

# The United States, Iran, Russia, and Turkey: The Struggle for Azerbaijan

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Since the collapse of the Soviet Union, a new struggle has emerged for Azerbaijan. The key question is: Why Azerbaijan? Why all of a sudden is this small country the size of Portugal getting so much attention? What really makes Azerbaijan important, if you strip away all of its romanticism, all of its history, is the fact that it is oil rich, from an American perspective. Azerbaijan and the Caspian region has probable reserves of 200 billion barrels of oil. That is roughly second to the Persian Gulf. And Azerbaijan specifically, at the peak of production in the year 2005, will be producing 2 million barrels a day from only one project alone. That is the equivalent of what we import from the Arab members of OPEC. Clearly, Azerbaijan, and the Caspian Basin, is an alternative to Persian Gulf oil. There is no doubt about it. That is why it is important. That is why we are struggling over it. That is why the Russians are struggling over it. That is why a lot of people have an interest in Azerbaijan—for its oil resources.

The second important factor is geography. If you look at the map, Azerbaijan is sitting right at the heart of the nexus between Russia and Iran. For Russia, from an Azerbaijan standpoint, it is checking Russian ambitions in the region, because Azerbaijan is the only country that is saying no to Russia. There are no Russian troops in Azerbaijan. It is the only country among the former Soviet republics, other than the Baltic states, that has no Russian troops on its soil.

Another factor that makes Azerbaijan and its geography important is that it is sitting north of Iran. It is also a bulwark against Islamic fundamentalism in that sense. Also, it is potentially an element in our containment policy regarding Iran. A third element in the geography of Azerbaijan is that it is indeed the route for pipelines coming out of the Caspian region to the West. It is in many ways the cork in the bottle. If you open up Azerbaijan, if Azerbaijan is successful, then the

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vast riches of the Caspian region will reach the Mediterranean very quickly. That is why we have devised these bumper stickers that say “Happiness is Multiple Pipelines.” To the extent that you have multiple pipelines coming out of the Caspian, everyone can be happy, we hope.

Another reason, other than oil and geography, why Azerbaijan is important is that it is a market for U.S. exports and it is ready for business. The fact of the matter is that Azerbaijan is the only country in the former Soviet Union that has signed five production-sharing contracts. These are actual contracts that have been ratified by the Azerbaijan parliament and that are law in Azerbaijan. In other words, irrespective of government changes, they will be there. So it is open to business.

In addition to that, \$16 billion worth of oil services contracts are awaiting Japanese, American, and French markets. For every one dollar that the oil industry invests in countries, there are three dollars of service-related work that is generated. So if the company that I consult, Amoco, goes in, just the fact that it is in there means that it is going to require someone to provide it with cereal from the states, maybe, cars, helicopters to go offshore. These are all services. So Azerbaijan is a market, just from this one project that we are working on, for \$16 billion of service-related work. Which makes it important. There is a great debate in our country today about the direction our foreign policy should take—should we be crusaders, should we be Wilsonian? Well, strip it of all of its theories, and I suppose you can argue that the search for markets could also be an element of U.S. foreign policy.

Another reason Azerbaijan is important, and this is something that is going to be increasingly important in Washington, is that it is a very good example of what can be done with regard to our foreign assistance. Let me give you an example of what I am talking about. Azerbaijan is barred from direct U.S. assistance because of a congressional sanction called Section 907 of the 1992 Freedom Support Act. Since its independence, Azerbaijan has not received any direct U.S. assistance. However, since then, British Airways, KLM, and Lufthansa fly direct from Europe into Baku. American corporations, and private sectors in America, Europe, and Japan are investing in Azerbaijan and creating private sector jobs. Since 1994, \$700 million has been poured by the private sector into Azerbaijan. So instead of making Azerbaijan a welfare state by providing it with foreign aid, what is happening is that the private sector is taking over. This is a very good example of what could be done in terms of our foreign assistance—that you do not necessarily have to give handouts to countries. What they really need is investment.

Finally, what makes Azerbaijan important is its president. I say this not because I visit with him frequently and we exchange thoughts, but because since 1990, when I visited Azerbaijan I saw the instability. I can assure you that since his election President Geidar Aliyev has provided the leadership and the stability that is required for these investments to pour into Azerbaijan. So the fact that he is there, his personality, has provided the international community and the international business community with a sense that they can go into Azerbaijan and invest and that their investments will be guaranteed. I can assure you that when we sit around the table in Chicago, whether it is at Amoco or at other companies,

that is one of the major factors that they look at, the fact that this is a stable country and that it has a leader who says "I am going to provide stability." That is one element of it. The other element of it, of course, is that he is standing up to Russia and Iran. This is one country in the former Soviet Union that is saying, "Listen, I am independent, my foreign policy is going to be independent, and I am not going to allow the Iranians or the Russians to interfere." And he has allowed the United States an opening to come in and take advantage of this.

These, in essence, are the reasons Azerbaijan is important: its oil, its geography, the fact that it is a market for U.S. exports, the fact that it provides a very good case study of what foreign assistance can look like in the future, and finally, its leader. The struggle, however, continues, because you have Russia, Iran, Turkey, and the United States vying for influence. I want to go into a little detail as to what the Russians are doing in terms of trying to influence Azerbaijan.

Let me give only a few examples of what the Russians are actually doing in Azerbaijan, with and without the cooperation of the Clinton administration, I must add. Number one, the CFE Treaty. The Russians are insisting that they be allowed to have troops on the border between Azerbaijan and Iran. This obviously would be a violation of Azerbaijan's sovereignty. However, it is something that the Clinton administration is pushing Azerbaijan to accept because the CFE is an important treaty for the Clinton administration. But the fact of the matter is that the Russians are using vehicles to try to get back into Azerbaijan, and the CFE Treaty is one example of that.

Another issue is their support of the Armenians in Nagorno-Karabakh. Recently, it was revealed by the Russian military establishment that 84 T-72 tanks had been transferred to Nagorno-Karabakh, in addition to 50 infantry combat vehicles. There is clearly a Russian hand in the Nagorno-Karabakh conflict, and there clearly is Russian assistance to the Armenians of Nagorno-Karabakh.

A third meddlesome issue, as it concerns the Russians, is the Caspian boundary issue. The Russians insist that the Caspian Sea belongs to all the littoral states and that Azerbaijan and the international consortium working in Azerbaijan has no right to that. And I can tell you that Russian officials have come into the consortium offices in London and threatened the consortium, saying, "You are working here illegally." So they are trying to use this issue to stop the work of the international consortium from moving forward. Now, President Clinton, instead of supporting the Azerbaijan position on the sectoral division of the Caspian, has made it clear that he supports the position of all the littoral states. Well, the littoral states include Russia and Iran, and to the extent that Russia and Iran have veto power over what happens in the Caspian, it really precludes the United States from access because Iranian involvement in the Caspian essentially means that the United States cannot get involved because of the current laws we have on the books.

A fourth element of Russian meddling, and this is a fact, once again, is that three of the coup leaders who tried to overthrow the government of Geidar Aliev are currently in Moscow: former President Mutalibov, former Prime Minister Surat Husseinov, and the head of the internal security forces. All three are in Moscow, and all three are waiting to come back to Baku.

Another long arm of Russia, another meddling element of Russia, is LUKoil. LUKoil, despite the fact that it is a partner in Azerbaijan, is there because the president of Azerbaijan clearly understands that there has to be a way to appease the big bear. And one of these means of appeasing the big bear is LUKoil. LUKoil was given 10 percent of the first consortium. It was given working interest in another consortium. They have 50 percent, almost, of the Karabakh Consortium. They have not been able to change Russian policy in a positive way. It is very clear, and all indications are, that LUKoil is actually the long arm of the Russian government. To the extent that this is now becoming clear, LUKoil, in the last production-sharing contract that was signed, was excluded for the first time from any activity in Azerbaijan.

The Iranians are also not laying low. The Iranians are active. According to the Azeri sources, the Iranian Embassy, from 1993 to 1995, was funneling money to the Islamic Party of Azerbaijan. The ambassador was responsible for this effort. What they were trying to do was essentially to buy refugees with \$100, bring them into Baku, and organize demonstrations on religious holidays such as the holy month of Ramadan. However, the essence of Iranian policy is to be anti-American, and to the extent that Azerbaijan is pro-American, Iran is anti-Azerbaijan. Another element of Iranian foreign policy is that it is anti-Israel. To the extent that Azerbaijan is a friend of Israel, Iran is anti-Azerbaijan. Incidentally, when President Aliiev was sworn in, the chief rabbi of Baku was presiding over that ceremony, in addition to the religious leaders of the Christian church and the Muslim community.

Another factor that irritates Iran is that President Aliiev and the people of Azerbaijan adopted a constitution that says that "Islam is not the official religion of our country." There is clearly a separation of church and state. The Iranians organized demonstrations in Tabriz, and put pressure on the president of Azerbaijan. The president of Azerbaijan said, "Listen, we are an independent country. We will do as we please. We are not going to be an Islamic republic."

Finally, because of the fact that Azerbaijan has relations with America and with Israel, Iran has now adopted a strategy of embracing Azerbaijan's enemy, Armenia. There is a very, very strong relationship between Armenia and Iran, where Iran supports Armenia with gas, supports Armenia with fuel oil, and is now Armenia's second largest trading partner.

Turkey is also vying for influence and for power. However, the Turkish influence and the Turkish element in all of this actually has more of a commercial tilt. The Turks are interested mostly in building roads, building hotels, selling Turkish goods from Kleenex to mattresses. That is their interest; that is what drives the Turkish policy. It has mostly commercial elements to it. However, it goes without saying that Turkey wants a piece of the "pipeline action," and to the extent that they are competing with Russia, they have an interest in Azerbaijan because Turkey would like to see that pipeline eventually end at the Turkish port of Ceyhan. It is also in competition with Iran, because Turkey does present an alternative to Iran. Turkey does try to win the hearts and minds, and is in competition with Iran over that. But if I were to sum up the Turkish interest, the Turkish interest for the most part is a commercial interest.

Finally, there is the United States. The official State Department policy toward Azerbaijan is to ensure that Azerbaijan remains independent, to make sure that U.S. energy security is provided for, that the cars that are going to travel on that bridge to the twenty-first century have gasoline to travel on, and the third is the peaceful resolution of the Nagorno-Karabakh conflict, and finally it is to work with Congress to remove Section 907 of the Freedom Support Act. What the United States has not done, however, and I alluded to this earlier, is that the United States has not made a clear policy statement vis-à-vis Azerbaijan that goes beyond the niceties of “we want to support independence, we want to have energy security,” and is constantly cautious because, as it says (and I am quoting a State Department official here), “We cannot provoke Russia.” This is the Russian Caribbean. We cannot provoke the Russians.

So what we find is a frustration on the part of American companies working in Azerbaijan who see that the Japanese have the support of their government. The French companies come in with the support of their government. The Europeans in general come in with the support of their government. LUKoil comes with the support of the Russian government. Yet we have to drag the Clinton Administration every step of the way, and there are concrete things that the United States can do to win the struggle in Azerbaijan. I am sounding a little like Teddy Roosevelt here, being jingoistic, but the fact of the matter is that there is an opportunity for the United States, and there is a struggle, and we can win the struggle if we do certain things.

Those certain things are very simple, but the Clinton administration seems to be hesitant. First, and foremost, is to invite President Aliiev to Washington. This would be a clear signal to Russia and to Iran that we value our relationship with Azerbaijan and that Azerbaijan is a partner. Instead, John Huang gets sixty visits to the White House, and President Aliiev gets zero. For now, the priorities of the Clinton administration seem to be elsewhere.

A second thing that the Clinton administration can do is to lift Section 907 of the Freedom Support Act. Madeleine Albright can certify to Congress as such, and that can be done. So far, the president has decided not to exercise that option. In fact, in 1995, when Congressman Charlie Wilson, Democrat from Texas, passed legislation to allow the president a waiver to provide humanitarian assistance to Azerbaijan, he refused, for whatever reason.

Another, third, factor is that the United States is the only remaining superpower, and it can invite the parties to the Nagorno-Karabakh conflict around the table and start the process of a peaceful resolution of this conflict.

What the administration has done, and you have to give credit where credit is due, is to have listened very carefully to what the American oil companies have said, and they are now very supportive of a multiple pipeline solution. So what

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the United States is doing is promoting a multiple pipeline route out of the Caucasus. In fact, when the consortium was struggling over what the next option was in terms of a pipeline, the president called President Aliev, and in a telephone conversation urged President Aliev to support a pipeline to Georgia. President Aliev agreed to that. Today, the administration is supportive of a pipeline from Baku to Ceyhan. So the administration has been supportive in that sense.

There is a lot of talk about the twenty-first century, and we have a new secretary of state, and I suppose that you can argue that what we do with Azerbaijan will say volumes about where we are headed in terms of our foreign policy. Are we going to act as a superpower, be aggressive, be bold, with deference to our host country, in this case Azerbaijan, and not feel guilty about going ahead and doing these things? Or are we going to allow the struggle to continue, because if the struggle continues, and Russia wins the struggle, Azerbaijan is going to lose. If Iran wins the struggle, Azerbaijan loses. But if the United States wins the struggle, I firmly believe that Azerbaijan wins, America wins, and all of the other countries can win because there is enough oil in the Caspian, there are enough dollars to be spread around, for everyone to win.

I would like to close by making a point here that is sometimes lost on academicians like myself and on policymakers. The one project that we are working on right now in Azerbaijan that is moving forward will bring to Azerbaijan, over the life of the project, \$94 billion. These are in 1993 dollars. You are looking at the next Kuwait of the former Soviet Union. The key question is, who is going to be a partner, and who is going to be dancing with this new partner? Is it going to be Russia? Is it going to be Iran? Is it going to be Turkey? Or is it going to be the United States? The fact of the matter is that this partner is pretty rich. The fact of the matter is that if the United States does not attempt to try to win the struggle, the \$94 billion will go elsewhere, and the United States will lose ultimately.