

AZERBAIJAN'S FOREIGN AND SECURITY POLICY

Dr. Rainer Freitag-Wirminhaus

Senior Research Fellow German Institute for Middle East Studies

Azerbaijan is part of the South Caucasus security complex. In this region all kinds of political decisions, strategies and alliances are interrelated to security questions. The unsolved conflicts have an enormous impact on internal politics just like on foreign policy strategies, whereas the actions of the conflict parties have to be seen in regard to the outside interference of the external powers.

To a high degree the foreign and security policy of the South Caucasian states is a reaction to the interference and interests of great powers and regional powers. In principal, it has always been a balancing act between their own security requirements and the external interests. Nowhere else has the atmosphere of the cold war survived as it has in Azerbaijan. We find two camps of different security-political orientations: on one side Armenia with a deep political, economic and military dependency on Russia and close relations to Iran, on the other side Georgia and Azerbaijan with advanced integration into NATO-programmes and close relations with Turkey. In simple terms the Euro-Atlantic security option stands for modernization and democratization, the Russian one for manipulation of conflicts. But as we will see one cannot speak of clearly distinguished axes; there are too many overlaps and contradictions. Nevertheless a strong American-Russian rivalry cannot be ignored. In the Caucasus the USA and NATO are considered as the representatives of western strategic and military interests, generally not very much distinguished from one another, while Europe is seen as engaged in development politics, but without strategic intentions.

For some years Azerbaijan and Georgia were seen as a tandem in their pro-western orientation. Undoubtedly the biggest impact on Azerbaijani foreign policy in the last decade was made by the relationship with Washington.

Azerbaijan's Relations to the USA

In principal Azerbaijan has no real alternative to its western orientation as far as security matters go. For financial reasons and for the protection of its oil exports through the Baku-Tbilisi-Ceyhan pipeline (BTC) it needs the USA as its strategic partner.

Washington's aims in the South Caucasus include the expansion of its strategic partnership with Georgia and Azerbaijan while trying to diminish Armenia's dependence on Russia. Fostering political stability is related to ensuring energy exports through the BTC, to fighting against international terrorism and to make use of the geo-strategic situation of the region in view of Iran and Central Asia.

In 1997 American strategic interests arose when the United States Government, with the help of American oil companies, realized the geo-strategic importance of the Caspian Sea basin and initiated a special strategy regarding the region. The United States launched a campaign stressing the strategic importance of the BTC route as part of the "Eurasian Transport Corridor" aiming towards diversification of supply and breaking Russia's monopoly over oil and gas transport routes. This cooperation was highly beneficial for both parties.

After 11 September 2001 energy interests, though still strong, were no longer the priority in the US policy regarding Azerbaijan. The reasons for US military interests are driven by the demands of the global anti-terrorism fight. The goals are fostering regional stability and forging assistance in countering terrorism and especially maintaining access to the Caucasus air corridor, which is essential for the US engagement in Afghanistan. Azerbaijan has a special stand as an American-friendly Muslim state with a crucial geographical location. Baku supported Operation Enduring Freedom, granted Washington overflight rights and the use of its airbases and contributed troops to Afghanistan. It also sent a contingent of 150 soldiers to Iraq, which is the only peacekeeping troop there from a Muslim country.

Because of Azerbaijan's border with Iran its strategic value for Washington is even bigger than that of Georgia. The USA has not installed its radars in Georgia but in Azerbaijan. To accomplish its goals, the US military's European Command (EUCOM) has launched several initiatives, focusing both on the region as a whole and on Azerbaijan specifically. In 2002 both countries signed an Agreement on Military Cooperation¹.

Baku rejected US military bases, at least officially. In case of a potential American military attack on Iran it feared an Iranian answer bombing Azerbaijan, not to forget the fate of the millions of Azeris in Iran. A flow of migrants from Iran could swamp the country that still has the problem of 750,000 migrants from Karabakh. In order not to be regarded by Tehran as Washington's henchman, the Azerbaijani leadership declared that in a case of an attack on Iran the neighbourly relations would have priority².

¹ Azerbaijan, USA Sign Agreement on Military Cooperation, BBC Monitoring Service - United Kingdom, 28 March 2002.

² If the USA Invades Iran. Novruz Mammadov: "Azerbaijan will Give Priority to Neighbourly Relations", Ekspress, Baku, in Azeri, 29 January 2005.

The Azerbaijani public does not question the cooperation with Washington, but the discontent with American politics has grown, particularly with its conflict management inside the Minsk group of the OSCE, the negotiator in the Karabakh conflict. Western pressure on Azerbaijan and Turkey to compromise with Armenia is regarded with mistrust. People consider US-politics as rather pragmatic just trying to secure the oil pipeline, to push back Russian influence and to use Azerbaijan against Iran. In their eyes American geo-strategic interests have taken priority over the promoted values of good governance. Because of the war in Iraq approval of US politics has decreased though may be at a lower rate than in other countries. Today the majority of the population and the elites think that American military bases in the country would not be in Azerbaijan's interest, first of all because they would not contribute to free the occupied regions around Karabakh. Generally people accuse Washington of a double standard thinking that Baku's active role in the anti-terrorism coalition did not pay off³. A survey conducted among students in Baku and the leadership of opposition parties in late January 2008 showed that the consent to possible American bases has sharply decreased in recent years⁴.

The allegation of American double standards has always strained the relationship. For years Section 907 of the American *Freedom Support Act* had prevented more support from the American side⁵. The US Congress had always granted more financial help to Armenia and supported Karabakh, though not officially recognized, with assistance. After 11 September 2001 Washington wanted to grant more military help to Azerbaijan, but this failed because of the influence of the Armenian lobby in Washington.

In spite of all these problems in the relations with the United States and Azerbaijan's cautiousness in advancing Washington's military goals, the military cooperation is continuing to be intensified by Baku's politics of close ties to NATO.

Integration into NATO Structures

Though fearing to get entrapped into the conflicts, in recent years NATO, too, has been more and more engaged in the South Caucasus. Integration into NATO structures stands not only for deepening military relations to the USA but is also a way of approaching Europe. At the Istanbul NATO Summit in 2004 the South Caucasus was proclaimed as one of the priority zones. According to the Special Representative of the NATO Secretary General in Central Asia and the South Caucasus Robert Simmons, NATO is even considering the possibility of providing protection of the Baku-Ceyhan oil-pipeline⁶.

Since 1994 Azerbaijan has been a member of the Alliance's Partnership for Peace (PfP) program, which was designed to improve practical military cooperation and enable joint operations with NATO peacekeeping and humanitarian missions. The PfP contributes to transparency in the military sector and to the implementation of strategic defense planning. In practice this means US military training programs under the Cooperative Threat Reduction (CTR) program, the Foreign Military Financing program and border security activities. An *Individual Partnership Action Plan* (IPAP) is currently under implementation.

While on the political and military level strongly cooperating with Turkey, both Georgia and Azerbaijan expressed their willingness to become a NATO-member in the long run, particularly in the days when their engagement with GUAM has been more intense than it is today. However, Tbilisi had always done this more emphatically. After the power-transfer of Heydar Aliyev to his son Ilham, Azerbaijan has postponed its ambitions of a NATO-membership that it had expressed years before. However, even Heydar Aliyev had never officially asked for membership out of respect for Russia, he preferred to ask for the status of a candidate through his foreign minister.

Although Azerbaijan is moving closer towards NATO, whether membership is actually the long-term goal of the so called well-balanced policy is still an open question. Generally Baku is striving for integration into Euro-Atlantic structures, but what concrete steps need to be taken are not clear. Azerbaijani government representatives take a rather careful approach to this issue claiming that Azerbaijan is making real steps towards it but within the framework of its balanced foreign policy. But in general the leadership avoids public statements about this matter declaring that the ultimate goal is not membership but the process of reaching NATO standards. Baku is ambivalent about NATO. In addition, the NATO-leadership does not really know its real ambitions. Deputy Foreign Minister Araz Azimov put it this way: "... joining NATO is not an end in itself, but simply one possible

³ Rauf Mirqadirov, Political Elite's Attitude to USA Deteriorates, American Attempts to be on Both Sides at the Same Time Did not Succeed, Ayna, Zerkalo, Baku, 28 January 2004.

⁴ In June 2003 66% of the party leaders voted for US bases in Azerbaijan, in January 2004 after the presidential elections 52%, in January 2008 53% of the party leaders and 76.5 % of the students were against US bases. As the results indicate 46.5% students believed that the reason for bringing US troops into the country could be pressuring Iran, while 48.6% of the party leaders said that the security of Caspian oil and gas pipelines were the reason. Analysis of Survey: US military bases in Azerbaijan, Caucasian Security Development Project, Sponsored by Canada Fund, Canadian Embassy, Ankara, February 25, 2008.

⁵ Because of the Azerbaijani blockade of Armenia section 907 prohibited direct help to the Azerbaijani government. Only after 11 September did the Armenian lobby fail to prevent the waiver of the sanctions.

⁶ Mediamax, Armenian news agency. South Caucasus – Defense, Security & Conflicts Resolution. Weekly Review, 22.10.07-27.10.07. www.mediamax.am.

element of a country's security.”⁷

The wish for a normalization of Baku's relationship to Russia and President Ilham Aliyev's fear of a velvet revolution supported by Washington resulted in a position of a tactical political approach of “wait and see”. This reflects the basic problems of the South Caucasian states, which are not independent in their political decisions, their actions being determined by the imperative of their current security requirements. Circles inside the army promote a stronger pro-American policy, but while there is partial integration into NATO-structures, the government cooperates with Moscow in the area of military techniques.

Though President Ilham Aliyev has named NATO integration as a top foreign policy priority for the country, there have been delays in the elaboration of IPAP and the National Security Doctrine, which is a cornerstone of the alliance's cooperation with post-Soviet states and which the government had prematurely announced to be published in 2007. The aims of a national security framework in accordance with NATO can be listed as follows:

- restructuring the army, the Defence Ministry and the General Staff
- enhancing civilian control and transparency
- creating a NATO-standard modern command and control system
- bringing the military education system into compliance with NATO standards
- training specialists and drafting documents for transparent budgeting
- improving military laws and regulations and harmonizing them with modern standards
- forming a mobile military unit
- modernizing the navy
- improving an aerodrome in line with NATO standards
- replacing Soviet-type military equipment by modern NATO-standard arms
- implementing in Azerbaijan a program similar to the US “Train and Equip” program in Georgia⁸.

The first phase of IPAP began in 2005 and ended in 2007 when its measures were officially successfully completed. The second IPAP, unlike the first one envisaging serious reforms, was adopted in September 2007 and will last till 2009. However, it was only in March 2008, when Baku signed the new accord on cooperation with NATO. In the Azerbaijani media “informed diplomatic sources” were quoted that NATO officials had been trying to persuade Baku to make a formal declaration of its intention to seek NATO membership, but without success⁹. The second IPAP, for which Azerbaijan will receive about \$21 million from NATO, comprises the following sections: political issues and security policy, defence and military issues, public information and emergency civil planning and information security. Obviously the reasons for the delay could be found in the obstacles to closer cooperation listed in a report of a NATO-delegation.

In a country with authoritarian structures where civil society is weak and rudimentary and the population is disillusioned from politics, the development of a national security doctrine that IPAP is demanding inevitably occurs without transparency. Azerbaijan has yet to finalize its military doctrine. President Aliyev promulgated a National Security Concept in May 2007, which confirmed Azerbaijan's unambiguous aspiration towards Euro-Atlantic integration.

It is not very likely that Azerbaijan will be able to fulfil its commitments to NATO in the next few years. Officially Baku declares that military reforms, which IPAP demands, will bring the armed forces up to NATO standards by 2015. Of course with this cautious approach Baku tries to avoid contracting the same Russian hostility as Georgia did. Another reason for Baku not to express its ultimate goal concerning NATO and to keep an attitude of “wait and see” is that it realizes how NATO is currently split into advocates of accepting Georgia and Ukraine as members and those countries like Germany and France who successfully prevented a *Membership Action Plan* (MAP) at the latest NATO-summit in Bucharest in April 2008. In this respect Georgia is an important precedent for Azerbaijan. Baku had an opportunity to observe how effective Moscow's influence and threatening could be. If both countries would have been accepted to MAP, it may have modified its position.

Complicated Relations with Russia and Iran

While Russia is using all kinds of options to prevent Ukraine and Georgia from joining NATO, Azerbaijan tries to strike a balance between the interests of NATO and Russia. Of course Moscow observes Azerbaijan's rapprochement with the West with suspicion. Azerbaijan has effectively curtailed military and military-technical cooperation in the CIS. On the other hand it has intensified its military cooperation, including arms purchases, with Moscow¹⁰.

⁷ Liz Fuller, Azerbaijan: Baku Seems Ambivalent About NATO Membership, RFE/RL, March 22, 2007.

⁸ See also: Aris Kazinyan: NATO is Modeling the Security System of the South Caucasus, November 22, 2006, Regnum. www.armeniadiaspora.com.

⁹ Liz Fuller, Azerbaijan: Opposition Deplores Indecision Over NATO, Breaking News published on 21/03/2008. RFE/RL <http://www.rferl.org>.

¹⁰ Russia, Azerbaijan Agree to Intensify Military Cooperation, ITAR-TASS, Russia, Nov 29 2007.

Accompanied by the attempt to gain control of the energy sectors, Moscow's paradigm of controlled instability includes its claim on conflict management. In reality this usually means delay and prevention of conflict solutions for its own benefit. Though Russia is not really able to discipline Baku directly, it could strengthen the cooperation with Armenia and modify its officially balanced attitude in the Karabakh conflict to the advantage of Armenia. However, economic sanctions that Moscow could impose would hit Azerbaijan less than in the case of Georgia or Armenia.

Azerbaijan's deliberately cautious policy is designed to avoid spoiling relations with its big neighbours Iran and Russia in order to have a normal coexistence. It is part of a broader strategy, as Azerbaijan has also deepened its ties to Pakistan and the Central Asian states. This demonstrates an assumed, new position of strength relying upon energy resources. Baku does not only rely on the partnership with Turkey which still is an indispensable ally concerning the Karabakh conflict. However, it also shows that Azerbaijan does not possess a clear security related strategy but rather a tactic of manoeuvring between its political options. Despite the historic tension between Iran and Azerbaijan, Iran, which in the Karabakh conflict has supported Armenia, is not regarded as a real threat. To some extent the currently tense situation in the region is profitable for Azerbaijan, as its strategic location bordering Iran maintains US military engagement and enhances geo-strategic importance. It allows Baku to ignore American concerns over its dismal electoral record and at the same time to develop its ties with Tehran. Though this relationship is not based on friendship but is accompanied by mutual mistrust, Baku will not put this relationship at risk. Not only does Iran supply energy to the Azerbaijani exclave Nakhchivan, which remains in a difficult economic situation, but there is also the need to undercut the Armenian-Iranian partnership.

Military and Economic Partnership with Turkey and Georgia

For Baku, Turkey is an indispensable ally. Though from time to time there have been some problems in Turkish-Azerbaijani relations including misunderstandings and unfulfilled expectations, the South-Caucasus and especially Azerbaijan remain a priority for the current Turkish leadership¹¹. Turkish policy in the South Caucasus is determined by a network of economic interests, geo-strategic goals and in the case of Azerbaijan ethnic relations.

Until the decision for the main pipeline was reached, Turkey had fought hard that the route would finish in Ceyhan. This certainly provided Baku with a position of power, Azerbaijan ceased to be looked upon as Turkey's younger brother. From time to time Heydar Aliyev could point to the fact that their roles had changed. Ankara showed solidarity not only in their mutual advocacy for the realization of the BTC. When in 2001 Iranian gunboats provoked an incident with a ship belonging to the oil company BP exploring the Azerbaijani sector of the Caspian Sea, Ankara sent a clear warning to Tehran¹².

Turkey's expanding economy needs new sources of energy as their dependence on imports, already at 65% of their needs, steadily increases. On the other hand Turkey wants to gain influence as a hub for the European energy market and as a big energy terminal for the region. The aim is the integration of the Turkish energy system into neighbouring energy systems, especially the European. Together with the parallel gas pipeline from Azerbaijan, the BTC forms the main route of the East- West Transport corridor. In the struggle over the disputed realisation of the route it was Washington's support that was decisive in the end. The construction of the BTC helped to exclude Iran from the Caspian pipeline system and to assure that a part of the oil and gas from the Caspian basin could bypass the Russian pipeline network. For Turkey, too, the route is important for strategic reasons¹³. It enables it to increase its strategic oil reserves, to improve safety and stability. The pipeline has changed the structure of energy relations in the region. With the inauguration of the BTC in 2005 Turkey has found a new role and perspective in the South Caucasus.

However, it remains doubtful, if, as Baku claims, there is enough Azerbaijani oil to fill the BTC¹⁴. When probably in 2010 the exploration on the huge Kazakh oil field Kashagan will begin, an under water pipeline would have to be constructed, but it can hardly be built without Moscow's consent. Moscow has preferred to promote a pipeline from Burgas to Alexandroupoulos in order to link the Black Sea to the Mediterranean Sea. Kazakhstan, for its part, has some other export alternatives, apart from Russia to China or across Turkmenistan to Iran.

The Trans-Caspian gas pipeline would be necessary for the realization of the 2100-mile Nabucco pipeline project, which is planned to bring Caspian - and possibly Iranian - gas across Turkey to Europe in order to diversify

¹¹ In particular, speculations among Turkish politicians and in the Turkish public about normalization of the Turkish-Armenian relations including the opening of the border have adversely affected the Turkish- Azerbaijani friendship. President Ilham Aliyev threatened to retreat from peace negotiations if Ankara decides to open the border. Azerbaijan: Turkey Could Prove Spoiler for Nagorno-Karabakh Peace, Eurasia Insight, 4/08/04. <http://www.eurasianet.org/>.

¹² The chief of the Turkish General Staff officially visited Baku and a squadron of jet fighters of the Turkish Air Force performed an air show over Baku which was enthusiastically received.

¹³ Zeyno Baran, The Baku-Tbilisi-Ceyhan Pipeline: Implications for Turkey, in: Starr, S. Frederick, Cornell, Svante E. (Hg.), The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West. Central Asia-Caucasus Institute. Washington, D.C. 2205, p. 103-118.

¹⁴ In 2006 Azerbaijan and Kazakhstan signed a declaration that Kazakhstan will join the BTC-project. Vladimir Socor, Kazakhstan-Azerbaijan Oil Transport Agreement: Not yet Historic, but Might Become so, Eurasia Daily Monitor, Jamestown Foundation, June 19, 2006, Vol. 3, Issue 118.

European gas imports¹⁵. The starting point of the Nabucco-Pipeline would be Erzurum, where it would be linked to the gas pipelines from Azerbaijan and Iran and potentially to the Trans-Caspian gas pipeline. It would run to Istanbul into eastern Greece, then northwards across Bulgaria, Romania, and Hungary terminating in Austria. However, the construction would take some years and Moscow has enough means to prevent it. To the disapproval of the West, Turkmenistan has widened its energy links to Russia. In May 2007 Turkmenistan, Kazakhstan and Russia agreed to build a gas pipeline to Russia along the Caspian shore jeopardizing the Nabucco project. Currently only the gas from Azerbaijan's Shah-Deniz gas field has been committed to the project¹⁶. However, the Azerbaijani gas competes with Russian gas for the European market through Turkey. Moscow is pushing Turkey to extend the capacity of Blue Stream, the underwater pipeline across the Black Sea to Samsun, which was put into operation in 2003.

The BTC and the Baku-Tbilisi-Erzurum gas pipeline are not the only the basis for the Azerbaijani-Turkish cooperation. A strategic partnership was established between Azerbaijan and Georgia, too, especially in the energy-sector but also in the military field. Besides the USA, for both countries Turkey is their most important strategic partner. Another joint project is the Kars-Akhalkalaki-Tbilisi-Baku railroad, which is expected to be completed by 2009 linking Azerbaijan to Turkey and Europe. In 2007 they signed an agreement titled the "Common Vision for Regional Cooperation". It envisages the expansion of cooperation in the fields of transportation, electricity, and the free movement of people.

In the framework of the PfP-program Ankara supports Georgia just like Azerbaijan in the field of military reforms to adjust its military to NATO-standards. Security policy and military relations have been one of the pillars of Turkish policy in the South Caucasus in recent years. While Ankara has trained Azerbaijani military officers since 1996, the military ties between Turkey and Georgia were expanded later. In 2002 Turkey, Azerbaijan and Georgia concluded a trilateral agreement (Military Cooperation Agreement) about the fight against terrorism, arms smuggling, money laundering etc. Training programmes are the most important part of the cooperation between Turkey and Azerbaijan. However, in subsequent years cooperation with Georgia and Turkey, which has been supported by Washington, has been neglected mainly due to consideration for Moscow. In 2007 cooperation between the Turkish and Azerbaijani armies was again intensified by planning to establish a joint commission to co-ordinate Baku's preparations for NATO membership and an army company that meets NATO standards.¹⁷

For more than ten years, Azerbaijan and Georgia have tried to develop an additional field for regional cooperation. Together with Ukraine and Moldavia in 1997 they founded the organization GUAM as an alternative to the CIS with the aim of breaking out of Russia's orbit. For Moscow this alliance has always been an anti-Russian instrument used by the United States, something like a "Trojan horse" in the CIS.

However, since 2006 the member states have tried to provide the organization with a new start. Formally, the main objective of GUAM is business cooperation, including searching for ways to get rid of dependency on Russian energy. But it has a military-political component too, as the countries have active cooperation with NATO. Their main focus is now on the creation of a free-trade zone, on a plan in the energy sector and another linked to frozen conflicts. GUAM is envisioning the extension of the Odessa-Brody pipeline to Gdansk, Poland; which would enable Azerbaijan to pump oil directly to Western Europe. A strong statement of Ukrainian President Yushchenko taking Azerbaijan's side in the Karabakh conflict appeared to be linked to the Ukraine's desire for Azerbaijani support in the energy sphere. The second point on the agenda is the creation of a joint GUAM peacekeeping force. Tbilisi would like to replace the existing Russian CIS peacekeeping forces in Abkhazia and South Ossetia by a GUAM force under a UN or OSCE mandate. For Azerbaijan a military unit of GUAM could be of interest with respect toward the security of its pipelines and its sector in the Caspian Sea.

Integration into European Structures

The signing of the ENP agreement between the EU and the three South Caucasian countries has started a new chapter and is aimed at further deepening relations. The ENP Action Plan was adopted in November 2006, its implementation being monitored by the bodies of the EU-Azerbaijan Partnership and Cooperation Agreement (PCA) from 1999, with the goal of promoting respect for democracy, the rule of law and human rights, as well as market economy reforms. So it seems that Azerbaijan is slowly but steadily moving towards closer integration with the European structures. President Ilham Aliyev has repeatedly emphasized Azerbaijan's basic orientation towards Europe.

There is a myth in the South Caucasus that if Georgia will become a NATO member this will automatically open the door for Azerbaijan and Armenia and some day they could become members of the EU. This illusion does not accept that the EU's level of cooperation with Azerbaijan is determined by the policies of Azerbaijan itself.

Without greater commitment to reform, Azerbaijan will not be able to move closer to Europe. The existence

¹⁵ Vladimir Socor, Caspian Gas Plentiful now for Nabucco Pipeline Project, Eurasia Daily Monitor, Vol. 4, Issue 92, May 10, 2007.

¹⁶ Stephen Blank, Russia Takes a Step towards the Formation of a Natural Gas Cartel, Eurasia Insight, Business & Economics, 17 May 2007.

¹⁷ Duygu Guvenc, Turkish Daily News, Ankara, April 3, 2007.

of energy resources is not enough. The fact that there is an agreement with the EU about the export of Azerbaijani gas from the Shah-Deniz field to the European markets, may make Azerbaijani politicians think that Europe needs Azerbaijan more than the other way round. But in the long run it is European integration that could lead to political stability at home and provide the chance for a peaceful resolution of the Karabakh conflict.

The EU cannot ignore the conflict, because the success of ENP will be dependent on the success of the peace process. However, the EU has no impact on the conflict solution process and no political option; it faces the same dilemma as other institutions. The EU's action plan with Azerbaijan supports the right to territorial integrity while the action plan for Armenia underlines the principal for self-determination. The problem of the EU concerning the South Caucasus is that its capacity is limited, because other regions have a higher priority. In the Caucasus it faces an inscrutable Russia. There is no consent among European countries on how to deal with Moscow's opposition to the integration of the South Caucasian countries into Euro-Atlantic structures. The EU hesitates to become involved with conflicts that do not seem to be resolvable in the foreseeable future.

The Karabakh Conflict Determining Foreign and Security Policy

The history of the conflict-resolution process shows that the unsolved, frozen conflicts exert the biggest effect both on the domestic development and foreign policy strategies and orientations. Every political leadership including those of the separatist regimes regards the security dilemma as its most important factor in its political decisions. The Karabakh conflict not only is an obstacle for the Western actors, it is also a disturbing factor in creating a balanced policy. Without Russia it cannot be solved. And as long as Washington remains neutral in the conflict, from the Azerbaijani perspective the United States is not the optimal partner in security affairs. The result of this constellation is a mixed attitude of frustration and aspiration hoping that the growing oil revenues will change the status quo in the long run while keeping the option to solve it with force.

There is a deep gulf between understanding the imperative to solve the conflict peacefully and the realization that Azerbaijan would have to carry the major burden of concessions. However, the alternative to a painful compromise would be a new war. The leadership cannot ignore the mood of the population without taking the risk of a mass protest movement. While Armenian hardliners reject everything that does not result in an immediate secession from Azerbaijan, the majority of the population in Azerbaijan would support a military operation to win back Karabakh, at least the occupied regions around Karabakh, which Armenia controls as a buffer zone¹⁸. It seems that the prospect of a new war is something that people are psychologically prepared for. The government uses the manipulation of the popular protest over the international treatment of the conflict to the consolidation of its power base. The centralized decision-making in an only formally anchored democracy makes the peace-process for the public not transparent. In addition, the suppressed opposition is also strongly against any compromise solution.

In view of the lack of results from negotiations there is an increasing militancy in Azerbaijan. People fear that any compromise might end in the loss of Karabakh. Since his takeover Ilham Aliyev often announced the possibility of a military option, though it may be mainly to strengthen his internal position. Azerbaijan has drastically increased its defence expenses forcing Armenia to do the same. The military budgets of both countries are growing much faster than their high GDP growth rates. Azerbaijan's military budget has grown from \$146 million (US) in 2004 to almost \$1 billion in 2007 and the plan for 2008 is to increase defense spending to \$2 billion¹⁹. However, it is questionable if this has really positively affected the combat strength of the Azerbaijani army, whose level of professionalism and moral condition is usually described as very low. As Georgia, too, is raising its military spending, the Caucasus has become one of the world's most militarized regions, which is in contradiction to the priorities of European integration of the three countries.

The negotiating process in the Karabakh war has not brought any results yet. The Minsk Process initiated by the OSCE provides a platform for dialogue, but has so far not been able to develop feasible proposals to resolve the conflict²⁰. There has been little willingness to make concessions on both sides and mediators have not been able to agree on conditions for the status of Karabakh. The ceasefire from 1994 has led to a situation that is widely

¹⁸ Over Half of Azeris Back Military Conflict Resolution: Survey, Assa-irada, Azerbaijan, 3 November 2005. Fifty-eight percent would support a military option, 25% support a peaceful solution.

¹⁹ Armenia's defence spending has increased by 350% as compared to 2000 (\$264 million in 2007). Oleg Gorupai, The Geopolitical Whirlpool of the Caucasus, translated by Elena Leonova, Source: Krasnaya Zvezda, October 8, 2007.

²⁰ The so-called Minsk Group is responsible within the OSCE for solving the Karabakh conflict. It comprises representatives of the conflicting parties and the following countries: USA, Russia, France, Germany, the Czech Republic, Sweden, Italy, Belarus and Turkey. The USA, Russia and France currently hold the cochairmanship of the Group. The OSCE co-chairmen proposed two peace plans in 1997 known as the "package" and "staged" plans, which envisaged greater autonomy for Nagorno Karabakh and diminishing Azerbaijani sovereignty over the region. Both of them were accepted by Azerbaijan. Armenian president Ter-Petrosian accepted the second plan, but was forced to resign because of his concessions. A third plan called "common state" was proposed in 1998, providing for the concept of a common state between Azerbaijan and Nagorno Karabakh. It was rejected by Azerbaijan. The so-called Prague Process, started in April 2004, has not achieved any results as well.

described as being “no peace, no war”.²¹

For the Azerbaijani public the insistence of the OSCE on compromise has been perceived as losing sovereignty over Karabakh in return for the withdrawal of Armenian troops from the occupied areas outside Karabakh. Generally, there is distrust of the mediating team among the Azerbaijani society, claiming that the co-chair countries of the Minsk group lean directly and indirectly towards Armenia. This is linked with tendencies towards an anti-Western stance and the feeling of being the victim “once again.” The lack of progress in the resolution of the conflict is feeding frustration and disillusionment with the West in Azerbaijan. It has already started to undermine popular support for Euro-Atlantic integration. Most of the people think that Russia is not interested in the settlement of the conflict since it may actually lose leverage to influence Armenia and Azerbaijan, while the USA is interested in the resolution of the conflict, but tries to seek a solution at the expense of Azerbaijan. The defiant stance arising from this situation is giving rise to a call for the people to reflect and rely on their own strength resulting in a readiness for war that misjudges the existing balance of power and disregards the devastating effects of a further armed conflict. As the optimism of the international mediators proved to be an illusion, in 2006 they have made the basic principles of the negotiations public hoping for an open debate in both countries. The plans envisaged a future referendum by the population of Karabakh deciding the final status of Karabakh. However, this would inevitably lead to the loss of Karabakh²².

Both believe that time is on their side. Yerevan hopes that the de facto reality of Karabakh as an independent state will lead to recognition by the international community, especially after Kosovo has gained its independence. Baku is wary of negotiations and pins its hopes on its arms build-up. Mistrust is high, dialogue opportunities are low and on both sides a maximal approach is wide spread. There is no civil society which would be a prerequisite for accepting compromises to peacefully resolve the conflict. There are only a few politicians on both sides with dissenting opinions who publicly declare that patriotic rhetoric is not enough to solve the conflict.

How successful Georgia’s western course will advance is important for Azerbaijan. Georgia is eager to join the EU and transatlantic structures. If Georgia will be accepted to NATO some day, this could lead to some new developments. However, as the frozen conflicts hamper Georgian entry into the Alliance for the time being, the Karabakh conflict prevents Baku to fulfil the military reforms that IPAP is demanding. Baku argues that it is not possible for a country at war to reduce the number of troops and to transform the army into a professional one.

The leadership in Baku would like integration into Western structures without the risk of democratization that could likely cause internal conflicts. Reforms are implemented but without performing a broad democratization. The fact that Azerbaijan has to cultivate its relations with Russia for purely geo-political reasons is one cause for the stronger leaning on Moscow after Ilham Aliyev came to power. Another is the Karabakh conflict, which remains Moscow’s most useful instrument to put pressure on Baku. In Azerbaijan external players are always judged by their attitude towards the most important national question, seeking to take advantage of them in the struggle with Armenia. In this unstable situation the leadership prefers to manoeuvre between the West and Russia. As in both Azerbaijan and Armenia the current leaderships will probably strengthen their position of power, serious changes in the short run should not be expected. Armenia will remain in Russia’s orbit while Azerbaijan will be courted because of its energy resources, but kept away from further integration into western structures. The worst future scenario would be an ongoing militarization of the South Caucasus until Azerbaijan has changed the current balance of power to its favour, feeling strong enough to start a new war. A chance to stop this possible danger could be by starting regional cooperation before a definite solution to the conflict, accompanied by a reform process that would open ways of integration into European structures.

²¹ Azerbaijan neither agrees to the independent status of Nagorno-Karabakh nor to its being part of Armenia. Nevertheless, it is ready to grant the highest possible status of autonomy to Karabakh. Armenia insists that the problem can be resolved only by the self-determination of the Armenians of Karabakh. This would lead to unification with Armenia or to the recognition as an independent state. For the Armenian side autonomy inside Azerbaijan is “a stage which is over”. “Armenian minister rejects Azerbaijani autonomy idea for Karabakh”, Mediamax. Armenian news agency, Yerevan, 16 May 2005.

²² The plans envisage a mixture of “package” and “staged” plans. Some of its elements should be agreed to at once, others would be gradually implemented. The plan includes the withdrawal from the occupied regions and the reopening of the lines of communication between the two countries. An international peacekeeping force would monitor the agreement. A problem is to find an arrangement about the districts in Azerbaijan connecting Armenia and Karabakh which both don’t want to lose.