

Azerbaijan and the Caspian Basin: Pipelines and Geopolitics

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Thank you for inviting me here to talk about Azerbaijan in the regional context, the foreign policy of Azerbaijan, and issues related to oil and the pipeline. I will try to present an overview of developments in the country and in the region.

Azerbaijan, as part of the Caucasus region and Central Asia, has been over many centuries a kind of arena for confrontation and was the object of disputes and wars between many powers, especially the three regional powers, Iran, Turkey, and Russia. Western players have always had an interest in the region; they came to the region for a short period of time and left it. What is known today as Azerbaijan, Armenia, and part of Georgia was once a part of Iran and the Persian empire. In 1813 and later in 1828, two Russo-Iranian peace treaties were signed. As a result of these agreements (the Turkmenchai and Gulistan Treaties) what is today Azerbaijan, Armenia, and part of Georgia became part of the Russian empire. Before that, on the territory of Azerbaijan and Armenia, there were mainly khanates, the small feudal kingdoms warring amongst themselves, such as the Baku Khanate, the Karabakh Khanate, and the Yerevan Khanate. All of them were to a certain extent controlled by the Iranian king or shah. After 1828, a new administration was imposed on the whole territory and Russian governorships were established. The main ones were Baku, Yelizavetpol (which included what is today Gyandzha and the whole of Karabakh, both lowland and highland), and the Armyanskii Rayon, which was established formally in the Yerevan Khanate. In this way, in the nineteenth century, a new phenomenon came to the whole region: the influence of and total control by the Russian empire.

In the mid-nineteenth century, Baku oil was found. Many entrepreneurs from around the globe came to this city, which was small and unknown to the world, actually just an unknown town on the coast of the Caspian Sea. The period including the end of the nineteenth century and the beginning of the twentieth is known as the oil boom. The development of Baku really began during this period; the

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whole downtown was built, designed by French, German, and Italian architects who were invited to the city by oil barons. Most importantly, the oil boom brought cultural and intellectual development.

The liberalization of Nicholas II within the Russian empire served to benefit many Azeris who were able to establish political parties. About 160 newspapers and magazines were published in Baku alone, and this figure reflects the intensity of political and intellectual life in Baku at that time. In 1911, the Musavat Party, the main national democratic party, was established. It actually came to power with the collapse of the Russian empire in 1917 as a result of the October Revolution. In 1918, Azerbaijan proclaimed itself the Azerbaijan Democratic Republic, which was a very historic event for the whole Muslim people and for the whole Middle East because it was the first republic that had ever been established in the whole Middle East. Some of the political parties formed a coalition government as a result of the first democratic parliamentary elections in 1919, and the first multiparty parliament was established.

When the British general, Thompson, arrived after World War I and was sent to Baku by Allied forces, he came and said, "I am commander-in-chief. I was sent here by Allied forces, and I am going to govern, and I don't recognize any government here." The leaders of the young Azerbaijan Democratic Republic, who had received their degrees from Oxford and the Sorbonne and other places (they were very fluent in English and other foreign languages), said that this was fine and that they should hold free and fair parliamentary elections and let the people choose who would govern this state. General Thompson was shocked by the liberal approach that they took, and said, "I totally support your government, your ideas, and your European and liberal attitude towards the governance of the country."

This government was strongly backed by the British troops and government, and General Thompson himself was actively lobbying in the Paris-Versailles Conference for the recognition of the Azerbaijan Democratic Republic. It finally got that recognition in early 1920, including recognition that the area now known as Nagorno-Karabakh was a part of the Azerbaijan Democratic Republic, as well as the area known as Zangezur that divides Nakhichevan and Azerbaijan into two. Nakhichevan's fate was not actually resolved, because the Ottoman troops were still stationed there, and this issue was left for the peace conferences in Lausanne and the peace conferences related to the Turkish question.

I have given you a very short historical overview. A full talk about the historical development of the region would probably take several lectures and meetings; but the importance of bringing that overview in is that the model of the Azerbaijan Democratic Republic, the secular state model, is very important for Azerbaijan today. When the Russian empire embarked on liberalization in the empire, this time with Bolshevik and Communist rulers, the same kind of pattern was witnessed as at the beginning of the century. Conflicts repeated themselves as a battle between Azerbaijan and Armenia and massacres involving the two ethnic groups. As you know, in 1918, Armenia had been in a short war with Georgia and a longer war with Azerbaijan over the three disputed areas. Thus, we see the collapse of empire and the creation of independent states amidst chaos, mas-

sacres, anti-Semitism, and all kinds of things that were common to the historical processes of the beginning of the century within the Russian empire.

The year 1988, when the Nagorno-Karabakh conflict started, was a turning point for Azerbaijan. The protest against the secessionist and irredentist movement in Nagorno-Karabakh actually brought people to the streets, and this became the smaller part of a larger cause for the Azerbaijani people, which was to seek independence. A national liberation movement began. At the beginning, it was kind of a return to the roots, the culture, the language of the people, and later the issues of control over our oil, our wealth, our destiny, and our fate were raised. The first oppositionist movement, and the group that actually initiated the national liberation movement, was the Popular Front of Azerbaijan, which was actually registered only in 1989. It was suppressed and many of its leaders were arrested in 1990 after the bloodbath that the Soviet troops orchestrated in the capital, Baku.

The model of the Azerbaijan Democratic Republic of 1918–20 was actually picked up by the Popular Front and by many intellectuals in Azerbaijani society as a model for the future. The leaders of this republic, Mamed Amin, Rasul Zade, and some other political figures, became extremely popular along with their ideas. Under these kinds of slogans, under this image of the republic, the whole movement started.

As you know, in 1991, the Azerbaijani parliament declared independence. Before the Belovezhskaya Pushcha agreement between the leaders of Russia, Ukraine, and Belarus, Azerbaijan had been recognized only by Turkey. Even this caused irritation in Moscow. In the fall of 1991, Turkey became the first country to recognize Azerbaijan's independence, and after Belovezhskaya Pushcha that process continued. In 1992, the Popular Front came to power and was conducting many liberal policies. The Popular Front itself, as happened with many national liberation movements in the Middle East and some other places, split into different political parties: the National Independence Party, the Musavat Party, the Popular Front itself, the Social Democratic Party and many others. Thus began the process of building this political spectrum of parties, and almost every party had its own newspaper. Different public organizations emerged. Azeri society acquired a new environment, quite different from that which it had experienced during the seventy years of Soviet rule. With the Elchibey government, in domestic policy, about 110 laws were adopted, and only 40 of them related to the economy. The rest were on political parties, the media, and some other very important issues.

The Nagorno-Karabakh conflict, the lack of experience of some government officials, the instability of the region as a whole, and Russia's policy on Azerbaijan all led to the fall of the Elchibey government. Geidar Aliev, the ex-Communist leader of Azerbaijan, had been invited from Nakhichevan by Elchibey. This was a surprise for many people because Elchibey had been imprisoned for three years for anticommunist activities at Baku University in 1974, a time when Aliev was the first secretary of the Communist Party of Azerbaijan. But being in Nakhichevan, Aliev did his best to change his old image. He was able to cooperate with the Popular Front in Nakhichevan because the *coup d'état* against Elchibey was designed to bring ex-president Ayaz Mutalibov back from Moscow

to Azerbaijan, and the latter's policy was known to many Azeris. If the policy of Elchibey was known to be pro-Turkish or pro-Western, Ayaz Mutalibov's policy was known to be purely pro-Moscow and pro-Russian.

Thus, now we have a third president, Geidar Aliev, who has actually been able to conduct a foreign policy that is more balanced between Russia, Iran, and Turkey. Many Western analysts had expected that Aliev would turn and move close to Russia. Although he brought Azerbaijan back into the Commonwealth of Independent States, he nonetheless did not go far beyond establishing dialogue with Russia. On very many occasions, there has been pressure to bring Russian troops back to Azerbaijan. The fact is that under President Elchibey, Azerbaijan became the first former Soviet republic to rid its own territory of all Soviet and Russian troops—and this before the Baltic states and even Germany had achieved that goal. The border troops, the military bases, and the Caspian Fleet were all gone. The last stronghold was in the second-largest city of Azerbaijan, in Gyandzha. When the airborne division left the city, they transferred weapons to the rebels who toppled Abulfaz Elchibey.

Within the short period of its reign, the Elchibey government, with many mistakes and facing many problems, was able to build a foundation for independence and to establish a certain trend in Azerbaijani politics that President Aliev was able to continue and by which he was even strengthened to a certain extent. The people who toppled Elchibey were closely linked to Russian military intelligence, to the Russian army. Aliev was able to crush these groups. He was able to take control of all paramilitary formations within the government, and he was also able to bring under control those outside government structures. Despite the pressure from Moscow to bring border troops into and to establish a military base in Gyandzha, he was able to resist and carefully maneuver between Russia and Iran, signing the \$8 billion oil contract with the Western consortium. In effect, he almost returned to the foreign policy of Elchibey in terms of having good relations with Turkey, the United Kingdom, the United States, and even Israel, which actually was the second country, after Turkey, to recognize Azerbaijan's independence.

Despite all kinds of pressure from Iran and the Iranian government, the Israeli government even opened an embassy in Baku. But on many occasions the Azeri president was blackmailed and threatened that if he traveled to Israel he would meet the fate of Anwar Sadat. Nonetheless, recently the foreign minister of Iran, Velayati, and the foreign minister of Azerbaijan, Hasan Hasanov, held a press conference in Baku, an event unprecedented in diplomatic practice since Velayati began to criticize Azerbaijan openly for having diplomatic relations and any kind of ties with Israel. The answer from Baku was that Israel did not occupy Iran's territories and Azerbaijan is trying to build good relations with countries in the region and the world; but the fact is that Armenia has occupied 20 percent of Azerbaijan's territory and created more than a million (the UN estimates 1,100,000) Azeri refugees in their own homeland, and Iran has full-scale relations with Armenia—diplomatic and economic—and there was even some evidence under Elchibey that Iran was supplying Armenia with fuel and weapons.

Relations with these countries at the present time are such that the government

of Azerbaijan maintains the same kind of relations with the government of Turkey as had Elchibey. Maybe under Elchibey his government had greater expectations from Turkey. But maybe it was unrealistic to expect this, since there are limits to what Turkey can and cannot do for Azerbaijan and generally for the region. But in a situation where Armenian forces were actually receiving strong Russian military backing, Elchibey was expecting the same kind of military backing from Turkey. But Turkey is a NATO member and was, of course, not able to provide that kind of assistance. Further, it had many of its own domestic and other problems and was unable to commit itself to the kind of assistance that the Russians rendered to the Armenians of Nagorno-Karabakh and generally to Armenia.

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Relations with Iran were tense under the Elchibey government, as well as when Aliev came to power. Despite this tension, Iran, even under Elchibey, became Azerbaijan’s second largest trade and economic partner. Even with Russia, the Elchibey government signed

more than twenty agreements, seeking relations based on an equal partnership and the recognition of Azerbaijan’s sovereignty. The point is that Russia at that time was not seeking an equal partnership and was pursuing a policy of domination in the region. The Russians still wanted to dominate the region and they did not want to view Azerbaijan as an equal neighboring state. Nonetheless, Aliev was able to improve relations with Iran to a certain degree, and to improve relations with Russia. But still there was enormous pressure from the Russian government to bring Russian troops back, as well, of course, as Russian influence, and the Aliev government was able to resist Russian plans to deploy Russian troops even as peacekeepers on a unilateral basis in Nagorno-Karabakh. The U.S. initiative was to deploy multinational forces to the region, because Russian so-called peacekeeping was very dangerous to Azerbaijan at that time and Aliev was able to go in the same direction.

In September 1994, the Aliev government signed an \$8 billion oil deal with the International Oil Consortium despite claims that Moscow raised on the status of the Caspian Sea. The Russian position on this issue is that whatever is in the Caspian Sea does not belong solely to one state—all Caspian states have a stake in the oil resources, denying international maritime law and practice on the use of natural resources in seas. In this way, objections were made by the Russian Foreign Ministry to the oil contract. As a result, Aliev invited Russia’s LUKoil company to join the consortium, in order to give it more legitimacy. He was able to play different forces in Russia itself off each other. The oil lobby, which is quite powerful, is behind LUKoil, and it immediately began to lobby for recognition of the contract and became kind of a positive force countering the pressure of the Foreign Ministry and the Russian military, whose objectives were to look at Azerbaijan not as an economic partner but as a sphere of influence, satisfying their geostrategic military goals.

Turning now to the issue of the two pipelines—the government of Azerbaijan signed a pipeline agreement with the government of Russia. Specifically, Aliyev and Chernomyrdin signed an agreement on the transport of early oil through Russian territory to the Black Sea port of Novorossiisk, through Chechnya, which is quite unsafe. This happened because there was insistence from Russia and the Aliyev government wanted to give more legitimacy to the contract. Some Western countries looked at this very pragmatically. If Russia does not get a chance to transport at least some amount of oil through its territory, then Russia would not allow any oil to be shipped from Azerbaijan. That is why the pragmatic decision made by the AIOC (the Azerbaijani International Operating Company), which consists of nine oil companies, on 9 October 1995, was to ship oil through both Georgia and Russia to the Black Sea. The government of Turkey made a commitment to buy all of the Azeri early oil, and even to help to finance the Georgian route that could be extended later on to the Mediterranean Sea port of Ceyhan, through the territory of Turkey. Such an agreement was signed between the government of Turkey and Azerbaijan. The Elchibey government and the Demirel government signed that agreement earlier in 1993, and neither country has annulled the agreement.

For the oil consortium, one priority is to transport the main oil, the peak of which will be in the year 2004, to the Mediterranean Sea. This is important for a variety of reasons. Number one, it is cheaper to ship oil to the world market from the Mediterranean Sea than from the Black Sea; in terms of economics, the Mediterranean is less expensive. Number two is the quantity of oil, which will be difficult to transport, especially with supertankers, through the Bosphorus Straits and the Dardanelles. Further, it makes sense for geopolitical reasons since it balances Russia and Russian influence in the region. However, for the consortium, the priority right now is not the main oil; the priority is early oil. As the president of AIOC, Terry Adams, mentioned in a recent briefing in Washington, Western oil companies should demonstrate that they are able to take at least a drop of oil out of Baku, which is very important for the main oil and future development.

The government of Azerbaijan has also signed some other agreements. A new consortium has been established to develop the Karabakh oil fields, where again LUKoil was invited and received quite a substantial percentage in that field, as did the Italian company, Agip, and America's Pennzoil. So oil and transportation are extremely strategic and important for Azerbaijan's independence, both politically and economically. If a second oil boom occurs in Azerbaijan, it will really help people to look positively on market reforms, democracy, and Azerbaijan itself, with all of its problems—the refugee problem, the humanitarian disaster, and the economic decline.

Seventy percent of the main manufacturers are currently shut down because of the disruption of economic ties with the former Soviet republics and the blockade imposed by Russia during the war in Chechnya on Azerbaijan, as well as some blockades that have been imposed on Azerbaijan by Iran from time to time, especially when Iran was pushed out of contention for participation in the AIOC consortium by the U.S. government (under U.S. government pressure, Azerbai-

jan denied Iranian participation). In addition, of course, Azerbaijan is, as we say here in America, in a bad neighborhood, and whether Azerbaijan will be able to survive as an independent state, keep its secular pattern in the society, and build a real multiparty democracy will largely depend on the presence of the West in Azerbaijan, the support of Turkey, and the support of other countries that look favorably on Azerbaijan. Although they are distant, they have enormous power and a big say in world politics (I mean the United States, of course).

The oil money inevitably will let Azerbaijan rebuild its economy, bring in new technology, and send its young people to study abroad, as the case was at the beginning of the century, and bring new, progressive ideas back. This is kind of a “good case” scenario. There are several other scenarios, including the “bad case” scenarios, and on such a lovely spring day I don’t want to talk about bad scenarios. But I hope there will be questions.