments in regional energy policy had shown that in fact Azerbaijan, after 1995, started to be seen as a potential energy exporter and the East-West transport corridor. Thus Azerbaijan’s new foreign policy principles had been

⁸⁸ For the location of Shah Deniz see map in Appendix B.

⁸⁹ Aras, Osman Nuri., pp.64-72.

⁹⁰ De Waal, Thomas., *Black Garden: Armenia and Azerbaijan through Peace and War*, New York: New York University Press, 2003, p.253.

formulated in a short time. Both energy export and the corridor role of Azerbaijan became the subject of bargaining in the Caspian region. Moreover, Azerbaijani foreign policy makers combined the territorial integrity question with the international energy issues. By the end of the 1990s the export pipeline for Azerbaijan and even the participation of other Caspian Basin states in this international project, increased the regional role of Azerbaijan in South Caucasus. In this context the question of the energy transportation arose and was expressed in the policy of pipelines.

3.3. Azerbaijan, the U.S., and the Politics of Pipelines

It is obvious that the exploration of the Azerbaijan oil reserves had to be supported by improved transportation to world markets. The existent Soviet pipeline infrastructure was old and insufficient. The direction of oil transportation was from Grozny was toward Baku in Soviet times. Then, according to the agreements, Azerbaijani export oil started to flow to the Black Sea port of Novorossiysk. Moreover, Moscow had its own priorities on oil export through its territories, which was the main pipeline joining Baku with the world oil market. Thus, the international discussions on the Caspian oil export focused around possible ways of redirecting oil transportation to the world market. Brzezinski's article reflected the U.S. approach towards the regional energy policy that also affected the major preferences in Azerbaijan foreign policy:

...in the southern Caucasus and Central Asia, the newly independent energy-exporting states are still in the early stages of political consolidation. Their systems are fragile, their political processes arbitrary and their statehood vulnerable. They are also semi-isolated from the world energy markets, with American legislation blocking the use of Iranian territory for pipelines leading to the Persian Gulf and with Russia aggressively seeking to monopolize international access to Turkmen and Kazakh energy resources.⁹¹

Although Western experts were suspicious about post-Soviet leaders' desire for economic cooperation, the old statesman, President Heydar Aliyev after the establishment of the close relations with the U.S. administration actively supported the oil exploration and transport projects, where Baku-Tbilisi-Ceyhan (BTC) played

⁹¹ Brzezinski, Zbigniew., "Hegemonic Quicksand", *National Interest*, No. 74, Winter 2003/ 2004.

the predominant role.⁹² The BTC project is a crude oil pipeline, which intends to carry the oil from Azerbaijan throughout Georgia and Turkey to the world market via the port of Ceyhan. Besides, the supporting steps from the U.S. circles, according to Aras, “EU institutions did not want to observe the strengthening of Turkish positions in South Caucasus, that is why did not support the BTC project at the beginning.”⁹³ It seems that low world oil prices in 2000-2002, which increased only after 2003 played the dominant role in the European preferences.

Thinking strategically, both Azerbaijani and the U.S. governments supported the idea of building a new pipeline for exporting large volumes of Caspian oil that by-passed the territories of Russia and Iran. Azerbaijan, after the completion of the BTC pipeline, will become more independent in its policy of energy export and create the multiple pipeline networks in the region. In these efforts the Azeri government received help, especially from the British Petroleum multinational oil company which helped it to invest in the new oil and gas fields. President Aliyev’s government offered substantial dividends to Western investors. As a result of this open policy, the Baku-Tbilisi-Ceyhan main oil pipeline and Baku-Tbilisi-Erzurum (Turkey) gas pipeline were proposed and lobbied for in the Western political and economic circles at the end of 1990s. In 1999 at the Istanbul summit of OSCE both the American and Azerbaijani presidents, together with their counterparts from Turkey, Georgia and Kazakhstan and the representative from BP-Amoco signed a joint declaration on plans to build BTC. The actual construction work started in 2002 and is supposed to finish by 2005 [2006].⁹⁴

To ensure its final success, the main export pipeline will be loaded with an additional 20 million metric tons. The daily needs of the BTC the Baku crude oil will be supplemented with 880 thousand barrels of Kazakh oil.⁹⁵ Therefore, the

⁹² “Ates Cemberi: ABD’de Cumhurbaşkanlığı Seçimleri ve ABD’nin Enerji Politikası”, NTV (Turkish TV Channel), 16 January 2001.

⁹³ Aras, Osman Nuri, pp.88-89.

⁹⁴ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

⁹⁵ “Ates Cemberi: ABD’de Cumhurbaşkanlığı Seçimleri ve ABD’nin Enerji Politikası”, NTV (Turkish TV Channel), 16 January 2001.

Azerbaijan foreign policy on the next stage of its diplomatic activity needs to develop good relations with its partners from the Caspian Basin.

Concerning the importance of the strengthening of the Azerbaijani economy, the former Azerbaijani President Heydar Aliyev emphasized that after the realization of main oil export route he will revamp his army in order to regain the territorial integrity of his country. "The oil contracts will revive our economy and that means reviving our military potential," Aliyev said.⁹⁶ This principle also was influential in the Azerbaijan-U.S. interactions and created some problems in bilateral relations.

3.4. Problems in Azerbaijan's Relations with the U.S. in the Field of Energy

The problems in energy cooperation between Azerbaijan and the U.S. comprised of the sufficient Caspian energy resources question in Azeri field, the further strengthening of the statehood in Azerbaijan and establishment of the stable political and economic atmosphere in the region, the possible various unpredictable steps of Azerbaijan elites on the question of territorial integrity and the probable lack of understanding between the different U.S. political actors and the Azerbaijan foreign policy institutes.

When Azerbaijan made the first attempt in finding the support from the U.S. administration was following it announced that according to the prevailing positive views, there are 50 billion barrels of oil in its fields, enough to keep American industry and cars running for more than 30 years. On the other hand, Turkish academic Osman Nuri Aras says that "the explored oil reserves of Azerbaijani part of Caspian Sea are 572.4 million metric tons, and the estimated oil reserves are 4293 million metric tons".⁹⁷ But to judge by the 2002 statement of Alec Rasizade, the truth may be less appealing:

America's honeymoon decade with Azerbaijan ended last year [2001] when the iridescent hydrocarbon bubble ballooned by sensationalist media burst with confusion. ... We are talking today about only 18-34 billion potential barrels of oil reckoned by the US Energy

⁹⁶ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

⁹⁷ Aras, Osman Nuri, p.37

Information Administration, 14 billions of which are confirmed under the Kazakhstan section of the sea.⁹⁸

Indeed the displeasure of American oil companies, such as Exxon/ Mobil and Chevron, with the Azerbaijani Caspian oil consortiums was revealed in the 2000's when the high oil reserves in sections allotted to them were not proven. The general expectations of the U.S. administration concerning the proven oil reserves in Azerbaijan did not change the positions of the Azerbaijan foreign policy. Nevertheless, the U.S. policy goals regarding energy resources in the Central Asian and South Caucasian states have included supporting their sovereignty and ties to the West, supporting the U.S. private investment, breaking Russia's monopoly over oil and gas transport routes by encouraging the building of pipelines that do not traverse Russia, promoting Western energy security through diversified suppliers, assisting its ally Turkey, and opposing the building of pipelines that transit Iran. The problem of the lack in oil reserves in the Caspian shelf could also be resolved by the perspectives of the appreciable gas exploitation and export from the Shah Deniz field, which was also allotted by the Azerbaijan administration for exploration. The U.S. Congress publications advocated that the U.S. administration "support constructing a gas pipeline to export Azerbaijan's Shah Deniz gas, and otherwise encourage the Caspian regional states to provide a stable and inviting business climate for energy and infrastructure development."⁹⁹

It is interesting to note that just after the start of the first crude oil exportation from the trans-Russia "early oil" pipeline in late 1997 to the port of Novorossiysk, the Clinton administration launched a campaign stressing the strategic importance of the BTC route. The subsequent steps of the U.S. administration also supported the aims of the Azerbaijan foreign policy to establish the multi-direction route. It seems that the problem of proven oil and gas reserves in Azerbaijan was solved because,

⁹⁸ Rasizade, Alec., "Azerbaijan after a decade of independence: less oil, more graft and poverty.", *Central Asian Survey*, 21 (4), 2002, pp.350.

⁹⁹ Nichol, Jim., "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests.", *The Library of Congress*, January 19, 2005. Accessed July, 2005 at <http://www.fas.org/sgp/crs/row/IB95024.pdf>.

despite the failure of the American ExxonMobil commercial presence in Azerbaijan, generally an increase of the U.S. influence was observed in the 2000's.

Last but not least, after the U.S. invasion of Iraq in 2003 and the sharp increase in oil prices up to 50-60 USD per barrel of crude oil, the BTC construction became economically feasible and the problem of lacking reserves in Azerbaijan was postponed.

One of the possible problems between two countries in cooperation is related with the instability and the internal fragility of Azerbaijan political establishment. The Azerbaijani foreign policy experienced difficulties in defending its positions in the world. The Presidential style of rule in Azerbaijan was regarded as a continuation of the Soviet style of management and was not strongly supported by the other democratic institutions. This style also spread to neighboring countries with transitional economies. Therefore, after the signing of agreements with the Western oil companies, Azerbaijan foreign policy institutions tried to find the extra support from the U.S. and the other Western states, where the latter feared sudden destabilization due to the unpredictable behavior of the Azerbaijan elites.

In this sense, Azerbaijan strongly supports the U.S. efforts in promotion of the alternative Caspian energy resource transportation to the world markets. As will be explained in Chapter Five, since September 11, 2001, the U.S. administration has emphasized the vulnerability of the U.S. to possible energy supply disruptions and intensified its commitment to develop Caspian energy and the BTC pipeline as part of a strategy of diversifying world energy supplies. More than likely, the Azerbaijan Presidency and other related institutions, which are responsible for the strengthening of the Azerbaijan foreign policy, will continue to diminish the fragility of the political system in order to prevent possible disruptions in the field of energy cooperation.

Today the first obligation of the Azerbaijan foreign policy is the preservation of its territorial integrity by defeating Armenian aggression. The energy field cooperation is the strongest instrument to influence the Western political and economic circles. For many authors, the BTC project may be evaluated as the "intermediate location" for entry into the Western energy markets.¹⁰⁰ It would be also

¹⁰⁰ Aras, Osman Nuri, p.108.

the intermediate success for the Azerbaijani foreign policy in the field of the support of its territorial sovereignty. Moreover, it would be a sign of the U.S. foreign policy victory, which will be the part of the Azerbaijan foreign policy victory in Transcaucasus. Thus after the successes in the energy field, which means substantial economic growth for Azerbaijan, it is expected to move toward strengthening the national army. Faced with the occupation of its territories, Azerbaijan will attempt to restore its full sovereignty. The inevitable renewal of the Nagorno-Karabakh conflict may damage the Azerbaijan-U.S. relations, because of the strong pro-Armenian lobbies in American institutions like the U.S. Congress. After the declaration of the growing U.S. interests in Azerbaijan, the gradually reduction of influence of the U.S. official and business circles was observed because of the continuing instability caused mainly by the Nagorno-Karabakh conflict. This political ‘headache’ still deters the American direct influence to Azerbaijan. Moreover, the decreasing interest of the U.S. oil companies after 2001-2002 again stressed the existing relative instability in the region caused mainly by the Nagorno Karabakh conflict.¹⁰¹

At this stage, Azerbaijan top management has to prevent misunderstandings between Azerbaijan and the U.S. and to strengthen its political institutions. As a result of diplomatic developments between the two states, both sides may misinterpret the political and economic reactions in the near future. The last century’s events have shown that as a result of the lack of understanding, the U.S. administration was late in supporting the alternative oil export. In 1995, Heydar Aliyev and the AIOC decided to transport “early oil” (the first and lower volume of oil) through two revamped Soviet-era pipelines in Georgia (Baku-Supsa) and Russia to ports on the Black Sea (Baku- Novorossiysk), each with a capacity of around 100-115,000 barrels per day. In the subsequent period, as Jofi Joseph says,:

NSC [The National Security Council] Advisor Tony Lake contacted Brzezinski, who was planning a trip to Baku in September, and asked him to carry a letter from President Clinton to Aliyev. The letter enunciated the American preference for a second pipeline to Supsa and offered U.S. assistance in brokering the Azerbaijani dispute with Armenia over the enclave of Nagorno-Karabakh. After handing over the letter, Brzezinski then held intense talks with Aliyev over the next several days, followed by personal lobbying in a phone call from President Clinton. President Clinton then weighed in with a telephone call to Aliyev days before the Azerbaijani President was due to make his final decision. Aliyev, intrigued by the

¹⁰¹ See [www.Day.az](http://www.day.az) the news about the cancellation of ExxonMobil exploration in Zafar-Mashal and Nakhchivan oilfields: <http://www.day.az/news/economy/39398.html> .

prospect of closer relations with the U.S., agreed to support the Supsa pipeline. On October 9th, 1995 the AIOC, with Aliyev's blessing, announced its plans to use both the Novorossiysk and the Supsa routes to export initial oil volumes from the three main Azerbaijani oil fields.¹⁰²

This example of early contacts on the political level reflected the insufficient diplomatic skills and the weaknesses of the Azerbaijan side. Moreover, the anti-Azerbaijani influence inside the U.S. political circles negatively affected the bilateral relations. In order to solve these misunderstanding in relations with the U.S., the Azerbaijani side has to develop its communication and lobbying capacities. In order to overcome the influence of the anti-Azerbaijan forces in the U.S., Azerbaijan will use the assistance of its supporters in current George W. Bush administration. Recently, according to Rasizade, President Ilham Aliyev's close personal relations with high U.S. officials such as "Vice-President Dick Cheney, Secretary of Energy S.Abraham, Undersecretary of State Richard Armitage and other old and new top officials"¹⁰³ strengthened the Azerbaijani position in the U.S. foreign policy priorities. At the same time, at the Pentagon, Deputy Assistant Secretary Mira Ricardel has initiated a military-to-military program with Azerbaijan in the past few years. Furthermore, at the National Security Council in 2003, Director Matthew Bryza, who is in charge of Eurasia policy, has previously served in a number of senior positions dealing with the Baku-Tbilisi-Ceyhan pipeline and other Caucasus and Caspian-related issues.¹⁰⁴ This high-level group of officials knows what they intend to do towards Azerbaijan. It is hoped that the highest U.S. official influence would be positively reflected in Azerbaijan-U.S. relations in subsequent years.

3.5. Conclusion

The cooperation in the energy field between Azerbaijan and the U.S. is based on the high-energy resources' potential of the Caspian region. Azerbaijan was historically an oil-rich country; therefore, it used this factor as an instrument for the

¹⁰² Joseph, Jofi., "Pipeline Diplomacy: The Clinton Administration's Fight for Baku-Ceyhan.", *Woodrow Wilson School of Public and International Affairs*, Case Study 1/99. Accessed July, 2005 at <http://www.wws.princeton.edu/cases/papers/pipeline.html>.

¹⁰³ Rasizade, Alec., "Azerbaijan after a decade of independence: less oil, more graft and poverty.", *Central Asian Survey*, 21 (4), 2002, pp.352.

¹⁰⁴ Cohen, Ariel., "Azerbaijan After Aliev", *Washington Post*, August 5, 2003.

opening to the world market after gaining its independence. As Kenneth Shaitelman says,

Azerbaijan's proven and estimated oil resources are considerable and will play an increasingly important role in the world oil market of the 21st century. The region will almost certainly create significant commercial opportunities for American firms. With that understood, American oil companies have been competing vigorously with each other and with companies from other nations for contracts to develop Azerbaijan's vast reserves.¹⁰⁵

Azerbaijan was influenced by the energy policy of the U.S. in the region, and to a large degree this shaped its new foreign policy. At the same time the foreign policy of Azerbaijan was influenced by U.S. interventions in the South Caucasus and the Caspian region. Nevertheless, the international oil exploration and the transportation agreements were signed. The American influence in energy field gradually continues to increase in the region. It is one of the favorite foreign policy aims of Azerbaijan. The balances in South Caucasus built by the U.S. and other regional powers may change, but Azerbaijan foreign policy will preserve its *status quo* due to its international energy projects.

In this framework the international consortium successfully constructed the first and biggest oil transport pipeline of Baku-Tbilisi-Ceyhan. It seems that the U.S. administration's and the private sector's supports were strongly in favor of the Azerbaijan foreign policy in recent years.

The open support from the U.S. administration was clearly seen at the Istanbul Summit of OSCE in 1999, and after 9/11 there was growing U.S. support for an independent Azerbaijan's foreign policy. Concerning the common problems in energy field, in spite of the economically non-viable oil and gas reserves in Azerbaijan, the relative instability and the internal fragility of Azerbaijan political establishment, the strong pro-Armenian lobbies in Washington against Azerbaijan and the risk of renewed regional warfare, it is clear that Azerbaijan will continue to strengthen relations with the U.S. It seems that Azerbaijan's energy politics will be part of its foreign policy, directed towards the solutions of its international disputes, and in those areas it will gain strong support from the highest levels of U.S. government.

¹⁰⁵ Shaitelman, Kenneth., "The Azerbaijan-Armenia Conflict: The War in Nagorno-Karabakh, Section 907, and their Impact on Oil Pipeline Routes.", January 4, 1999. Accessed January, 2005 at <http://www.wws.princeton.edu/wws401c/1998/ken.html> .

CHAPTER 4

THE NAGORNO-KARABAKH PROBLEM IN AZERBAIJAN'S RELATIONS WITH THE U.S.

4.1. Introduction

The major domestic issue affecting Azerbaijan is the dispute over Nagorno-Karabakh, a predominantly ethnic Armenian region within Azerbaijan. The Nagorno-Karabakh region was historically Azerbaijani territory, where the Russian Tsarist regime changed the ethnical ratio after 1828 in favor of Armenians. After restoring its independence in 1991, Azerbaijan had to deal with this breach of its territorial integrity. The Nagorno-Karabakh conflict and its consequences are best described in a report by the USIP¹⁰⁶:

Armenia supports the aspirations for independence of the predominantly ethnic Armenian enclave of Nagorno-Karabakh, located in the western regions of Azerbaijan. Azerbaijan seeks to preserve its national and territorial integrity, particularly since Nagorno-Karabakh's armed forces have not only fortified their region, but have also occupied a large swath of surrounding Azeri territory in the hopes of linking the enclave to Armenia. As a result of the fighting—which has been tenuously halted by a 1994 cease-fire agreement—thousands of refugees and displaced persons live a desperate existence, unable to return home and complicating the prospects for a comprehensive peace settlement.¹⁰⁷

Today the Nagorno–Karabakh issue dominates Azerbaijan's foreign policy agenda. In order to establish trustable, strong relations with its allies and show its durable position to others in the international arena Azerbaijan has to prove its sovereignty. The sovereignty of a state cannot be supposed without its territorial integrity. Therefore the quickest solution is desirable, so that the ways of solutions are different. One group of researchers claims that the solution to the Karabakh

¹⁰⁶ USIP- United States Institute for Peace, founded in Washington DC.

¹⁰⁷ Carley, Patricia., "Nagorno-Karabakh Searching for a Solution." Accessed July 31, 2005 at <http://www.usip.org/pubs/peaceworks/pwks25/pwks25.html>

problem depends on the absolute U.S. control over the South Caucasus region. According to Vafa Guluzade, “the Karabakh problem is a painful knot for Azerbaijani people, but for the U.S. after the building of the domination it is a mere trifle”.¹⁰⁸ Other writers argue that the Karabakh conflict’s solution would be realized after the democratization of the Azerbaijani society, which is not expected soon.¹⁰⁹

As a result of the Kremlin protection given to the Caucasian Armenians throughout the Tsarist and Soviet periods and the strong Armenian representation in the Soviet elite by the end of the 1980’s, Azerbaijan experienced the military intervention of the Armenian separatists at the last stage of the USSR, in between 1988-1991.

The second President of Azerbaijan, Abulfaz Elchibey, after June 1992 wasted no time in withdrawing Azerbaijan from the Commonwealth of Independent State (CIS)¹¹⁰, a step which prompted Russian retaliation: import duties on industrial products from Azerbaijan rose by more than half, and many Russian enterprises cancelled their contracts with Azerbaijan.¹¹¹ Svante Cornell says that,

Russia plays the card of stepping up its military support for Armenia to force Azerbaijan to make concessions and return to Moscow’s economic and security sphere of influence. Thus Russia is pursuing a classic policy of *divide et impera* - divide and rule.¹¹²

A similar point of view is expressed in Swietochowski’s study which shows that “the conditions that brought the Soviet Union to destabilization still obtain, and

¹⁰⁸ Bekir, Babek., “Panorama, Interview with Vafa Guluzade- the Azerbaijan President’s ex-state adviser on foreign policy.”, “*Azadliq Radiosu*”, December 26, 2005. Accessed February 3, 2006 at <ftp://realaudio.rferl.org/ch16/20051226-1400AZ.rm>.

¹⁰⁹ Rasizade, Alec., “Azerbaijan after Heydar Aliev.”, *Nationalities Papers*, Vol.32, No.1, March 2004, pp.156-157.

¹¹⁰ CIS- is a form of the interstate cooperation between the former Soviet states (except Baltic republics), that initiated by the Russian Federation after the Soviet breakup in December 1991.

¹¹¹ Swietochowski, Tadeusz., “Azerbaijan’s Triangular Relationship: The Land Between Russia, Turkey and Iran.”, Ali Banuazizi, and Myron Weiner, eds., *The New Geopolitics of Central Asia and Its Borderlands*, London- New York: I.B.Taurus, 1994, p. 130.

¹¹² Cornell, Svante., “Undeclared War: The Nagorno-Karabakh Conflict Reconsidered.”, *Journal of South Asian and Middle Eastern Studies*, Vol. 20, No. 4, Fall 1997, Accessed November 11, 2005, at <http://scf.usc.edu/~baguirov/azeri.html>.

the former rulers reappear on the scene in a changed, unfamiliar setting.¹¹³ The new independence and the internal stability of the Azerbaijan were threatened after the [*de-facto*] loss [of the rule over] the Nagorno- Karabakh.¹¹⁴

Although the Armenian influence was strong in the Soviet political elite, before 1991 the Kremlin would not risk changing the Nagorno-Karabakh status in favor of the Armenians, i.e. towards the further enlargement of the Republic of Armenia. The national problem in the Soviet period threatened the stability of the whole country which is why during the Soviet period the solution of the conflict was postponed and why just after the Soviet breakup, Azerbaijan was faced with Armenian military aggression; and as a result of the internal chaos, by 1994 had lost 20% of its territory. But the occupied territories were not officially recognized as Armenian territory even by Armenia, which is why after the 1994 the stalemate ceasefire regulation was implemented until current days (2006).

4.2.Origins of the Nagorno Karabakh Conflict

The conflict over Nagorno-Karabakh originated in the historical ambition of Karabakh Armenians to be joined with the Republic of Armenia. Behind this lies the historical fact that Armenians were moved to the Azeri province of Karabakh after the joining of Azeri Khanates to the Russian Empire in 1828.¹¹⁵

As a small people (3.5 million in Armenia, plus 800,000 in the U.S. and one million in other countries), Armenians could not hope to achieve territorial ambitions against Azerbaijan, Georgia, and Turkey on their own, so they turned to the world for help. Historically, Russia has been the most important supporter for Armenian expansionism in South Caucasus.¹¹⁶ After the establishment of Russian domination

¹¹³ Swietochowski, Tadeusz., "Azerbaijan's Triangular Relationship: The Land Between Russia, Turkey and Iran.", Ali Banuazizi, and Myron Weiner, eds., *The New Geopolitics of Central Asia and Its Borderlands*, London- New York: I.B.Taurus,1994, p. 130.

¹¹⁴ Brzezinski, Zbigniew., *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York: Basic Books, 1997; in Turkish: *Büyük Satranç Tahtası*, Istanbul: Sabah Kitapları, 1998, p. 117.

¹¹⁵ See for details: Croissant, Michael P (1998) pp. 10-24 and de Waal, Thomas, pp.15-19.

¹¹⁶ Ibrahimov, Mahir, and Erjan Kurbanov., "Policy Brief: Getting it Wrong in the Caucasus.", Accessed July 7, 2005 at <http://www.meforum.org/article/199>.

in the region after 1828, the Armenian population succeeded in creating the Armenian state in 1918. During the Soviet period, the territory of Armenia was enlarged due to territorial concessions from neighboring Azerbaijan. And the Karabakh assertion of Armenians appeared after the weakening of the Kremlin's control over the South Caucasus in 1988.

The use of that conflict in defense of their geostrategic interests, firstly by Russia, later by the U.S., is shown in the work of historian and specialist in Turkic affairs, Audrey Altstadt, who says that:

...in the former Nagorno Karabakh Autonomous Region [during the last Soviet period] the Armenian language was designated as an official language for administrative purposes and in everyday life and that the staffs of territorial, legislative and party organs, as well as the senior staff members and employees of cultural and educational establishments, were, in the overwhelming majority, Armenians from the moment of the creation (of the former Nagorno Karabakh Autonomous Region). The author concludes that "the cultural and administrative character of the region favored Azerbaijani emigration... and, as regards the problems and abuses that existed, they should be laid at the door of the local Armenians who ... were administering Nagorno Karabakh, and not Baku."¹¹⁷

This example again underlines the absence of any serious reason for secession for Armenians in Nagorno-Karabakh. Karabakh Armenians did not deprive them of power and privileges in Soviet times. But from the chronology of conflict it is seen that Russia tried to preserve its geopolitical presence using the nationalistic feelings of Armenians and Armenian personnel of the former KGB and the military officers.

Pro-Armenian writers in Western countries, such as Nicolas Tavitian, deny the Republic of Armenia's presence in the Karabakh conflict. He argues that Russian troops supported both sides in the conflict. According to him,

[b]y now Karabakhi [i.e. Armenian] and Azerbaijani militias, and soon improvised armies, sought to gain control over the territory using whatever equipment they could salvage from the decomposing Red Army. Russian soldiers were even seen fighting on both sides. After a series of setbacks, Karabakhi troops managed to take control of most of the territory of Nagorno-Karabakh and each Azerbaijani counteroffensive led to greater territorial gains for Nagorno- Karabakh.¹¹⁸

¹¹⁷ "Armenian-Azerbaijani Conflict: Background", *Official site of the Embassy of the Republic of Azerbaijan in USA*, Accessed April 15, 2005 at http://www.azembassy.com/conf/conf_backgr.html.

¹¹⁸ Tavitian, Nicolas., "An irresistible force meets an immovable object: The Minsk Group negotiations on the status of Nagorno Karabakh.", 2000. Accessed October, 2005 at <http://www.wws.princeton.edu/cases/papers/minsk.html>, p.2.

But it was observed that Russian efforts failed because both sides in the ethnic conflict, Armenians and Azerbaijanis, suffered and did not achieve their goals. Azerbaijani officials on their part realized that the need for a global geo-strategically predominant force for the conflict resolution had appeared in South Caucasus and the U.S. presence after the decade of crisis gathered momentum.

As for the view of Azerbaijani scholar Ismailzade on Azerbaijan foreign relation needs, the escalating war with neighboring Armenia over the Nagorno-Karabakh province of Azerbaijan, located within Azerbaijan but populated by mainly Armenians, which placed in this province after the establishment of Russian dominance in the region in 1828, quickly created the necessity in Azerbaijan for foreign allies. As Ismailzade concludes,

Moscow, the traditional ally of Armenia in the Caucasus, supported the occupation of the Azerbaijani territories by the Armenian military formations and thus created many anti-Russian sentiments in Azerbaijan. The majority of people and the country's leadership strongly believed that it was due to the Russian military help that Armenia was able to successfully occupy Nagorno-Karabakh and therefore resisted any kind of idea of integrating into the alliance with the Russian Federation. In fact, Azerbaijan declined from entering the newly created Commonwealth of Independent States (CIS), a loose union of former Soviet Republics, dominated by Moscow.¹¹⁹

While the dissolution of the USSR in 1991 radically changed the whole political setting of the conflict, there were strong expectations from all the concerned parties that the Russian Federation would continue its high-profile involvement.¹²⁰ After the tragic Khojaly massacre in Nagorno-Karabakh, in which the Russian troops' had been implicated, Azerbaijan "refused to sign the Tashkent Treaty in May 1992 and suspended its participation in the CIS; within a matter of days the Armenian launched an offensive in Nagorno-Karabakh which captured Shusha and opened the Lachin corridor to Armenia."¹²¹ These developments seriously harmed the relations between newly established power of President Abulfaz Elchibey in Azerbaijan and the Russian Federation. As a result of this development, on the other hand, Azerbaijan achieved the swift withdrawal of Russian troops from the country,

¹¹⁹ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

¹²⁰ Baev, Pavel., *Russia's policies in the Caucasus*, London: *Royal Institute of International Affairs*, 1997, p.38.

¹²¹ *Ibid*,p.39.

except the strategic Soviet observing system, the Gabala Radio Station, on its northern border.

After these developments, in late 1992 and early 1993 Turkey greatly strengthened its ties with Azerbaijan owing to the pro-Turkish orientation of Azerbaijan President Abulfaz Elchibey. But at this point of the international developments, Turkish efforts alone were not sufficient to defend Azerbaijan's interests. The U.S tried to push for a solution, acting both unilaterally and through the CSCE (in 1994 renamed to OSCE).¹²² But CSCE was very slow in seizing opportunities. The turning point in Russia's policy came in July 1993 with the appointment of Vladimir Kazimirov as special envoy with responsibilities for the Nagorno-Karabakh conflict. Kazimirov was representative of the Russian Presidential administration rather than the Russian Foreign Ministry in May 1993. Moscow had been ready to cooperate with the U.S. and Turkey but Kazimirov's efforts were not successful since the Nagorno-Karabakh forces conducted a series of offensives and occupied large territories around the Nagorno-Karabakh district. This fact again confirmed the powerful influence of Russian pro-Armenian forces and caused by the lost of trust as the mediator in conflict. By the end of 1994 "it became clear that Russia would not be able to lead the peacekeeping process in Nagorno-Karabakh, but could nevertheless prevent others from developing it."¹²³ According to these developments, it is needed to emphasize the role of the U.S. foreign policy in Nagorno-Karabakh conflict resolution, in the back of Russian influence.

On the other hand, Azerbaijan's society and leadership is deeply disturbed by the humiliation of losing almost a fifth of the country's territory, and the massive refugee and internally displaced population is both an economic drain and a political concern. Both Azerbaijan's Communist regime and the Elchibey government fell in great part due to their failures in the war. In this decade President Heydar Aliyev and the newly elected President, Ilham Aliyev are well aware of the centrality of the Karabakh issue in their country's politics.

Moreover, frustration is on the rise in the country with what is perceived as Armenian intransigence and international disregard do the aggression committed

¹²² *Ibid*, p.40.

¹²³ *Ibid*, p.42.

against their country. President Heydar Aliyev's efforts to control the internally displaced population seems to have been the major reason that spontaneous *revanchist* movements, including paramilitary ones, are not emerging, especially among the refugee population.¹²⁴ Therefore, the solution of the conflict was stuck rather to the Azerbaijani politicians and diplomats, who have to find the adequate measures in order to solve the conflict peacefully anyway.

The international community has confirmed the territorial integrity of Azerbaijan, including the Nagorno-Karabakh region. This was done in December 1996 at the OSCE Summit in Lisbon, when the Chairman read a statement, approved by each of the 54 member states except Armenia, and it was entered into the record. This is a very strong endorsement of Azerbaijan's position.

The Principles of the Lisbon Declaration regarding a settlement for Nagorno-Karabakh included in the Chairman's statement recorded at the Lisbon OSCE Summit (2-3 December 1996) are:

- (1) Territorial integrity of the Republic of Armenia and the Azerbaijan Republic;
- (2) Legal status of Nagorno-Karabakh based on self-determination which confers on Nagorno-Karabakh the highest degree of self-rule within Azerbaijan;
- (3) Guaranteed security for Nagorno-Karabakh and its whole population, including mutual obligations to ensure compliance by all parties with the provisions of the settlement.¹²⁵

As one of the three chairs of the Minsk Group, Russia has continued to proffer its own initiatives from time to time in ways that seemed pointedly to compete with OSCE efforts. Whatever its overall aims, Russia clearly has shown itself determined to retain the influence over the former republics of the Southern Caucasus that it enjoyed while the Soviet Union was a single entity. This relationship has been the easiest to maintain with Armenia, traditionally Russia's strongest ally in the region and clearly interested in maintaining that connection. Russia operates two military bases in Armenia, and the military alliance continues to expand. In fact, this relationship proved something of an embarrassment to the two countries when, in

¹²⁴ Cornell, Svante E., McDermott, Roger N., O'Malley, William D., Socor, Vladimir, and Frederick S, Starr., "Regional Security in the South Caucasus: The Role of NATO.", *Central Asia-Caucasus Institute*, 2004. Accessed March 25, 2006 at <http://www.silkroadstudies.org/new/docs/publications/2004/nato.pdf> ., p.7.

¹²⁵ Heritage, Timothy., "Nagorno - Karabakh Rows Almost Wrecks Lisbon Summit.", *Reuters*, 3 December, 1996. Accessed May, 2005 at www.azerbaijan.com/azeri/dadash4.htm.

February 1997, it was revealed that the Russian Defense Ministry had supplied a considerable amount of military hardware to Armenia between 1994 and 1996, apparently in violation of the Conventional Armed Forces in Europe (CFE) Treaty¹²⁶. Azerbaijan, on the other hand, has steadfastly refused to allow Russia to operate any military bases on its territory, despite considerable Russian pressure. This combination of relationships has led some to question Russia's role as an objective player in this dispute.¹²⁷ Nevertheless, in my view, we need to focus on the role of the U.S. administration because of the growing activities of the latter in the region in recent years.

4.3. The U.S. Involvement in the Nagorno Karabakh Conflict

The U.S. policy toward the South Caucasus states includes promoting the resolution of the Armenia- Azerbaijan conflict over Azerbaijan's breakaway Nagorno-Karabakh (NK) region, as well as Georgia's conflicts with its breakaway regions of Abkhazia and South Ossetia. Records from the early 1990's show that in Chorbajian;

...two nearly identical proposals, which appeared in US publications in 1992, help to unseat assumptions, which underlie much of the West's thinking on Nagorno-Karabakh. Former US State Department official Paul Goble, now with the Carnegie Endowment for International Peace in Washington, presented a plan for the resolution to the crisis in which Azerbaijan would retain Nagorno-Karabakh and Armenia would receive a corridor to the territory via the Lachin Strip. In return for the latter concession, Armenia would cede its southern province to Azerbaijan, allowing the long sought pan-Turkic link between Turkey and Nakhichevan to the west and Azerbaijan to the East... [Goble seems to say that] neither side is entirely right and that the truth, and therefore the solution, lies somewhere in the middle. Each side should gain something and lose something as the price for peace.¹²⁸

The Minsk Group of OSCE was designed in March 1992 to legitimize a leadership role for the U.S. But back in 1992 American interest in the region was very low. The oil companies were much more interested than the U.S. government,

¹²⁶ This treaty signed between European states confirmed the non-proliferation of the conventional weapons and to preserve the arm balances in the region.

¹²⁷ Carley, Patricia., "Nagorno-Karabakh Searching for a Solution." Accessed July 31, 2005 at <http://www.usip.org/pubs/peaceworks/pwks25/pwks25.html>.

¹²⁸ Chorbajian, Levon, and Patrick Donabedian, Claude Mutafian., *The Caucasian Knot*, London and New Jersey: Zed Books, 1994, p.29.

which tended to see the Newly Independent States as a Russian sphere of influence. The U.S. government had many other concerns with Moscow to which they gave a higher priority, and obviously the “Administration did not want to overload the circuits by challenging Russia's influence in the region. For this reason, Washington's backing for a leadership role in settling this conflict was weak, especially if contrasted with the U.S. role in conflicts in Iraq, Somalia, or even in the former Yugoslavia.”¹²⁹

It is clear that in early independence period, the U.S. influence in South Caucasus was sluggish, because Russian attempts to find solutions to the local clashes were prevalent. On the matter of the conflict resolution, a Russian-mediated cease-fire was agreed to in May 1994 and was formalized by an armistice signed by the ministers of defense of Armenia and Azerbaijan and the so-called commander of the Nagorno Karabakh army on July 27, 1994. In the later period the Russian influence gradually diminished.

A central reason for the lack of progress was the fact that Azerbaijan feared the intentions of the leading negotiator, Russia. After the cease-fire, Azerbaijan rejected Grachev's proposed Russian-led peacekeeping force.¹³⁰ As a result of friction between Russian and Western diplomatic efforts in the Nagorno-Karabakh negotiations, the stalemate situation after 1994 cease-fire continued until the present day (2006).

Furthermore, Russia has consistently used the Nagorno-Karabakh conflict as leverage over the Azeri state. Moscow supplied Armenia with planes, tanks, and advanced weaponry; and various units of the former Soviet 7th Army (such as the 366th Brigade) took direct part in the struggle on the side of the Armenians.

Each time Azerbaijan's government attempted to play up to Turkey, Iran, or the U.S., as Stolyar noted, “Russia was quick to respond with political or military pressure – either by supporting a pro-Russian coup, or by supplying and arming the

¹²⁹ Maresca, John., “U.S. Ban on Aid to Azerbaijan (Section 907), How It Started in 1992 and Why It Should be Lifted.”, *Azerbaijan International*, Vol.6, No.4, Winter 1998.

¹³⁰ De Waal, Thomas., *Black Garden: Armenia and Azerbaijan through Peace and War*, New York: New York University Press, 2003, p.254.

Armenian forces”.¹³¹ Therefore, the Azeri foreign policy makers’ attempts to find the peaceful solution with the direct involvement of the U.S., would be faced with the certain difficulties as far as Russia regards the South Caucasus as the area of its influence.

Looking at the influence of the multinational oil projects to the conflict resolution, the tremendous increase in wealth of three countries on its borders, Azerbaijan, Georgia, and Turkey, two of which are Armenia’s enemies, would only anger Armenia and isolate the country even more. It could even lead to an escalation of the Nagorno-Karabakh conflict, which almost certainly would negatively impact the steady flow of oil from the region. Further, Russia, in order to weaken Turkey, its regional rival, and angered by the fact that the main export oil pipeline does not go through its territory, would continue to arm Armenia and the Karabakh Armenians. Thus, a Baku-Ceyhan route could ignite an arms race in the Caucasus, something the U.S. wants to avoid at all costs.

During and after the war in Karabakh, “the State Department has adopted a more balanced approach, usually condemning both sides for actions that tend to widen the conflict of cause civilian population dislocation”.¹³² Administration policy remains fully committed to the OSCE Minsk Group peace negotiations and has sought to counter a solely “Russian” solution to the conflict. It is observed that during the conflict resolution in 1993-1994, the U.S. administration was not opposed to Russian participation in a peacekeeping force. It is obvious that during the first years after the Soviet breakup the U.S. administration was not ready to dominate in the South Caucasus. It was related rather with the critical geopolitical situation and interethnic conflicts in Balkans, where the U.S. and Western military forces tried to play the role of peacekeepers.

But when we look at the official data, according to the official American viewpoint, the U.S. has been actively engaged in international efforts to find a peaceful solution to the Nagorno-Karabakh conflict. It means that the U.S. has

¹³¹ Stolyar, Oleg., “Geopolitics in The Caspian: Can Russia Keep Control in Its Own Backyard?.”, *Woodrow Wilson School of Public and International Affairs Research Papers*, 1998. Accessed July, 2005 at <http://www.wws.princeton.edu/wws401c/1998/>.

¹³² Human Rights Watch/Helsinki, *Azerbaijan: Seven Years of Conflict in Nagorno-Karabakh*, United States of America: Human Rights Watch, 1994. Accessed October, 2004 at www.geocities.com/fanthom_2000/hrw-azerbaijan/hrw-contents/1.html, p.79.

played a leading role in the Minsk Group, to encourage a peaceful, negotiated resolution to the conflict between Azerbaijan and Armenia. As a matter of fact, in early 1997, the U.S. heightened its role by becoming a co-chair, along with Russia and France, of the Minsk Group. According to Croissant¹³³, the U.S. participation brought new impetus to the talks, and a series of negotiations throughout the summer focused on a new draft political settlement to the Nagorno-Karabakh conflict. Croissant also added that,

...whereas the U.S. role in the Karabakh negotiations was a secondary one prior to its ascension to co-chairmanship of the body, Washington assumed an active role as mediator throughout 1997 and 1998. Accompanying the elevated U.S. diplomatic profile were increasing calls for the repeal of Section 907 of the Freedom Support Act of 1992, which bars U.S. governmental assistance to the government of Azerbaijan until the latter takes “demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh. Critics claimed that Section 907 marked a de-facto American bias toward Armenia and thus impeded the United States’ ability to act as an impartial mediator of the Nagorno-Karabakh conflict.¹³⁴

As mentioned in Chapter Two, until the waiving of the Section 907 in 2002 an unfair percentage of U.S. assistance was going to Armenia, and Azerbaijan was being treated as though it was solely responsible for the conflict over Nagorno-Karabakh.

The U.S. policy towards the conflict had been characterized by its recognition of the Transcaucasus as being the ‘backyard’ of Russia until the events of September 11, 2001¹³⁵. Russian officials have openly stated that since Russia does not become involved in the activities of the U.S. in Central America, the U.S. should not interfere in Russia’s policy in the Caucasus. Accepting this argument, the George Bush and Clinton administrations have given priority to their ‘partnership’ with Russia rather than to pursue an active policy in the Caucasus. As far as the U.S. has had a policy in the region, it has been effectively influenced by Armenian pressure groups in the U.S. Congress.¹³⁶ But after the starting of operation against international terrorism,

¹³³Croissant, Michael P., *The Armenia-Azerbaijan conflict: causes and implications*, Connecticut: Praeger Westport, 1998, p. 121.

¹³⁴ *Ibid*, p.136.

¹³⁵ See Chapter Five for details.

¹³⁶ Cornell, Svante., “Undeclared War: The Nagorno-Karabakh Conflict Reconsidered.”, *Journal of South Asian and Middle Eastern Studies*, Vol. 20, No. 4, Fall 1997, Accessed November 11, 2005, at <http://scf.usc.edu/~baguirov/azeri.html>.

the U.S. government included the states of South Caucasus into their sphere of influence.

It is hard to call the U.S. Special Negotiators' efforts for Nagorno-Karabakh conflict resolution successful during the last decade. In various governmental documents it is claimed that such efforts "have helped in various ways to settle this conflict."¹³⁷ Congressional concerns about the Nagorno- Karabakh conflict led to the inclusion of Section 907 in the Freedom Support Act, which prohibits the U.S. government-to-government assistance to Azerbaijan, except for non-proliferation and disarmament activities, until the President determines that Azerbaijan has taken "demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno- Karabakh". Provisions in 1996, 1998, and 1999 financial year's legislation eased the prohibition by providing for humanitarian, democratization, and business aid exemptions.¹³⁸ Azerbaijan administration faced with the difficulties to reflect the realities caused by the Nagorno-Karabakh conflict. Although the conflict was initiated by the Armenians and took place in Azerbaijan territory, some of the U.S. Congress members did not know this real situation while *de-facto* they were using their votes against Azerbaijan. As Ambrosio notes, "the official American perception that Azerbaijan committed 'aggression' against Armenia and Nagorno-Karabakh was enshrined in Section 907 of the Freedom Support Act 1992, which imposed severe limitations on the U.S. foreign aid to Azerbaijan".¹³⁹

As a result of a better understanding of the situation in Azerbaijan, starting from the middle of 1990's a group of American politician in the Clinton administration openly proposed waiving Section 907. After Heydar Aliyev's visit and the first attempts at creating a pro-Azerbaijani lobby group in American Congress, the arguments for the defense of the Azerbaijan interest appeared. The

¹³⁷ US State Department Azerbaijan web-site. Accessed October, 2005 at US State Department Azerbaijan web-site. Accessed October, 2005 at <http://www.state.gov/p/eur/ci/aj>.

¹³⁸ The full text of the FSA's Section 907 given in Appendix K, see Croissant, Michael P., *The Armenia-Azerbaijan conflict: causes and implications*, Connecticut: Praeger Westport, 1998.

¹³⁹ Ambrosio, Thomas., "Congressional Perceptions of Ethnic Cleansing: Reactions to the Nagorno-Karabakh War and the Influence of Ethnic Interest Groups." *The Review of International Affairs*. Vol. 2, No.1, Autumn 2002, p.36.

lobbyists argued that “Section 907 was, and is, grossly unfair. There were no "good victims" and "bad victims"- there were just victims with broken lives. It is the proud tradition of the U.S. to try to help all such people, regardless of which side they are on. Section 907 contradicts this tradition by taking sides in the Nagorno-Karabakh conflict-by saying, in effect, that Azerbaijani victims are somehow less deserving.”¹⁴⁰

The conflict with Armenia has had a deep impact on Azerbaijan-U.S. relations and the history of bilateral relations between the two countries has been obfuscated by the activity of the ethnic Armenian lobby in the U.S., which had become an influential force in the U.S. domestic politics by the 1990s. As Smith says, "the end of the Cold War has allowed other [previously inactive or less active] ethnic communities a new role in the U.S. foreign policy. Thus, as was mentioned above, Armenian Americans gained critical influence on the U.S. policy in the Caucasus by virtue of the creation in 1991 an Armenian Republic".¹⁴¹ Therefore, Azerbaijani foreign policy makers met with a certain opposition in the U.S.

As the mediator in the Minsk Group of OSCE, the U.S. played the role of leading mediator, forcing it not only to be impartial but it also had to be perceived as impartial. That is why this group of politicians, among whom John Maresca, the first U.S. Mediator for the Nagorno-Karabakh Conflict, in his position of vice-chair of the International Relation Department of Unocal Oil Corporation, argued in 1998 that “Section 907 contradicted that essential impartiality, and is correctly viewed by Azerbaijanis as a favorable tilt toward the Armenian position.”¹⁴² This was a severe handicap for the U.S. mediators at this time. Therefore Section 907 has contributed to the prolongation of the conflict. On the other side, authors of Section 907 assumed that Azerbaijan has played an offensive role in the conflict over Nagorno-Karabakh. The wording of the restrictive clause refers to what it called Azerbaijan's "offensive uses of force against Armenia and Nagorno-Karabakh." Indeed, Azerbaijan was not conducting offensive uses of force against anyone. On the contrary, it was

¹⁴⁰ Maresca, John., “U.S. Ban on Aid to Azerbaijan (Section 907), How It Started in 1992 and Why It Should be Lifted.”, *Azerbaijan International*, Vol.6, No.4, Winter 1998.

¹⁴¹ Smith, Tony., *Foreign Attachments: The Power of Ethnic Groups in the Making of American Foreign Policy*, Cambridge: Harvard University Press, 2000, p. 69.

¹⁴² Maresca, John., “U.S. Ban on Aid to Azerbaijan (Section 907), How It Started in 1992 and Why It Should be Lifted.”, *Azerbaijan International*, Vol.6, No.4, Winter 1998.

“Azerbaijan whose territories have been occupied, resulting in the suffering of hundreds of thousands of internal refugees. Azerbaijan has been on the defensive now for at least six years. Section 907 is, therefore, deeply unjustified and unfair and based entirely on faulty assumptions.”¹⁴³

After the re-balancing of powers in Congress and the change of the U.S. administration in 2002, Section 907 of the Freedom Support Act was suspended.¹⁴⁴ That was the result of stirring up efforts of American corporations interested in the realization of energy projects in Azerbaijan. At the same time the official U.S. attitude towards the balancing policy in South Caucasus between 1998-2001 remained concerned with not annoying the Russians.

As the next chapter will show, the U.S. policy makers after September 11 noticed that Russian influence in Caucasus had not only weakened throughout the South Caucasus, but also threatened its own national security in southern regions of Russian Federation such as Chechnya. Afterwards it is seen that the U.S. involvement in the region became proactive and the Azerbaijani officials started to consider the U.S. policies as a solution to the conflict.

4.4. Prospects for the Resolution of the Nagorno Karabakh Conflict

The Azerbaijan side in the conflict caused much political turmoil during the early days of its independence because of its undeveloped foreign policy. This historical development resulted in the foundation of the strong authoritative power of Heydar Aliyev after 1993. But continuing escalation of the Nagorno-Karabakh conflict continued to impede the development of foreign relations of Azerbaijan in the early years, and only after the cease-fire and the establishment of an international oil and gas consortium, did Azerbaijan start to implement a proactive foreign policy. Hence the Azerbaijan-U.S. relations started to quickly develop after the mid-1990s and reached its peak in 2001.

¹⁴³ Smith, Tony., p. 69.

¹⁴⁴ The details are given in Chapter Five.

With a view to reaching the earliest possible solution of the conflict, the U.S. envoys in both Azerbaijan and Armenia have declared in the same statement that the U.S. administration supports the policy of President Ilham Aliyev and President Robert Kocharian to solve the problem through peace negotiations. Generally speaking, the U.S. policy towards Azerbaijan has as its goal stability and the peaceful resolution of the Nagorno-Karabakh conflict and this is not opposed by official Baku.

There is room for further development of mutual relations, but at the same time various positions have been taken on the role of the U.S. foreign policy in the Nagorno-Karabakh conflict resolution. The position of Azerbaijani political analysts and politicians are pessimistic after a decade of the attempts at making peace. The Chairman of the Azerbaijan Social Democratic Party and political scientist Zardusht Alizade are also pessimistic, in opposition to most of the Azerbaijan intelligentsia:

Western powers forced Azerbaijan and Armenia to compromise. Neither the Nagorno Garabagh [Karabakh] nor the Abkhaz problems create obstacles for the presence of the Western powers in Southern Caucasus; on the contrary, they have allowed them to consolidate their position in the region. None of the Western powers have taken a disinterested part in the solution of the Armenian-Azerbaijan conflict. Otherwise, the USA would have agreed to let Azerbaijan to hold anti-terrorist operations in the occupied territories. After September 11 attacks, the USA stated that it would fight against all countries that support terrorism. But when the case is about Armenia, the U.S. kept silent and declared that if Azerbaijan begins the anti-terrorist operations Washington will not support Baku. It proves that we shouldn't expect anything from the US in solving the Garabagh [Karabakh] problem.¹⁴⁵

The Western analysts also failed to predict the forthcoming interference in the region. Croissant says that “were Moscow to foment new hostilities in Nagorno-Karabakh, intervention by U.S. or other Western military forces is neither likely nor foreseeable. U.S. and European interests in the Transcaucasus are too important at this point for the West to remain indifferent to reignited and escalated conflict in the region”.¹⁴⁶ In support of this view, the burden of resolving this conflict cannot fall on the U.S. alone. John J. Maresca, the former American Ambassador to the OSCE, said, "The government of Azerbaijan should initiate direct contacts with the leadership of the Armenian community in Nagorno-Karabakh. After all, these people

¹⁴⁵ Alizadeh, Zardusht., “We shouldn't expect anything from the US on solution of the Karabakh problem.”, *525 Gazet*, June 15, 2002.

¹⁴⁶ Croissant, Michael P., *The Armenia-Azerbaijan conflict: causes and implications*, Connecticut: Praeger Westport, 1998, p.137.

are also citizens of Azerbaijan, and there would be nothing more natural than for the government to try to hear them out and reach a settlement. Ultimately, they too must be satisfied with the agreement".¹⁴⁷

It is widely felt that despite efforts of the U.S. in favor of Azerbaijan in the Nagorno-Karabakh conflict through the growing cooperation in the energy field and in the security issues raised by the fight against international terrorism, Azerbaijan primarily ought to try to solve this problem directly with Armenia.

Consequently, despite the confusing deadlock in Nagorno-Karabakh conflict, Azerbaijan's efforts must continue to find a lasting solution in favor of its territorial integrity. The growing economic activities and the possible strengthening of the military capacity in Azerbaijan are the important arguments against the separatism in Nagorno-Karabakh. It may also be that last year's economic development caused by the increasing energy cooperation of Azerbaijan made a serious contribution to the strengthening of its foreign policy arguments.

4.5. Conclusion

As mentioned above, the Azerbaijan foreign policy makers have spent considerable efforts on Nagorno-Karabakh conflict resolution. The territorial integrity that means the sovereignty for the newly independent state also affected the standing of Azerbaijan in the international arena. Historically the roots of Nagorno-Karabakh conflict hidden to the strategic approach of the previous state formations, so that the ways of the conflict resolution laid on the compromise between the old and the newly emerged regional and global powers in the new century. That means the Russian and the U.S. influence to the solution still may affect the results of this deadlock.

A new war between Armenia and Azerbaijan, should it take place, is unlikely to remain as limited as the previous one was. Between 1992-94 the two states had only rudimentary weaponry, and the military forces involved were far from

¹⁴⁷ Maresca, John., "U.S. Ban on Aid to Azerbaijan (Section 907), How It Started in 1992 and Why It Should be Lifted.", *Azerbaijan International*, Vol.6, No.4, Winter 1998.

professional but in the last few years both states have acquired more sophisticated and therefore, more deadly arms, meaning that a new war would almost certainly cause much larger human and material destruction. Even more alarming is the network of alliances that both states have built with Russia and Turkey respectively. According to Cornell, “neither Turkey nor Russia is likely to remain on the sidelines of a new confrontation.”¹⁴⁸ At this point great power involvement “may help prevent a new war, but would give it regional implications of a massive scale if it were to occur.”¹⁴⁹

It is obvious that the interests of the U.S. and Azerbaijani business and political circles coincide with the geo-strategic interests of the Russian Federation and Armenia. At this point the paradox of situation is that Armenian business and political lobbies are highly represented in the American political arena and may be the cause of serious debates about U.S. priorities in South Caucasus.¹⁵⁰ The Azerbaijani side needs to have assurances that the U.S. foreign policy institutions would consistently support Azerbaijani interests. More time is needed.

In 1992 the U.S. interest in the region was very low because the U.S. government tended to see South Caucasus as a Russian sphere of influence. Later, in the mid- 1990s, Russian influence gradually diminished but did not end. Although Russia and the U.S. may still affect the results of the conflict, neither the U.S. Administration nor the Russian foreign policy makers are able to propose the final solution.

If worst comes to worst, international oil companies must help find a peaceful settlement in Nagorno-Karabakh. Up until now, they have acted as if the conflict was none of their business. Indeed, they have every reason to push for a resolution in the Nagorno-Karabakh dispute. As seen in recent years, the proactive U.S. foreign policies leading to the evident domination in Azeri part of the Caspian Sea will depend on the agreements between the U.S. administration and the Russian

¹⁴⁸ Cornell, Svante E., McDermott, Roger N., O’Malley, William D., Socor, Vladimir, and Frederick S, Starr., “Regional Security in the South Caucasus: The Role of NATO.”, *Central Asia-Caucasus Institute*, 2004. Accessed March 25, 2006 at <http://www.silkroadstudies.org/new/docs/publications/2004/nato.pdf>, p. 25.

¹⁴⁹ *Ibid*, p.86.

¹⁵⁰ The names of some pro-Armenian Congressmen, the Armenian origin magnates, like Kevorkian (the shareholder of the General Motors) are enough to emphasize the influence of Armenians in American political and economic elite.

Federation, along with the leaders of South Caucasus' states and to a lesser degree its regional supporter, Turkey.

To conclude, if it is necessary to think in a multilateral way, the Nagorno-Karabakh problem affects the entire range of Azerbaijani foreign relations, especially with the U.S. No matter how much Azerbaijan will gain from a solution by which its territorial integrity would be preserved and its stability would be provided, the U.S. interests will also be defended. In short, Azerbaijan-U.S. relations depend on the peaceful resolution of the Nagorno-Karabakh conflict.

CHAPTER 5

AZERBAIJAN'S COOPERATION WITH THE U.S. IN THE FIGHT AGAINST INTERNATIONAL TERRORISM

5.1. Introduction

In legal terminology, “international terrorism” has not been clearly defined. However, according to the United Nations General Assembly, decision number 55/158 (1999), an act of terror is equated with a war crime committed in peacetime.¹⁵¹ At the same time, terrorism generally means the violent acts with the purpose of suppression of the political opponents. In a period of globalization, terrorism has transitioned into its new form, when the technological innovations gave an opportunity for small groups of terrorist to employ extreme violence. International terrorism has been a fact of life since 1970, and its aim has been to attract the attention of mass media or to kill the political and business heads of the declared enemy. Terrorism affects the morale and the reputation of any country. Prevention measures take up the first priority in a government’s agenda because a society’s security and the stability are the signs of the state’s merit.

In the case of Azerbaijan, the acts of terrorism were observed during the military actions on Azerbaijani territory between 1988-1994 and after the cease-fire was signed in May 1994. The worldwide terrorist organization of ASALA with the support of the Armenian National Security Ministry organized several bomb attacks in Azerbaijan in which dozens of civilians were killed.¹⁵² There were explosions on the Baku underground, intercity trains and in land cruisers in Azerbaijan in the 1990s.

¹⁵¹ Sönmezoğlu, Faruk., *Uluslararası İlişkiler Sözlüğü*, İstanbul: Der Yayınları, 2005, p.679.

¹⁵² Embassy of the Republic of Azerbaijan, Washington, DC. Accessed April 12, 2006 at <http://www.azembassy.com>.

Together with the spread of information technologies and the more liberal transportation of people and means for terrorist attacks, the possibilities for such actions were increased. That was made clear by the 9/11 attack, which influenced the foreign policy of the U.S. and thus affected Azerbaijan-U.S relations after September 2001.

The attack of 9/11 changed Washington's relations with all states in the region, and since Azerbaijan is a neighbor to those Middle East countries where the U.S. planned to implement regime changes, Azerbaijan found itself in a crucial geo-strategic place. Since the country is largely populated mostly by Shia Muslims, yet has a secular political regime, both the political structure and the geo-strategic position made Azerbaijan the possible unique ally in the Caspian region. As the President Ilham Aliyev observed in his interview¹⁵³, it is not possible to imagine the new transport corridors from East to West without Azerbaijan. This role of the country, proposed by the Azerbaijani side, set the priorities of the U.S. politicians and diplomats. Azerbaijan foreign policy's establishment in this situation tried to highlight the importance of country's role. September 11 polarized the region since Armenia clearly sided with the U.S. even though at the same time it was obviously politically supported by the Russia - the apparent U.S rival in the region.

This chapter will analyze the reasons behind growing Azerbaijan-U.S. security cooperation. At the same time, the reasons why further developments were not successful after September 11, despite both countries having common interests in deepening their security cooperation in the fight against international terrorism, will be explored. Moreover, the bilateral relations will reflect the process of democratization in Azerbaijani society, which is still at the transitional stage.

5.2. The U.S. and September 11 Events

In American history, the 9/11 terrorist attacks was not only marked by the death of almost three thousand people but also resulted in the transformation of the U.S. foreign policy towards the Muslim world. Indeed, the September 11, 2001

¹⁵³ Cem, Ipek., *Dünyayı Yönetenler*, NTV (Turkish TV), February 22, 2006.

attacks were a set of coordinated suicide attacks upon the U.S. carried out in September 11, 2001, in which a total of nineteen Arab hijackers simultaneously took control of four U.S. domestic commercial airlines. The hijackers crashed two planes into the World Trade Center in New York City. Within two hours, both towers had collapsed. The hijackers struck the third aircraft into the U.S. Department of Defense headquarters, the Pentagon, in Arlington County, Virginia. The fourth plane crashed into a rural field in Pennsylvania, following passenger resistance. By this action terrorists expressed their animosity to the real superpower, the U.S., and at the same time tried to put obstacles on the way of the U.S. foreign policy's realization especially towards the Middle East".¹⁵⁴ The name of Azerbaijan, like the names of other Turkic Muslim states was not mentioned on the list of states which allegedly supported the terrorist attack.

The U.S. foreign policy September 11 attacks changed to include preventive measures against the attacks of the terrorists and their organizations inside and outside the country, the continuation and stepping-up of operations against the growth of terrorism, and various measures on protection against new terrorist attacks. Increased the U.S. cooperation with secular Muslim states was intended to increase the pressure on Muslim terrorist groups. Azerbaijan along with Turkey, Bosnia, Albania and Central Asian Muslim states became the focus of the U.S. attention. The shifts of the U.S. priorities has also affected the views of the ruling elite in Azerbaijan in recent years. The cooperation between the Azerbaijan official circles with the U.S. administration after September 11 had been noticed in the field of the war against the terrorism, related with the security of the South Caucasus.

5.3. Azerbaijan's Cooperation with the U.S. in the Fight against International Terrorism

The Soviet Union and later Russia encouraged or fostered a tradition of one-man rule even after the country became officially a democracy, failing to provide an ideology or model for its former satellites that would lead to alternative views for future development. The U.S. on the other hand, was committed to spreading

¹⁵⁴ "September 11 Attack", *Wikipedia Online Encyclopedia*. Accessed February, 2006 at http://en.wikipedia.org/wiki/Responsibility_for_the_September_11%2C_2001_attacks.

democracy around the world but had neglected this practice until 9/11, when it was reminded of , the importance of the global security even for itself. Thereafter, according to the Lutz Kleveman, the U.S. administration changed its priorities:

The September 11 attacks have shown that the US government can no longer afford to be indifferent toward how badly dictators in the Middle East and Central Asia treat their people, as long as they keep the oil flowing.¹⁵⁵

This change in the priorities of the George W. Bush administration is reflected in the Azerbaijan-U.S. bilateral relations. However, in Azerbaijan the post-Soviet political and economic shifts did not provide a growth in welfare and further democratization. For example, Lutz Kleveman notes that ordinary Azerbaijani people do not expect the miracle from the oil boom in their country. When asked, the people responded pessimistically: "What oil boom? Our president's family and the oil companies put all the money into their pockets."¹⁵⁶ Kleveman called Azerbaijan a 'BP country' and argues that the late President Heydar Aliyev established the "first dynasty in the former Soviet Union" even though this triggered popular protests in the capital that were brutally put down by Aliyev's security forces' in October 2003 during the Presidential elections.¹⁵⁷ On the other hand, after Ilham Aliyev took power, some observers noted the relative stabilization in the Azerbaijan- U.S. relations. On the example of the U.S. military forces' deployment on the Pankisi Gorge Case and the Afghan Operation, Azerbaijan President gave an opportunity for using the Azerbaijani air bases and the state airspace.¹⁵⁸ Georgian Pankisi Gorge is located on the border of two republics, Georgia and Russia's Chechnya, where the Chechen warriors gathered in small groups by crossing the border. That subject also interested the U.S. administration because according to the different sources, these groups were also supported by Al-Qaeda, the organization that was responsible for the 9/11 attacks.

¹⁵⁵Kleveman, Lutz C., "Oil and the New 'Great Game'." *Nation*, Vol. 278, No. 6, 2004.

¹⁵⁶ *Ibid*, 2/16/2004, Vol. 278, Issue 6.

¹⁵⁷ *Ibid*, , 2/16/2004, Vol. 278, Issue 6.

¹⁵⁸ E.g. see: O'Hara, Sarah., "Great Game or Grubby Game? The Struggle for Control of the Caspian." *The Geopolitics of Resource Wars*, 2003, pp.151-152.

Moreover, states such as Georgia, Ukraine, Moldova, and Azerbaijan actively co-operated with NATO, the North Atlantic Treaty Organization headed by the U.S. It joined the partnership-for-peace program of NATO in 1994 and since then has tightened the cooperation with this organization in which American forces play the leading role. Although officially Baku still refrains from open aspirations to NATO membership, in reality, it sees membership in NATO as one of the foreign policy objectives for the counterbalancing the pro-Kremlin forces in Nagorno-Karabakh and Armenia.

As Ismailzade notes, in 1999, Azerbaijan , participated for the first time in the NATO peacekeeping operations in Kosovo. On several occasions, “Azerbaijan hosted NATO workshops and military exercises in Baku. Thus, the cooperation with NATO is increasing year by year, which is another point of tensions with Russia and Iran”.¹⁵⁹

Once the U.S. policy priorities shifted toward global anti-terrorist efforts, she quickly obtained pledges from the three states Caucasian states, Azerbaijan, Georgia and Armenia, to support Operation Enduring Freedom (OEF) in Afghanistan, including over-flight rights and Azerbaijan’s and Georgia’s offers of airbase and other support. OEF was later expanded to include Georgia. The State Department’s Patterns of Global Terrorism 2002 highlighted the U.S. support for Azerbaijan’s and Georgia’s efforts to stop their territories from being used by international mujahedeen and Chechen warriors to finance and supply Chechen and other types of terrorism.¹⁶⁰ Along the southern borders of Azerbaijan, the U.S. continues to deter Iran, through diplomatic channels, from directly interfering in the internal affairs of Azerbaijan. If Iran intervenes, the U.S. and Turkey could send a Turkish or joint the U.S.-Turkish air force squadron to Baku, as Turkey did after Iran encroached on Azerbaijani territorial waters in July 2001.

Prior to the September 11 attacks, the involvement of the U.S. and its regional ally Turkey was more or less indirect and Russia had not yet seen their

¹⁵⁹ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

¹⁶⁰ Nichol, Jim., “Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests.”, *The Library of Congress*, January 19, 2005. Accessed July, 2005 at <http://www.fas.org/sgp/crs/row/IB95024.pdf>.

engagement as a threat. However, after September 11, the South Caucasus became strategically important for the U.S. in its campaign against terrorism. Soon, as a part of counter-terrorism tactics the U.S. sent its military experts to Georgia-Azerbaijan neighbor - to train and help Georgians combat possible Al-Qaeda members in the Pankisi Gorge, region in the northeast of Georgia.¹⁶¹ Naturally even this indirect involvement made the Azerbaijan an important ally of the U.S.

Russian Foreign Minister, Igor Ivanov, responded immediately by warning that the presence of the U.S. troops in Georgia could aggravate the situation in the region.¹⁶² Nonetheless, Putin later tried to calm the situation by saying “there is ‘no tragedy’ in the U.S. military presence in Georgia”, expressing his approval for the U.S. involvement.¹⁶³ As shown in Chapter Two, Russia’s approach to Azerbaijan was multi-dimensional. Through a variety of diplomatic carrots and sticks, ranging from offers of military aid to the abrupt cessation of gas supplies, Moscow has attempted to persuade Baku away from its Westward trajectory.¹⁶⁴ Moscow’s moves are about much more than simply rolling back to the U.S. influence. Russian officials, in the words of President Vladimir Putin himself, are at least in part “now working to restore what was lost with the fall of the Soviet Union, but are doing it on a new, modern basis.”¹⁶⁵

September 11 attacks and the subsequent war on terrorism have created new prospects for enhancing the Azerbaijani-U.S. relations. In view of Azerbaijan's important geo-strategic location at the gates of Europe to the Middle East and to Central Asia, and given Azerbaijan's support to the U.S. in the war against terrorism (for example, by allowing U.S. jets flying to Central Asia to use its airspace and ground facilities), calls for lifting the U.S. ban on aid to Azerbaijan became more

¹⁶¹ E.g. see: Loeb, Vernon, and Peter Slevin., "U.S. Begins Anti-Terror Assistance In Georgia Al Qaeda-Linked Rebels Find Haven in Mountains.", *Washington Post*, February 27, 2002,p.A01.

¹⁶² Heintz, Jim., "Russia May Intervene in Georgia.", *The Associated Press*, March 22, 2002. Accessed March, 2005 at <http://www.washingtonpost.com/wp-dyn/articles/A3800-2002Mar22.html>.

¹⁶³ "Effort To Produce "Eurasian OPEC" Falls Short At CIS Summit", *Asia Business Today* , March 11, 2002.

¹⁶⁴ Berman, Ilan.,“The New Battleground: Central Asia and the Caucasus”,*The Washington Quarterly*, Winter 2004-05, p.65.

¹⁶⁵ “Putin Say CIS Seeks to ‘Restore What Was Lost’ With Soviet Collapse.” *RFE/RL*. Newslines, June 18, 2004. Accessed June, 2004 at www.twq.com/05winter/docs/05winter_berman.pdf.

vocal both on part of the Azerbaijani government and the George W. Bush administration. On December 19, 2001, the House of Representatives and on December 20th the Senate by the majority of votes approved the bill authorizing the President to waive the restriction of assistance for Azerbaijan if the President determines that it is in the national security interest of the U.S. to do so.¹⁶⁶

The shift in American policy meant the development of military cooperation with Azerbaijan, which was reported in the media as follows:

September 11 events changed the perception of U.S. foreign policy makers towards Azerbaijan. First the Bush Administration waived the 907 Section of Freedom Support Act (1992), which prohibited direct U.S. assistance to the Azerbaijani government. Then it announced that they would provide military assistance to Azerbaijan for modernizing and strengthening the Azerbaijani army.¹⁶⁷

Thus, the geopolitical shift in the U.S. foreign policy after September 11, created a more receptive environment for Azerbaijan and Georgia to slowly become a zone of complete Western influence. The change in Georgia after 2004 is shown that the U.S. administration was actively involved in this country.

Considering the strategic importance of Azerbaijan, it must be emphasized that during the last few years the Azerbaijani-U.S relations have reached a very high level of cooperation. Azerbaijan immediately condemned the terror attacks of 9/11 and joined the U.S.-led coalition on the war against international terrorism. In order to protect its own security, official Baku provided Washington with the right of air passage during the wars in Afghanistan and Iraq and also sent peacekeeping troops to both areas. Azerbaijan also arrested more than 30 international terrorists in its territory and deported more than 100 suspicious persons. The U.S. in its turn suspended Section 907 of the FSA. The Azerbaijani government was able to actively cooperate in many fields such as security, trade, governance and military. Azeri military started receiving a significant amount of the U.S. assistance in the fields of

¹⁶⁶ Huseynov, Tabib., "Influencing American Foreign Policy: A Case on Ethnic Versus National Interests.", Accessed October 8, 2005 at http://www.stradigma.com/english/june2003/articles_04.html.

¹⁶⁷ Sultanova, Aida., "US, Azerbaijan Forge Military Ties." *The Associated Press*. March 28, 2002. Accessed August, 2005 at www.ces-az.org/fayllar/Crissma-Baku-Ceyhan%20Paper_Ziyadov.pdf.

border troops training, coastal board training and equipment upgrades. Azerbaijan and the U.S. turned from “friends” into “strategic partners.” The little interest that the U.S. had shown in Azerbaijan and the Caucasus region in general in the beginning of 1990s (mainly due to the oil) was transformed into a close partnership due to the geo-strategic importance of Azerbaijan in the war against international terrorism.¹⁶⁸

The U.S. has provided some security assistance to the region, and bolstered such aid after September 11, though overall aid amounts to the countries did not increase post-September 11 as they did in regard to the Central Asian “front line” states in the war on terrorists in Afghanistan. In the last few years, Azerbaijan and Georgia played important anti-terrorism roles, according to the U.S. administration, by sending troops to support coalition actions in Afghanistan and Iraq.

Looking at the outcomes of these developments, Washington has pledged some 10 million USD to Azerbaijan “to strengthen its border security, improve its communications infrastructure, and help its government carry out security operations”, aimed at countering the spread of weapons of mass destruction.¹⁶⁹ The George W. Bush administration also initiated a series of joint military exercises in the Caspian Sea designed to train Azerbaijan’s naval fleet to protect the oil-rich nation’s offshore drilling platforms. At the same time, Pentagon planners have opened talks with Baku about establishing a major, cooperative military-training program and raised the possibility of basing the U.S. forces in the country.¹⁷⁰

Moreover, according to Giragosian, Washington's insistence on democratization in Azerbaijan is not merely an end in itself, but stems from a broader American recognition of democratization as essential to domestic stability and regional security. It also reflects a new tool in the global war on terror.¹⁷¹

Both the growing military cooperation and the support for further democratization in Azerbaijan showed that the U.S. policy deepened in this region.

¹⁶⁸ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

¹⁶⁹ Berman, Ilan., “The New Battleground: Central Asia and the Caucasus”, *The Washington Quarterly*, Winter 2004-05, p.62.

¹⁷⁰ *Ibid*, p.62.

¹⁷¹ Giragosian, Richard., “Azerbaijan: Relations With U.S. Enter A New Phase.” *Radio Liberty*, August 2005. Accessed August, 2005 at <http://www.rferl.org/featuresarticle/2005/08/d816f9b9-8f6c-48d7-903e-c4738b94f263.html>.

And as a result, these facts approved the statements related with the positive perspectives in the Azerbaijan- U.S. relations. In the Azerbaijani-U.S. relations the decease of the most influential Azerbaijani President in its short history of independence, Heydar Aliyev in 2003, played an important role in relations between both administrations. It is observed that after the election of his son, Ilham Aliyev to the post of the Azerbaijani President in 2003, the George W. Bush administration continued to implement the main principles of foreign policy in favor of Azerbaijan. The U.S. continues to encourage a political process to conduct free, fair, and transparent elections. And it is one of the sign of the growing of influence both the U.S. in Caucasus and the Azerbaijan in the region.

5.4. The Growing Influence of the U.S in the Caucasus

The cooperation of Azerbaijan with the U.S in the war of terror and the increasing presence of the U.S. in the Caucasus and Central Asia make significant changes to the balances of powers in the Caspian region. In the past several years, local media have been speculating that Azerbaijan and the U.S. are engaged in a dialogue on the opening of U.S. military bases in Azerbaijan. The visits of the U.S. Secretary of Defense Donald Rumsfeld and other high-ranking Pentagon officials to Baku between 2003-2005 further inflamed these rumors. In the summer of 2004 Washington announced that it plans to relocate several hundreds of the U.S. soldiers from Germany to other countries. Analysts believe that Azerbaijan is potentially one of the new host areas for the U.S. bases. As Ismailzade notes, Washington argues that the relocation of the military bases is a requirement for the war on terror.¹⁷² However until now, both Azerbaijani and the U.S. governments deny any plans to build permanent American military bases in Azerbaijan. As Ismailzade concludes, the military bases of the U.S. in Azerbaijan will be of temporary, mobile nature.¹⁷³ Presumably the U.S may consider basing elements of its air power on the Absheron Peninsula, near of the capital Baku and the main oil exploration fields, particularly as

¹⁷² Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

¹⁷³ *Ibid.*

it reduces its presence at the Incirlik military base in Turkey and plans for future deployments in Bulgaria and Romania. Deployment in Azerbaijan will allow the U.S. to project power further into Central Asia and as Cohen says “deter Iran from the north.”¹⁷⁴

Meantime, it must be pointed out that the role of U.S.-Russian relations concerning the strategic interests in Azerbaijan remains important. The Gabala radio relay station (RLS), located on the northern Azerbaijan, has significant importance for Russia due to its ability to track inter-continental ballistic missiles launched across the Southern Hemisphere. Although the Russians throughout the post-Soviet period ran the RLS, there was no official agreement determining its legal status. The RLS became more important for the Russian defense system after the U.S. military involvement in Afghanistan, especially because of the unilateral withdrawal of the U.S. from the 1972 Anti-Ballistic Missile treaty with Russia after the terrorist attack.

The Azerbaijan government openly expressed that it is ready to actively cooperate with the U.S. in the war on terror and may even host the U.S.’ bases to further secure its independence from Russia. At the same time, Iran and Russia fiercely protested this idea and threatened Azerbaijan with counter-action. Angering Russia and Iran and risking the stability in the country would not be the wise idea for the Azerbaijani leadership. As a diplomatic step, Azerbaijan’s new president Ilham Aliyev paid a visit to Russia in 2004 and tried to assure President Putin that Azerbaijan “remains a partner for Russia and needs Russian support for the regional stability and prosperity.”¹⁷⁵

Despite reports predicting the "new" U.S. military engagement in Azerbaijan, in reality, there has been a significant U.S. military mission for at least three years, comprised of two components. The first component was the creation of the "Caspian Guard," an initiative involving both Azerbaijan and Kazakhstan focusing on maritime and border security in the Caspian Sea. The Caspian Guard initiative incorporates defensive mission areas, including the surveillance of Caspian airspace, borders, and shipping. It encourages greater coordination and cooperation in counter-

¹⁷⁴ Cohen, Ariel., “Securing the Democratic Transition in Azerbaijan, Research, Russia and Eurasia.”, *Executive Memorandum*, No. 886, June 18, 2003.

¹⁷⁵ Ismailzade, Fariz., “Azerbaijan’s Tough Foreign Policy Choices.”, *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

proliferation efforts by Azerbaijan and Kazakhstan.¹⁷⁶ The second component comprises from the Azerbaijan and Georgia intends to cooperate with NATO. Azerbaijani and Georgian leaders have stated that they want their countries to join NATO; much greater progress in military reform, however, will likely be required before they are considered for membership. All three South Caucasian states joined NATO's Partnership for Peace (PFP) in 1994. Troops from Armenia, Azerbaijan, and Georgia serve as peacekeepers in NATO-led operations in Kosovo (from the latter two since 1999 and from Armenia since early 2004), and in NATO-led operations in Afghanistan (from Azerbaijan since late 2002 and Georgia since September 2004). It is also needed to underline the participation of small peacekeeper groups in Iraq, thus Azerbaijan did not neglect the American operations in the Eurasia. For the U.S. administration the participation of Azerbaijan, the Islamic secular state in anti-terrorist operations, also played the significant symbolic role.

It is notable that for the time being (2004 and after), Azerbaijan still maintains silence over the issue of the U.S. military presence in the region. Local media speculate that a tentative agreement between Baku and Washington has been achieved. At the moment, Baku seems to be thinking over this issue and trying to get the most benefits from this deal. One of the best solution for Baku would be Moscow's help in securing the peace deal over the Nagorno-Karabakh conflict. Baku widely views Moscow as the force behind Armenia and believes that Russia can influence Armenia and convince it to liberate occupied Azerbaijani territories. That is why Azerbaijani foreign minister Elmar Mammadyarov paid a visit to Moscow in the summer of 2004 to try to get Moscow's support for the liberation of Azerbaijani lands. In exchange, Baku seemed ready to refuse Americans in the idea of military bases. Yet, Moscow gave no concrete promise. As Ismailzade noted, this makes one think that the idea of American military bases in Azerbaijan will become a reality after all.¹⁷⁷

¹⁷⁶ Giragosian, Richard., "Azerbaijan: Relations With U.S. Enter A New Phase." *Radio Liberty*, August 2005. Accessed August, 2005 at <http://www.rferl.org/featuresarticle/2005/08/d816f9b9-8f6c-48d7-903e-c4738b94f263.html>.

¹⁷⁷ Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004. Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

The working visits of officials from the U.S. and Azerbaijan in last years “came at a very significant time for both countries and could represent something of a turning point in bilateral relations.”¹⁷⁸ Following a sweeping re-evaluation of the U.S. policy, those relations have been subject to a dynamic, yet subtle shift in recent months of 2005, driven by a set of external developments ranging from the impact of the top-management changes in favor of the U.S. in several former Soviet states (Ukraine, Georgia and Kyrgyz Republic) to a new emphasis on democratization as the strategic priority of the second George W. Bush administration.

The shift in the Azerbaijani-U.S. relations has also been dictated by internal considerations, further exacerbated by Azerbaijan's parliamentary elections undertaken in November 2005. Set against the wave of democratic change in Georgia, Ukraine, and most recently, in the Kyrgyz Republic, Azerbaijan faced new pressure in recent period to ensure a free and fair election. It is the need to meet heightened democratic standards that is the new determinant in the U.S. approach to Azerbaijan. Therefore, the U.S. foreign policy indirectly affected the internal policy of Ilham Aliyev. The September 11 events, as Alec Rasizade noticed, also taught Azeri officials “to use the international counter terrorist imperative to justify their stance on the Karabakh issue, classifying the [separatist] Nagorno-Karabakh regime a ‘terrorist haven’ and seeking US support against Armenian irredentism”.¹⁷⁹ In other words, Azerbaijan officials find the new way to express their territorial integrity principle.

5.5. Conclusion

Terrorism is a threat for every country. Even the strongest global power, the U.S., became the victim of the terrorist attack in September 11, 2001; therefore, international terrorism occupies the prevalent position on the security agenda of international affairs. In this sense, the Azerbaijan-U.S relations were affected as a

¹⁷⁸ Giragosian, Richard., “Azerbaijan: Relations With U.S. Enter A New Phase.” *Radio Liberty*, August 2005. Accessed August, 2005 at <http://www.rferl.org/featuresarticle/2005/08/d816f9b9-8f6c-48d7-903e-c4738b94f263.html>.

¹⁷⁹ Rasizade, Alec., “Azerbaijan after a decade of independence: less oil, more graft and poverty.”, *Central Asian Survey*, 21 (4), 2002, p. 367.

result of the strategic location of the former in Eurasia. Both the geo-strategic position and the state status made Azerbaijan a possible ally in the South Caucasus and the Caspian region in recent years. Thus the foreign policy preferences of Azerbaijan became clearer and the government paid more attention to the cooperation in the field of the fight against the international terrorism. Similarly U.S. attention focused on Azerbaijan and its neighbors in the region. This mutual rapprochement caused significant cooperation especially in security and military field. Moreover, this approach gave rise to the growing cooperation provided by the support to Azerbaijan in its democratic transition and additional economic assistance. Although Azerbaijan likely to see these developments as an opportunity to solve the Nagorno-Karabakh conflict in its favor, after September 11 attacks the U.S. policy towards Azerbaijan became more guided by 'national interests' and less so by the ethnic groups' interests. Meanwhile, Armenian interest groups continue to enjoy a significant influence in the U.S. policymaking decisions with regard to Armenia and Azerbaijan conflict on Nagorno-Karabakh. It is important to note that mainly because of Armenian lobbying Section 907 was not repealed but simply was suspended by the presidential decision. It is clear that new reality of post-September 11 terrorist attacks have played a significant role in the presidential waiver of the FSA's Section 907. However, these new realities after September 11 were more triggers rather than underlying factors for waiving discriminatory sanctions against Azerbaijan. It seems that the U.S. like other Western countries showed little interest to Azerbaijan and the Caucasus region in general in the beginning of 1990s. After September 11 it was transformed into a significant partnership due to the geo-strategic importance of Azerbaijan in the war against international terrorism. In this sense, it is more probable that after September 11, given the increased geo-strategic importance of Azerbaijan and already strong American business interests in the country, the last U.S. administrations simply used favorable moment to get rid of long-lasting impediment in the U.S.-Azerbaijan relations. By this time Azerbaijan managed to tie the American business interests closely to the country, established good contacts with other interest groups in the U.S.¹⁸⁰, the public and elite awareness about Azerbaijan and about the situation in the Caucasus region has greatly improved

¹⁸⁰ E.g. The Jewish and Turkish lobbies in the Congress.

in comparison to early 1990s. Consequently, the U.S.' political establishment came to better realize the national interests associated with Azerbaijan.

Moreover, in the case of Azerbaijan-U.S. relations the emergence of new interests, primarily business and security-related in nature, gradually tied the American 'national interests' to Azerbaijan and, consequently, diminished the role and importance of the Armenian lobby in influencing the U.S. policy formulation towards Azerbaijan. This is not to say that the role of the World Armenian lobby will gradually disappear as the Azerbaijani-U.S. relations improve further. Certainly, it was not only Azerbaijan who improved its relations with the U.S. In the light of the Nagorno-Karabakh conflict's solution, the U.S.-Armenian relations during the last years were enhanced as well. Currently, Baku seems to be thinking over this issue and trying to get most benefits from the cooperation with the U.S.: it is the opportunity to use the international counter terrorist imperative to justify the Azerbaijani position on the Nagorno-Karabakh issue. Therefore, the new cooperation for Azerbaijan is an alternative way to express their territorial integrity principle.

To sum up, the U.S. influence on Azerbaijan will be determined by its effective foreign policy towards the balancing resolution of the anti-terrorist aims and the conflict resolution in Nagorno-Karabakh. Furthermore, it seems that the growing security cooperation of the U.S. with Azerbaijan could make the soonest peaceful resolution in Nagorno-Karabakh possible, despite the still strong counterbalancing positions of the Armenian lobby inside the U.S. political circles put obstacles in the way of this solution.

CHAPTER 6

CONCLUSION

In this thesis, I examined the Azerbaijan-U.S. foreign relations' evolution in the framework of the cooperation in the energy field, partnership in the security issues by fighting against the international terrorism and I analyzed the existing problems concerning the Nagorno-Karabakh conflict between 1991 and 2006. I looked at these three issues because in any country's foreign policy, the economic development, providing security for the global political role and territorial integrity are accounted as the main priorities.

After gaining her independence, Azerbaijan tried to formulate its foreign policy regarding the changing balances in the region and especially the growing influence of the U.S. The common interests of Azerbaijan and the U.S. at the end of the last century made the bilateral relations unavoidable. It is hard to decide whether these relations are more vital for the U.S. or Azerbaijan. Nevertheless the small and newly independent state of Azerbaijan needs more support from the powerful U.S. administration because of the aggression from the neighbor Armenia and the loss of territorial integrity, than American requirements for the presence in the Caspian region by participation in oil and gas contracts, which during the period of independence were promoted by the Azerbaijan government.

The literature review that was provided in Chapter One provided different perspectives on the nature of Azerbaijan-U.S. relations. Many authors argued that Azerbaijan could not regain its territorial integrity without good relations and the support from the U.S. administration.

In Chapter Two I analyzed the general approach of the Azerbaijan foreign relations with its neighbors and the evolution of its relations with the U.S. The country has a very important strategic position in South Caucasus and on the Western

shore of the Caspian Sea. After the gaining her independence, she was faced with the territorial claims by neighboring Armenia, and as a result Azerbaijan experienced internal instability. Moreover, I explained the sources of misperception by the U.S. administration, which generally were the result of the Armenian lobby's activities in 1990s. Section 907 of the Freedom Support Act of 1992 was the obvious example of these activities. Besides, the competitive attitudes of the regional powers, the Russian Federation and Iran, pushed Azerbaijan towards the Western countries, that is, forced her to implement a foreign policy which supported the U.S. approach to the region. At the same time, Russia's continued political influence in the post-Soviet South Caucasus forced Azerbaijan to accelerate its political, diplomatic and economic initiatives towards the Western states in order to strengthen its independence and to apply the balanced foreign policy between East and West.

In Chapter Three, I discussed the relations between Azerbaijan and the U.S. in the field of energy. The relations developed on the basis of increased cooperation. Both Azerbaijan and Georgia were faced with separatist movements as well as Russia's imperial ambitions. Therefore, in order to counterbalance this situation Azerbaijan tried to attract the attention of American and other Western oil and gas corporations to make the huge investments and review the foreign policy of these states' administrations towards Azerbaijan on the basis of their new interests.

The signing of different production sharing agreements between the U.S. oil companies and Azerbaijani State Oil Company, firstly in 1994, the international recognition of the Azerbaijan territorial integrity in 1996, the official visit of President Heydar Aliyev to the U.S. in 1997 and the open support of the U.S. administration to the Baku-Tbilisi-Ceyhan Pipeline Project in 1999 showed the tightening of the relations on its new stage between Azerbaijan and the U.S. This is particularly true of the signing of the "Contract of the Century" in 1994 - the main production sharing agreement – when Azerbaijan partly attained to its purpose of strengthening its independence and formulating its new foreign policy.

Even the displeasure of American private investors in Azerbaijan, caused by the relatively low output from the Caspian oilfield, did not change the attitude of the U.S. officials at the end of the 1990s. It was generated from the growing U.S. influence in the South Caucasus. On the base of the energy field cooperation I

observed that U.S. official circles within the framework of the general policy continued to support Azerbaijan. In my opinion, it is clear that in respect of increased cooperation with the U.S. in the field of energy, Azerbaijan's energy politics inside the foreign policy will be directed towards the solutions of its internal and international disputes.

In Chapter Four, I explained the main problem of Azerbaijan in the post Soviet era - the Nagorno-Karabakh conflict - in the light of the relations with the U.S. The relations gained special importance because Azerbaijan after 1991 was faced with the aggression of neighboring Armenia and lost control over the Nagorno-Karabakh territory, populated mostly by Armenians. The global Armenian lobby was strongly supported the separatists in Nagorno-Karabakh. As a result of the lobby's activities, Azerbaijan was deprived of the main U.S. military and economic cooperation assistance programs, at least until the September 11, 2001 attacks. Therefore, in the early period of relations, because of the Nagorno-Karabakh conflict, the Azerbaijan-U.S. common interests were not adequately developed in 1990s. According to the academics, the ethnic Armenian's interests became increasingly viewed as a serious impediment for enhancing the U.S. strategic interests in Azerbaijan and in the Caucasus region.

Nevertheless, after the *de facto* loss of control over Nagorno-Karabakh, Azerbaijan tried to win the diplomatic fight with Armenia and its world supporters in the international arena. In this context, the Azerbaijan-U.S. relations earned a special importance for Azerbaijan administration. Due to the cooperation in the energy field and the diplomatic efforts of Azerbaijan (e.g. the official visit of Azerbaijan President Heydar Aliyev to the U.S. in 1997), the U.S. officials changed their regional preferences in favor of Azerbaijan.

Hence, the analysis of the Azerbaijan-U.S. relations suggests that the role of the Armenian lobby has been gradually decreasing as the American leadership and public awareness about Azerbaijan increased and as the American business and security interests have been increasingly tied to Azerbaijan. It seems that the Armenian lobby in the U.S. and other Western states still tries to create obstacles in the Azerbaijan- U.S. relations. Despite the continuing Armenian efforts, growing

Azerbaijani-U.S. cooperation would provide the most expedient peaceful solution for the Nagorno-Karabakh conflict.

In Chapter Five, I examined the relations of Azerbaijan and the U.S. after 9/11. Azerbaijan's location on the important junction between East and West made it the special geo-strategic ally for the U.S. administration and the increased U.S. political interests in the Middle East and the Eurasian region, caused by the declared war against terrorism, added a new dimension to the Azeri-American security cooperation in both political and military sphere.

The September 11 terrorist attacks on the U.S. revealed the growing importance of the bilateral relations, where Azerbaijan elaborated its balanced foreign policy and supported the U.S. policy against international terrorism. In the framework of security and military cooperation, the U.S. sent military assistance to Georgia and Azerbaijan after 2001. Soon after 9/11, when the geopolitical shift in the U.S. foreign policy created a more receptive environment for Azerbaijan; the country actively promoted its capabilities for U.S. military cooperation and expected to find further support in exchange for the provision of its territorial integrity.

Consequently, in recent years although the influence of the Armenian lobby has gradually decreased inside the current George W. Bush administration and Azerbaijan diplomacy gained power in the framework of the fight against international terrorism together with the U.S., this cooperation still has not provided the resolution of the Nagorno-Karabakh conflict in favor of Azerbaijan.

While I was writing this thesis I saw other topics that could be subject for new research. I would suggest that one can look at how the Armenian lobbies affect the Western states's foreign policy towards Caucasian states. Is there a double standard of the Western states's foreign policy towards Azerbaijan and the other Caucasian states which is derived from Armenian lobbies? Moreover, the question of the "oil boom" in Azerbaijan can be interesting for the researchers. If the oil and gas exploitation revenues benefit the community, will there be a change in public opinion about Nagorno-Karabakh conflict resolution? Under which conditions will there be an American proposal for the conflict resolution in favor of Azerbaijan? Furthermore, it would be worth analyzing the new dimensions of Azerbaijani-

Russian relations concerning the further energy cooperation in the Caspian Basin. Hypothetically, after the resolution of Nagorno-Karabakh conflict in favor of Azerbaijan, would the pro-Western foreign policy be continued in the same way or would Azerbaijan prefer the partnership with the regional pivotal states, Russia and Iran in order to provide regional political stability and security?

Later researchers about Azerbaijan would have a better chance to find answers to these questions, because my focusing period coincided with the transition period, where Azerbaijan-U.S. relations just started to develop. During this period, the international project of the BTC had not been completed that will increase Azerbaijan's economic strength. Therefore, as a result of the strengthening economy, Azerbaijan could clearly show its foreign policy preferences.

In conclusion, this thesis has demonstrated that there is a potential for growing cooperation between Azerbaijan and the U.S. in the fields of energy and the fight against international terrorism, but for the present the problem over Nagorno-Karabakh limits this potential because this conflict is about the territorial integrity of Azerbaijan which is the main priority of any state.

BIBLIOGRAPHY

Abasov, Ali., "Khachatrian Haroutiun, Variants for a Solution of the Karabakh Conflict: Concepts and Reality.", *Central Asia and Caucasus*, 2000, Accessed April, 2005 at <http://www.ca-c.org/dataeng/karabakh.eng/e00.titul.eng.shtml>.

Alizadeh, Zardusht., "We shouldn't expect anything from the US on solution of the Karabakh problem.", *525 Gazet*, June 15, 2002.

Altstadt, Audrey L., "Azerbaijan's Struggle Toward Democracy.", Karen Dawisha and Bruce Parrott, eds., *Conflict, Cleavage, and Change in Central Asia and the Caucasus*, Cambridge : Cambridge University Press, 1999.

Ambrosio, Thomas., "Congressional Perceptions of Ethnic Cleansing: Reactions to the Nagorno- Karabakh War and the Influence of Ethnic Interest Groups." *The Review of International Affairs*, Vol. 2, No.1, Autumn 2002.

Aras, Osman Nuri., *Azerbaycan'in Hazar Ekonomisi ve Stratejisi*, Istanbul: Der Yayınları, 2001.

"Armenian-Azerbaijani Conflict: Background", *Official site of the Embassy of the Republic of Azerbaijan in USA*, Accessed April 15, 2005 at http://www.azembassy.com/conflict/conflict_backgr.html.

"Ates Cemberi: ABD'de Cumhurbaşkanlığı Seçimleri ve ABD'nin Enerji Politikası", NTV (Turkish TV Channel), 16 January 2001.

Azerbaijan's Ministry of Foreign Affairs official website. Accessed February 11, 2006 at <http://www.mfa.az>.

Bekir, Babek., "Panorama, Interview with Vafa Guluzade- the Azerbaijan President's ex-state adviser on foreign policy.", "*Azadliq Radiosu*", December 26, 2005. Accessed February 3, 2006 at <ftp://realaudio.rferl.org/ch16/20051226-1400AZ.rm>.

Blagov, Sergei., "Efforts To Produce "Eurasian OPEC" Falls Short at CIS Summit.", *Asia Business Today*, March 11, 2001. Accessed September 21, 2005 at <http://www.asiabusinesstoday.org/briefings/index.cfm?id=75461.html>.

Baev, Pavel., *Russia's policies in the Caucasus*, London: Royal Institute of International Affairs, 1997.

Berman, Ilan., "The New Battleground: Central Asia and the Caucasus", *The Washington Quarterly*, Winter 2004-05.

Brzezinski, Zbigniew., *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York: Basic Books, 1997; in Turkish: *Büyük Satranç Tahtası*, Istanbul: Sabah Kitapları, 1998.

Brzezinski, Zbigniew., "Hegemonic Quicksand", *National Interest*, No. 74, Winter 2003/ 2004.

Carley, Patricia., "Nagorno-Karabakh Searching for a Solution." Accessed July 31, 2005 at <http://www.usip.org/pubs/peaceworks/pwks25/pwks25.html>.

Cafersoy, Nazim., *Elçibey Dönemi Azerbaycan Dış Politikası, Haziran 1992-Haziran 1993*, Ankara: ASAM Yayınları, 2001.

Cem, Ipek., *Dünyayı Yönetenler*, NTV (Turkish TV), February 22, 2006.

Chepurin, Aleksandr., "Aliev after Aliev.", *Journal of International Affairs*, Moscow: Vol.50, No.1, 2004.

Chorbajian, Levon, and Patrick Donabedian, Claude Mutafian., *The Caucasian Knot*, London and New Jersey: Zed Books, 1994.

Clinton, Bill., "Joint Statement on Azerbaijani- United States relations." Source: *Weekly Compilation of Presidential Documents*; 4 August 1997.

Croissant, Michael P., *The Armenia-Azerbaijan conflict: causes and implications*, Connecticut: Praeger Westport, 1998.

Croissant, Michael., and Bulent Aras., "Oil and Geopolitics in the Caspian Sea Region", Michael Croissant and Bulent Aras, eds., *Oil and Geopolitics in the Caspian Sea Region*, Connecticut, London: Praeger Westport, 1999.

Cohen, Ariel., "Azerbaijan After Aliiev", *Washington Post*, August 5, 2003.

Cohen, Ariel., "Securing the Democratic Transition in Azerbaijan, Research, Russia and Eurasia.", *Executive Memorandum*, No. 886, June 18, 2003.

Cornell, Svante., "Undeclared War: The Nagorno-Karabakh Conflict Reconsidered.", *Journal of South Asian and Middle Eastern Studies*, Vol. 20, No. 4, Fall 1997, Accessed November 11, 2005, at <http://scf.usc.edu/~baguirov/azeri.html>.

Cornell, Svante E., McDermott, Roger N., O'Malley, William D., Socor, Vladimir, and Frederick S, Starr., "Regional Security in the South Caucasus: The Role of NATO.", *Central Asia-Caucasus Institute*, 2004. Accessed March 25, 2006 at <http://www.silkroadstudies.org/new/docs/publications/2004/nato.pdf>.

Cornell, Svante E., *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus*, London: Curzon Caucasus World, 2001.

De Waal, Thomas., *Black Garden: Armenia and Azerbaijan through Peace and War*, New York: New York University Press, 2003.

Embassy of the Republic of Azerbaijan, Washington, DC. Accessed April 12, 2006 at <http://www.azembassy.com>.

Erhan, Çağrı., "ABD'nin Orta Asya Politikaları ve 11 Eylül Sonrası Açılımları" Mustafa Aydın, eds., *Küresel Politikada Orta Asya (Avrasya Üçlemesi I)*, Ankara: Nobel Yayın Dağıtım, 2005.

"Effort To Produce "Eurasian OPEC" Falls Short At CIS Summit", *Asia Business Today*, March 11, 2002.

"ExxonMobil and SOCAR Signed the Compensation Agreement on the frame of the two Oilfields Explorations (Zafar-Mashal and Nakhchivan oilfields) (in Russian)", *Day.Az*. Accessed January 20, 2006 at <http://www.day.az/news/economy/39398.html>.

Flickenschild, Hans M., *Azerbaijan*, Washington, D.C.: International Monetary Fund, 1992. Accessed February, 2004 at <http://www.imf.org/external/index.htm>.

Foley, Kevin, P., "Congress Complicating Caucasus Conflicts, Official Suggests", RFE/RL, *Weekday Magazine*. Accessed May, 2004 at <http://www.rferl.org/nca/features/1996/07/F.RU.96073116315555.html>.

Forster, Peter K., "The Paradox of Policy: American Interests in the Post- 9/11 Caucasus", New York: Penn State University. *EBSCOhost*, 2004. Accessed January, 2005 at http://www.bmlv.gv.at/pdf_pool/publikationen/10_ssg_03_for.pdf.

Giragosian, Richard., "Azerbaijan: Relations With U.S. Enter A New Phase." *Radio Liberty*, August 2005. Accessed August, 2005 at <http://www.rferl.org/featuresarticle/2005/08/d816f9b9-8f6c-48d7-903e-c4738b94f263.html>.

Heintz, Jim., "Russia May Intervene in Georgia.", *The Associated Press*, March 22, 2002. Accessed March, 2005 at <http://www.washingtonpost.com/wp-dyn/articles/A3800-2002Mar22.html>.

Heritage, Timothy., "Nagorno - Karabakh Rows Almost Wrecks Lisbon Summit.", *Reuters*, 3 December, 1996. Accessed May, 2005 at www.zerbaijan.com/azeri/dadash4.htm.

Huseynov, Tabib., "Influencing American Foreign Policy: A Case on Ethnic Versus National Interests.", Accessed October 8, 2005 at http://www.stradigma.com/english/june2003/articles_04.html.

Human Rights Watch/Helsinki, *Azerbaijan: Seven Years of Conflict in Nagorno-Karabakh*, United States of America: Human Rights Watch, 1994. Accessed October, 2004 at www.geocities.com/fanthom_2000/hrw-azerbaijan/hrw-contents/1.html.

Hunter, Shireen T., "Azerbaijan: Searching for new neighbors.", Ian Bremmer and Ray Taras, eds., *New States, New Politics: Building the Post-Soviet Nations*, Cambridge: Cambridge University Press, 1997.

Ibrahimov, Mahir, and Erjan Kurbanov., "Policy Brief: Getting it Wrong in the Caucasus.", Accessed July 7, 2005 at <http://www.meforum.org/article/199>.

Ibragimov, Nazim., *Azerbaijan Respublikasi: Republic of Azerbaijan*, Baku: 1996.

Ismailzade, Fariz., "Azerbaijan's Tough Foreign Policy Choices.", *UNISCI Discussion Papers*, October 2004.

Accessed October, 2004 at www.ucm.es/info/unisci/Fariz.pdf.

Joseph, Jofi., "Pipeline Diplomacy: The Clinton Administration's Fight for Baku-Ceyhan.", *Woodrow Wilson School of Public and International Affairs*, Case Study 1/99.

Accessed July, 2005 at <http://www.wws.princeton.edu/cases/papers/pipeline.html>.

Kleveman, Lutz C., "Oil and the New 'Great Game'." *Nation*, Vol. 278, No. 6, 2004.

Kleveman, Lutz C., "Yeni Büyük Oyun.", (translated from English by Hür Güldü), İstanbul: Everest Yayınları, 2004.

Leeuw, Charles van der., *Azerbaijan: A Quest for Identity: A Short History*. Curzon, Richmond: Surre, 2000.

Loeb, Vernon, and Peter Slevin., "U.S. Begins Anti-Terror Assistance In Georgia Al Qaeda-Linked Rebels Find Haven in Mountains.", *Washington Post*, February 27, 2002.

Maresca, John., "U.S. Ban on Aid to Azerbaijan (Section 907), How It Started in 1992 and Why It Should be Lifted.", *Azerbaijan International*, Vol.6, No.4, Winter 1998.

MacDougal, James., "A New Stage in U.S.- Caspian Sea Basin Relations", *Central Asia and Caucasus Journal of Social and Political Studies*, Sweden: Information and Analytical Center, No.5 (11), 1997. Accessed March, 2005 at http://www.cac.org/dataeng/st_04_dougall.shtml.

Mindreau, Manuel., "U.S. Foreign Policy Toward the Conflict Between Armenia and Azerbaijan.", *U.S. Foreign Policy Analysis*, December 7, 1994.

Nichol, Jim., "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests.", *The Library of Congress*, January 19, 2005. Accessed July, 2005 at <http://www.fas.org/sgp/crs/row/IB95024.pdf>.

Nuriyev, Elkhan., "Post- September 11 Regional Geopolitics: Azerbaijan and the New Security Environment in the South Caucasus.", *The Quarterly Journal*, No. 2, September, 2002.

Official site of the Embassy of the Republic of Azerbaijan in USA. Accessed April, 2003 at http://www.azembassy.com/confl/confl_backgr.html.

O'Hara, Sarah., "Great Game or Grubby Game? The Struggle for Control of the Caspian.", *The Geopolitics of Resource Wars*, 2003.

"Organization on Security and Cooperation in Europe (OSCE) Minsk Process.", OSCE Publications, *Mission Survey*. Accessed May, 2005 at <http://www.osce.org>.

"Putin Say CIS Seeks to 'Restore What Was Lost' With Soviet Collapse." *RFE/RL*. Newslines, June 18, 2004. Accessed June, 2004 at www.twq.com/05winter/docs/05winter_berman.pdf.

Rasizade, Alec., "Azerbaijan after a decade of independence: less oil, more graft and poverty.", *Central Asian Survey*, 21 (4), 2002.

Rasizade, Alec., "Azerbaijan after Heydar Aliev.", *Nationalities Papers*, Vol.32, No.1, March 2004.

Sadri, Houman., "Elements of Azerbaijan Foreign Policy.", *Journal of Third World Studies*, Vol.20, No. 1, Spring 2003.

"September 11 Attack", *Wikipedia Online Encyclopedia*. Accessed February, 2006 at http://en.wikipedia.org/wiki/Responsibility_for_the_September_11%2C_2001_attacks.

Shaffer, Brenda., "Is There a Muslim Foreign Policy? The Case of the Caspian.", *Current History*, November 2002.

Shaitelman, Kenneth., "The Azerbaijan-Armenia Conflict: The War in Nagorno-Karabakh, Section 907, and their Impact on Oil Pipeline Routes.", January 4, 1999. Accessed January, 2005 at <http://www.wws.princeton.edu/wws401c/1998/ken.html>.

Sobhani, Rob S., "Influencing the destiny of Azerbaijan", *Azerbaijan International*, Autumn 1997.

Sönmezoğlu, Faruk., *Uluslararası İlişkiler Sözlüğü*, İstanbul: Der Yayınları, 2005.

Smith, Tony., *Foreign Attachments: The Power of Ethnic Groups in the Making of American Foreign Policy*, Cambridge: Harvard University Press, 2000.

Stolyar, Oleg., "Geopolitics in The Caspian: Can Russia Keep Control in Its Own Backyard?.", *Woodrow Wilson School of Public and International Affairs Research Papers*, 1998. Accessed July, 2005 at <http://www.wws.princeton.edu/wws401c/1998/>.

Sultanova, Aida., "US, Azerbaijan Forge Military Ties." *The Associated Press*. March 28, 2002. Accessed August, 2005 at www.ces-az.org/fayllar/Crissma-Baku-Ceyhan%20Paper_Ziyadov.pdf.

Swietochowski, Tadeusz., "Azerbaijan's Triangular Relationship: The Land Between Russia, Turkey and Iran.", Ali Banuazizi, and Myron Weiner, eds., *The New Geopolitics of Central Asia and Its Borderlands*, London- New York: I.B.Taurus, 1994.

Swietochowski, Tadeusz., *Russia and Azerbaijan: a borderland in transition*, New York: Columbia University Press , 1995.

Talbott, Strobe., "U.S. Congress, Senate, testimony before the Subcommittee on Foreign Operations.", *Appropriations Committee*, 105th Congress, 2nd Session, 31 March 1998. Accessed November, 2005 at www.wws.princeton.edu/cases/papers/pipeline.html.

Tanrısever, Oktay F., "Rusya Federasyonu'nun Orta Asya- Kafkasya Politikası: Yakın Çevre Doktrini'nin İflası.", Mustafa Aydın, ed., *Küresel Politikada Orta Asya (Avrasya Üçlemesi I)*, 2005.

Tavitian, Nicolas., "An irresistible force meets an immovable object: The Minsk Group negotiations on the status of Nagorno Karabakh.", 2000. Accessed October, 2005 at <http://www.wws.princeton.edu/cases/papers/minsk.html>.
"The GUUAM Group: History and Principles.", *Briefing Paper*; November 2000. Accessed April, 2004 at <http://www.guam.org> .

US State Department Azerbaijan web-site. Accessed October, 2005 at <http://www.state.gov/p/eur/ci/aj>.

Wallander, Celeste A., "Silk Road, Great Game or Soft Underbelly? The New US-Russia Relationship and Implications in Eurasia.", *Journal of Southeast European & Black Sea Studies*, Vol. 3, No. 3, 2003.

Wakeman-Linn, John., "Managing oil wealth: the case of Azerbaijan." *International Monetary Fund*, Washington, D.C: 2004.
Accessed April, 2005 at www.imf.org/external/country/AZE/index.htm?pn=2.

Wright, John F.R., and Goldenberg Suzanne, and Richard Schofield, *Transcaucasian Boundaries*, London : UCL Press, 1996.

Ziyadov, Taleh., "Baku Prepares For New Phase In U.S.-Azerbaijani Strategic Relations.", *The Jamestown Foundation Eurasia Daily Monitor*, Volume 3, No.71, April 12, 2006.

APPENDICES

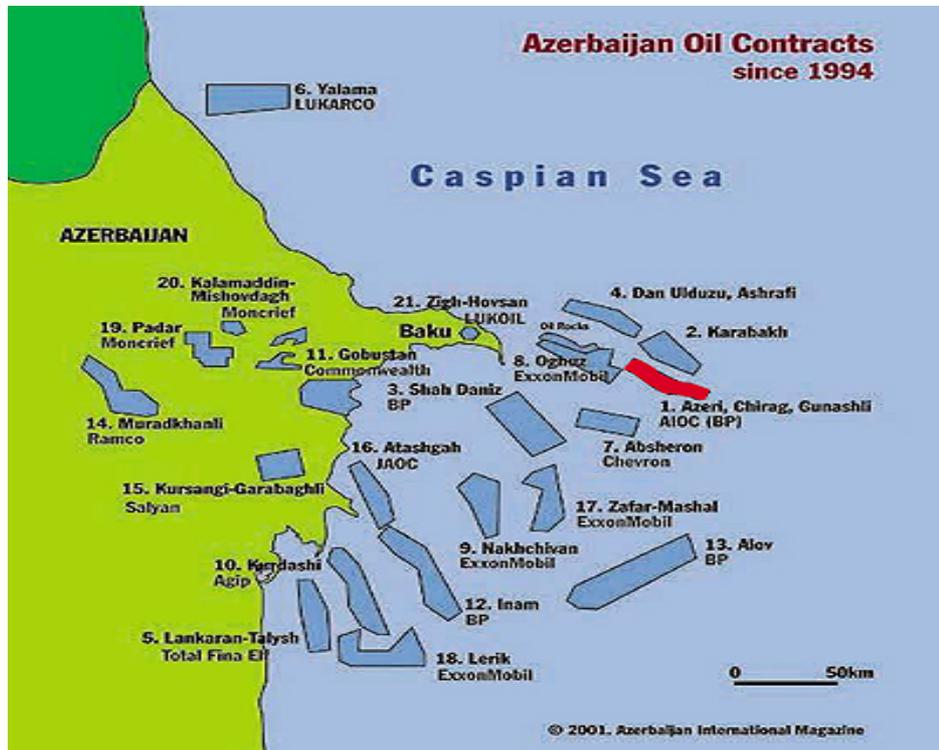
APPENDIX A

THE SHARES OF COUNTRIES IN "PRODUCTION SHARING AGREEMENT" (1994)¹⁸¹

- British Petroleum (34.14%), (American Amoco Caspian Sea Ltd. sold its share (17.1267%) to BP)
- SOCAR (10%),
- Inpex (10%),
- UNOCAL (USA) (10.28%),
- STATOIL (8.56%),
- EXXONMOBIL (USA) (8%),
- TPAO (6.75%),
- ITOCHU (3.92%),
- DEVON (5.63%)
- DELTA- HESS (2.72%)

¹⁸¹ “Agreement on The Joint Development and Production Sharing For The Azeri and Chirag Fields and the Deep Water Portion of the Gunashli Field in the Azerbaijan Sector of the Caspian Sea,” available at www.caspiandevlopmentandexport.com

APPENDIX B



THE SHARE DISTRIBUTION AMONG PARTNERS (November 2002)

- BP Exploration Ltd. 30,10 %
- SOCAR 25,0 %
- Unocal Ltd. 8.90 %
- Statoil 8.71 %
- TPAO 6.53 %
- Agip 5 %
- TotalFinaElf 5 %
- Itochu Inc. 3.40 %
- Inpex 2.5 %
- ConocoPhillips 2.5 %
- Delta-Hess Ltd. 2.36 %