

Finlandization or Strategy of Keeping the Balance?

AZERBAIJAN'S FOREIGN POLICY SINCE THE RUSSIAN-GEORGIAN WAR

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The two years since the end of the August 2008 Russian-Georgian war have represented a critical stage in Azerbaijan's foreign policy. The war generated a new source of instability and forced most of the states of post-Soviet Eurasia to reevaluate their foreign policies. Azerbaijan, for its part, has tried to avoid antagonizing Russia and has been cautious with regard to its ambitions for membership in either the North Atlantic Treaty Organization or the European Union. Some might describe Azerbaijan's policy as a kind of "Finlandization," akin to the Finnish pursuit of neutrality after World War II in the face of a hostile Soviet Union.

An analysis of Azerbaijani foreign policy, however, suggests that the country has actually continued its balanced foreign policy course of the past 16 years. This foreign policy remains in pursuit of three major goals: retaining independence, resolving the Karabakh conflict, and making Azerbaijan a key partner for regional powers. Azerbaijan's foreign policy over the last two years can be considered a kind of "silent diplomacy," by which Baku is gradually developing Azerbaijan's role in the region using contradictions between powers. During this time, Baku has taken some bold actions that indicate its policy is not dependent on regional powers and that its interests are to be taken into account.

Turkish-Armenian Rapprochement and Azerbaijan

The recent attempt by Turkey and Armenia to normalize relations without taking Azerbaijani interests into account was an important test for the country's foreign policy. The period from October 2009 (when protocols on the establishment of diplomatic relations between Armenia and Turkey were signed) to May 2010 was a time of active shuttle diplomacy for Azerbaijan. The country used Turkish public opinion as well as its own energy card to force Turkey to reconsider its rapprochement strategy. Less than a week after the protocols were signed, Azerbaijani President Ilham Aliyev stated that it was economically irrational to continue selling gas to Turkey for one-third of its market price. The president tried to present this statement as if it were linked to commercial

considerations rather than to the protocols. Analysts, however, considered this move to be a hidden signal to Turkey to take Azerbaijani interests into account. With this statement, Azerbaijan warned Turkey (and future European consumers) that problems with gas supplies could undermine or even kill the Nabucco gas pipeline project, for which Azerbaijan is considered a main supplier and key transit state.

At the height of Azerbaijani–Turkish tensions, Baku made another strong move. On October 14, 2009, when Turkish President Abdullah Gül met with his Armenian counterpart Serzh Sargsyan during a Turkish-Armenian soccer match, the State Oil Company of Azerbaijan (SOCAR) signed an agreement to sell 500 million cubic meters of gas a year to Gazprom starting in 2010, at a price of \$350 per thousand cubic meter. Aliyev stressed that this was not the maximum amount of gas Azerbaijan might sell to Russia. In cutting this deal, Azerbaijan pursued its own interests. It raised the prospect that Azerbaijan would choose Russia as the main destination for its gas exports, perpetuating European gas dependence on Russia. The agreement also showed Ankara that Azerbaijan is not dependent on Turkey for gas transit; it can successfully sell its gas for prices higher than those offered by Ankara. Third, the agreement showed Turkey what it would lose if it opened its borders with Armenia. In the end, with the pressure from the Azerbaijani side, Turkey did in fact slow down its rapprochement with Armenia and linked the border opening to progress in resolving the Karabakh conflict.

Relations between the two countries culminated in August 2010 during a visit of Gül to Azerbaijan. Presidents Aliyev and Gül signed a Treaty on Strategic Partnership and Mutual Assistance. Although the full text of the treaty has not been made public, both sides did not hide the fact that the agreement also covers military cooperation and mutual assistance, laying the foundation for the political and legal presence of NATO troops in Azerbaijan. The treaty may be considered an indirect response to Russia's demonstrative signing of a new agreement with Armenia on prolonging Russia's military presence in the country. The new treaty between Turkey and Azerbaijan made it possible to counter the effect of the continued strengthening of Russian power in the region, something that is detrimental to a resolution of the Karabakh conflict.

Azerbaijani-Russian Relations and the Gyumri Military Base

Azerbaijan has consistently demonstrated its commitment to building solid neighborly relations with Russia. It has taken Russian sensitivities into account and adopted a soft and respectful tone in its bilateral relations. It prefers not to “disturb the waters” while maintaining an overall trajectory of integration into the West. Such diplomacy prevents Russia from taking openly aggressive steps toward Azerbaijan, even if it does not promote resolution of the Nagorno-Karabakh conflict, domestic stability, or regional security.

This stable flow of events was disturbed when in August 2010 Russia decided to extend its troop deployment in Armenia.¹ The new treaty stipulates that besides protecting the Armenia-Turkey border, Russian troops at the Gyumri base will defend the Azerbaijan-Armenia border as well. Thus, in the event Azerbaijan attacked Armenia, it appears that Russian troops are prepared to go to war against Baku to defend its ally.

Despite its anti-Azerbaijani direction, the treaty did not provoke a harsh reaction from Azerbaijan. First, Armenia and Russia are already members of the Collective Security Treaty Organization (CSTO) that was established with the purpose of defending its members from an outside enemy. The new treaty did not add anything new to this existing commitment. Second, Azerbaijan did not and does not have any plans to attack Armenia. In the unlikely event that Azerbaijan did go to war with Armenia, all military action would be concentrated around Nagorno-Karabakh and would not spill into Armenia. Finally, the former lease on the Gyumri base was only going to expire in 2020 so Russia did not have to rush with its extension. Thus, the ceremonial signing of the new treaty served mostly political and symbolic purposes, including for Armenian domestic politics.

Meanwhile, on the eve of the signing, Russian mass media reported plans that the Russian government was selling S-300 Favorit air defense systems to Azerbaijan for \$300 million, making the deal the most expensive one-off armament purchase by a member of the Commonwealth of Independent States (CIS). Azerbaijan did not comment on the report, stating only that the country continues to strengthen its military capabilities, while Russia explicitly denied it. Local analysts argued that if the deal were to take place, it would be a foreign policy success for Azerbaijan. The deal would bring the Russian military industry to the Azerbaijani market, thereby placing economic interests above political ones. The sale would also secure the airspace of the country from possible intrusion and add security to Azerbaijan's vital infrastructure. Finally, the purchase of S-300s would send an additional signal to Iran, whose military jets violated Azerbaijani airspace back in 2001-2002.

Russian-Azerbaijani relations reached new heights during Russian President Dmitry Medvedev's visit to Baku in early September 2010. Six bilateral documents were signed by Aliyev and Medvedev; one of these defined the borders between Azerbaijan and Russia, something that had not been resolved since independence. Moscow even accepted the Azerbaijani version of the border delimitation, especially significant in the case of the Samur River, which supplies most of Baku's fresh water (the agreement allowed Azerbaijan to retain control over the Samur-Absheron hydropower station). A second agreement called for an increase in Russian acquisition of Azerbaijani gas, up to two billion cubic meters per year. A few other important statements were made by Medvedev in Baku. First, he did not criticize the Nabucco project. He also added that

¹ The 102nd Russian military base was established in 1995 replacing the 127th division of the Soviet Army. It is under the direct command of the North Caucasian Military District of the Russian Federation. The base is equipped with S-300s and 18 Mig-29 fighters. There are approximately 5,000 Russian military personnel at the base. Around 100 T-72 tanks, 150 armored vehicles, and other military equipment are stored at the base.

the sides agreed to hold a separate summit where they could discuss issues on oil, gas, and energy resources. Analyzing Medvedev's statements, it is easy to see that Moscow is adopting a different approach toward Azerbaijan. Though Russia could use (and has used) its energy resources as levers against Belarus, Ukraine, Armenia, and some of the Central Asian states, Moscow seems to be trying to cooperate with Azerbaijan. Azerbaijan's active penetration into Georgian and, to a certain extent, Ukrainian energy markets, as well as its continued participation in the Nabucco pipeline project that bypasses Russia, no longer annoys Moscow. This last visit proved that Azerbaijan has been able to shift its relationship with Russia to a pragmatic, mostly economic, level.

Azerbaijan's Policy in the CIS

Azerbaijan's active foreign policy is also supported by its growing economic capacity. For the last couple of years, Azerbaijani businesses have increased their presence in Georgia; President Aliyev stated at an economic forum in Davos in 2008 that Azerbaijani companies have invested \$3 billion in the Georgian economy. SOCAR, already one of Georgia's main taxpayers in 2008 and 2009, is trying to gain a monopoly in the Georgian oil market and actively seeking to get into its gas market as well. In August 2010, media reports indicated that Azerbaijan had offered \$500 million to buy the Georgian-Armenian gas pipeline carrying Russian gas to Armenia through Georgia. Initially, Gazprom tried to buy the pipeline from Georgia for \$250 million, but Georgian authorities rejected the deal due to its low price as well as the security implications of selling the pipeline to Russia. With the possibility of the gas pipeline to Armenia ending up in Azerbaijani hands, coupled with the ongoing construction of the Baku-Tbilisi-Kars railroad, Azerbaijan continues trying to encircle and/or bypass Armenia with its projects, in the hopes of slowly compelling it to accept the terms of a final peace accord.

The Azerbaijani government made another strong move during the "gas war" between Belarus and Russia. Baku lent \$200 million to Minsk to settle its debts with Gazprom. Belarusian President Alexander Lukashenko could have asked any other leader in the region, or even his personal friend Venezuelan President Hugo Chavez, to lend the amount. Any other president, however, would have been afraid to interfere in the relationship between Moscow and Minsk. This episode demonstrated that if national interests require it, Azerbaijan can make a bold decision. And it proved to be the right choice. Azerbaijan was able to maintain friendly relations with Russia and help Belarus in its difficult time. For years, Azerbaijan tried to build and deepen relations with Belarus, an important CSTO member. A decade ago, Belarus was supplying military armaments to Armenia, which soured the relationship between Baku and Minsk. Now, Azerbaijan anticipates that this kind of assistance to Belarus will lead to Minsk's support of some key future Azerbaijani interests.

Conclusion

Despite the fact that some countries such as Ukraine, Armenia, Kazakhstan, and other Central Asian states have in fact adopted a kind of Finlandization scheme, Azerbaijan has managed to preserve an independent foreign policy. Nonetheless, a lack of progress

in the Karabakh conflict and the possibility of a resumption of war continue to make Azerbaijan vulnerable. The conflict remains the only factor limiting the actions of Azerbaijan's foreign policy, preventing it from intensifying its Euro-Atlantic integration plans. So far, Azerbaijan and (to a certain degree) Georgia remain among the few countries that can conduct independent policies in the post-Soviet space (along with the Baltic states). If the frozen conflicts of Azerbaijan and Georgia continue to remain the same (or worsen), both states will exhaust their foreign policy opportunities and fall prey to growing Russian influence in the Caucasus.

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