Chapter V

EXTERNAL ACTORS AND NATION-BUILDING PROCESS
The basic interest of the countries of the Caucasus region is to consolidate their independence, safeguarded political stability and ensure economic progress. They are all keen to get access to the outside world and being landlocked, they want to reach out to the world seas. They want to reduce their total dependence on Russia.

RUSSIAN FOREIGN POLICY OBJECTIVES IN AZERBAIJAN

Just after the disintegration of Soviet Union, Russia under Yeltsin’s regime tilted its foreign policy objectives towards the West. The Atlanticists pursued a policy of close rapprochement with the west, thinking that Moscow can serve its interest best if it aligns itself with the West. The Policy of Andrei Kozyrev, back fired soon. Disillusioned with West, going crisis in North-Caucasus and declining role of Russia in the periphery of former Soviet Union, forced Russia to rethink it’s strategies towards it’s soft underbelly, “the Asian factor”. It is in this background, one has to think Russia’s interest in this region. Looking at the hindsight, Baku was one of the former Soviet Union, who stood for withdrawal of Russian army from their territories. It is in this context, role of external power in determining stability and security of this region is very important. The external powers keeping their self interest in mind trying to pursue an active foreign policy towards this region. It should be noted the policies of external powers are affecting the internal political processes of a state.

The emergence of Democrats in the polity of Azerbaijan provided an opportunity to West to meddle in the internal affairs of the country. Subsequently, the Russian troops also took its army back in 1993, the first in the whole of Commonwealth of Independent States (CIS). Of course Russia took vengeance over Azerbaijani democrats for trying to pursue the
independent policy. In June 1993, Elchibey’s government fell with Russian assistance. Just after that event Armenia with Russian assistance occupied four regions in the territory of Azerbaijan, beyond the borders of Nagorno Karabakh. It put former CP leader Heyder Aliyev’s Administration in a state of emergency. From September 1993, Azerbaijan was forced to join the CIS. In October, after Azerbaijan had joined the CIS, Armenia with Russian assistance occupied two more regions in the territory of Azerbaijan. Russia pressured Azerbaijan with the aim of getting the consent of Baku to guard Azerbaijan’s frontiers by Russian troops and retaining its military bases on the territory of Azerbaijan:

1. Azerbaijani recognition that Russia be the only negotiator in the Karabakh conflict and settle Russian “peacemaking troops” there.

2. Taking an active part in extraction of Azerbaijan oil. Moreover, Russia put forward the proposition that the oil, being extracted from the Caspian shelf near Azerbaijan is a common property of all Caspian regions. (In the former USSR, Caspian basin and its shelf were divided between the republics as an internal reservoir.)

3. Ensuring that oil, extracted on the territory of Azerbaijan, Kazakhstan and Turkmenistan will flow through the pipe-line, passing through the territory of Russia; otherwise Russians think they will lose control over these countries. Furthermore, Azerbaijan is of great strategic value for Russia. A glance at the map will be enough to understand that in the territory of the former USSR all the railways from Russia to Iran and to oil-bearing fields of the Persian Gulf lie through Azerbaijan.
4. The independent democratic Azerbaijan will be the attractive example for Turkmenistan, Uzbekistan, Kazakhstan and Tajikistan, the countries trying to resist Russian control. (Online: Web, http://www.eurAsianet.org/resource/regional/1028azen.html)

In the course of the Great Game, in the 19th century Russia gained control of both the Caucasus and Central Asia. This control was maintained and reinforced during the Soviet period, and the ties Moscow retains with the region's states, as a result, remain strong. The break-up of the Union, however, left Russia with a set of new and theoretically self-determining states in its backyard, forming a cordon between it, China, Turkey and the broader Islamic world. This required the evolution of a new strategic regional policy. That wider policy has been, and remains, inextricably bound to Russia's position on oil. However, strategic interests in the area, do not seem to cohere in an organised or disciplined 'grand plan'.

Then President Boris Yeltsin and other Russian officials used a number of formulations to articulate their country's special 'responsibility' for the former Soviet Caucasian and Central Asian region. The impact of more assertive Russian officials was felt in Georgia, Nagorno-Karabakh, Azerbaijan and Kazakhstan. (Forsyth, 1996, p.9)

In Nagorno-Karabakh, an ethnic Armenian enclave in the middle of Azerbaijan - the context of the Armenian-Azerbaijani conflict that began in 1988 is highly suggestive of Russia's emergent policy towards the Caucasus and Central Asia, designed to maximise Moscow's role in ending the war. In early attempts at mediation by the OSCE, Russia refused to concede the Organisation a dominant role in the peace process. Only in December 1994, at the Budapest Summit, did Russia agree that the OSCE should take the lead in
seeking a peaceful settlement in Nagorno-Karabakh. Even then, Moscow tried to persuade the OSCE and/or the UN to sanction and finance Russian peacekeeping troops to monitor the resolution of the crisis. (Azerbaijan is one of the few former Soviet republics without Russian troops on its soil and does not wish to see those troops return.) Analysts have noted that the war, which has rendered some non-Russian pipeline routes unusable, gives Russia an advantage in securing its aim for Caspian oil to be exported only through Russian domestic pipelines. (Forsyth, 1996, p.10)

Apart from strategic and security issues, Russia has a vital stake in Azerbaijan’s energy resource industry. It does not want any power should control and subvert the oil industry. Russia’s anxiety increased due to growing presence of America in the neighbouring Caspian states like Turkmenistan and Kazakhstan. (Trenin, Spring 2003, pp.119-121)

The Russian Federation began to focus its attention on the Caspian Sea region around 1993-94. For it was around that time that the region began to attract world wide attention due to its estimated enormous reserves of energy resources. Several feasibility studies have shown that the region has the potential to emerge as one of the largest repository of oil and gas. On 20 September 1994, the ‘contract of the century’ was signed in Baku between the State Oil Company of the Azerbaijan Republic (SOCAR) and a consortium of companies led by the British Petroleum. The spectacular contract was for 30 years and worth $8 billion. What was equally significant was that Russia was not consulted while the deal was being negotiated. The contract also sought to bypass and isolate Russia. Subsequently, perhaps due to Russian pressure Azerbaijan agreed to transport some of its oil via the existing Northern route, that is, from Baku to Novorossiysk (the Russian port on the Black Sea). According to Nirmala Joshi, what the region is witnessing today is rivalry for
control and influence between Russia on the one hand and the West, particularly the United States of America and Turkey on the other. In fact, geopolitical changes, the competition for influence and other strategic factors have come to occupy the centre stage in Russian thinking. (Joshi, 2000, pp. 30-31)

In the post-Soviet phase new security threats emerged from this region, which affected Russia’s security interest. But within no time new challenges to its security arose. These were the rise of national feelings based on ethnic and to a lesser extent on religious considerations. Ethno-political and religious nationalism has the capacity to tear nationals apart. Yugoslavia is a case in point. Russia is a multi-ethnic, multicultural, multi-lingual and a multi-religious society. What makes this a potential threat is the fact that Russia is surrounded by States with similar characteristics on its southern periphery including the Caspian Sea region. This has added to Russia’s sense of vulnerability. (Ivanov, January-March 2005)

According to the military doctrine the threat to the Russian state emanated from local wars and regional conflicts, mainly because of the rise in national feelings based on ethnic and religious considerations. In the Western part of the Caspian Sea region, Russia has military presence in Armenia and Georgia, and its military ties with the former are substantial. Azerbaijan and Georgia are trying to limit and possibly reduce Russian influence from their countries, by trying to forge friendly ties with Turkey, the United States of America and other external powers. Azerbaijan and Georgia firmly believe that Russia has played a dubious role in the ethnic conflict on their territory. The Georgian leadership strongly believes that the Abkhaz separatist problem arose because of Russian support and help. Similarly Azerbaijan believes that Russian support to Armenia has helped the latter to occupy the enclave of
Nagorno-Karabakh. It is true that Russian support to Armenia has helped the latter to occupy the enclave of Nagorno-Karabakh. It is true that Russian support to Armenia has been crucial in this dispute. Consequently, Azerbaijan and Georgia have been looking for allies and support elsewhere. In this quest for external support in order to counter Russia, Azerbaijan and Georgia have received a favorable response from Turkey, the U.S.A and others. Alexander. (Krasulin, 2 April 1992)

The break-up of Soviet Union left Russia with a set of new and theoretically self-determining states in its backyard, forming a cordon between it, China, Turkey and the broader Islamic world. This requires the evolution of a strategic regional policy. The wider policy has been and remains, inextricably bound to Russia's position on energy. Russia's policy towards energy resources in the region was characterized by two basically contradictory schools of thought. The first has been espoused by Yevgeny Primakov (the then foreign Minister) and other officials who interpret Russian policy within a traditional balance-of-power framework. This group viewed energy as a central instrument in maintaining that influence in terms of international competition for the region's energy resources. The Primakov School saw development and export of energy in zero-sum terms, rather than as a cooperative effort from which everyone can benefit. The second school, supported by the then Prime Minister, Chernomyrdin, and other oil-industry officials, welcomed Western participation in the development of Caspian oil as a means of ensuring access to capital and advanced technology. The two competing Russian schools are reflected in the often contradictory or fragmented responses subsequently to the Caspian oil issues. Moscow has bid aggressively for a stake in lucrative deals with the companies in the Caspian region by putting pressure on their holdings in Russia. With context control over the only major export pipeline for this oil,
Russia was been able to put pressure on Kazakhstan, for example, to cooperate on the proposed construction of a second pipeline, also planned to run through Russia. (Swietochowski, 1995, pp.18-22)

Russian politicians have issued public warning that opening up the Caspian sea to international oil and gas developments over which Russia had no control would erode Moscow's security and its political and economic influence, damaging Russian interests in the region. As more and more lucrative oil and gas deals with Western companies approached closure in the Caspian area, Russia, invoked the unresolved Caspian demarcation issue to oppose the Azerbaijani international consortium. Moscow's officials have also expressed concern about protecting the sea's environment—given that the Caspian Seal is the source of almost 90 per cent of the world's hydrocarbon resources. (Shams-Ud-Din, 2000, p. 8)

Azerbaijan has taken the strongest stand among the littoral states against Russia to establish a condominium division of the Caspian, mainly because this would affect its immediate interests. In October 1994, Turkmen President, Niyazov publicly supported Azerbaijan's right to develop its Caspian sector. Kazakhstan, on the other hand, has been trying to find an accommodation with Moscow on the Caspian issue, so that it can move forward with the much needed development projects. At the beginning of 1995, Kazakhstan's President, Nazarbayev, claimed to have resolved the dispute with the then Russian President Yeltsin. In mid-1995, Moscow softened its more confrontational position on Caspian demarcation, in an attempt to promote a northern pipeline route as opposed to a western route through Turkey. (Shams-Ud-Din, 2000, p. 8)
Since April 1998, Russia has begun to modify its position, and President Yeltsin and President Nazarbayev agreed in principle to divide the sea-bed and the oil under it into national sectors, though the waters above it would remain international. This meant that all the five countries would enjoy common use of the sea itself, with freedom of navigation, fishing rights and environmental protection.

Analysts say that Moscow decided to abandon its strong insistence that the region is a lake, after realising that its own northern Caspian sector has huge hydrocarbon potential. Also, Russia's largest oil company, Lukoil has benefited from the dispute as the foreign consortium. The Azerbaijan International Operating Consortium (AIOC), which is developing Azerbaijan's oil fields, has decided that giving some stake to a Russian company would stop Moscow's objections about the legality of Caspian development as well as other problems created by Moscow. However, many Kazakhs fear that Russia may come up with more hurdles. For instance, Russia has left a number of questions pertaining to infrastructure problems for further negotiations. Also the comments of the Russian foreign ministry regarding Caspian as being earthquake prone, may represent an obstacle to further agreement on infrastructure in the Caspian, such as an undersea pipeline; their fears have some justification. The contemplated sub-sea line in the 1980s, now considered dangerous on ecological grounds, is the proof. (Shams-Ud-Din, 2000, pp. 7-9)

The condition, capacity and configuration of the existing Russian pipelines out of the region are inadequate for the significant increase in oil volumes being generated by the many projects begun after the dissolution of the Soviet Union. However, a monopoly by any one country on all future gas pipelines would give it leverage that neither the Caspian countries nor the international oil companies want to see. The countries fear the political uses of
such leverage, and the oil companies fear that competition among export routes would minimise tariffs and provide alternatives in case of political instability or other disruption. Both Kazakhstan and Azerbaijan are attempting to establish export routes for their new oil project.

Moscow during 1990s made determined move to consolidate its hold on the former Soviet republics of the Caspian region. The first elected President of Azerbaijan, Abulfaz Elchibey was a former dissident with a reputation of being anti-Russia. However, he gradually lost his popularity because of failure to solve the economic problems of the new republic as well as due to the setbacks suffered by the Azerbaijani forces in the war with Armenia over the enclave of Nagorno-Karabakh. In 1993 a revolt was engineered against Alchibey reportedly with the Russian assistance. Alchibey Aliyev, became the President of Azerbaijan. Azerbaijan had withdrawn from the CIS in October 1992. But in September 1993 under the new government it rejoined the CIS. Russian oil giants Lukoil and Rosneft were given shares in the Azeri oil company (SOCAR) and joined the lucrative and expanding oil business of the republic.

However, Russia and Azerbaijan signed a protocol in April 1998 during the visit of the then deputy foreign minister of Russia Boris Pastukhov to divide the bottom of the Caspian Sea on the basis of the ‘middle line’ and other norms of international law. On this issue Russian commentator Kirllov considered that it was a setback for Russian original position indicating Russia’s losing influence in the Caspian region. Azeri-Russian relations, to some extent determined by the nature of latter’s relations with Armenia. Russian political leadership doesn’t favour abandoning Armenia at such a crucial moment.
The Transcaucasian republic of Armenia is a firm ally of Moscow in the volatile Caspian Sea region. The two have close and intimate military-technical cooperation programme. Oil rich Azerbaijan which has lost about 20 percent of its territory in Nagorno-Karabakh Armenian enclave in the protracted war with Armenia, is strongly opposed to this cooperation and has in retaliation moved closer to Turkey, and its mentor the USA and other Western powers, Azerbaijan hosts a large early warning radar station in the Gabali district in its northwest since the Soviet days which is vital link in the Russian air defence system in the south. Building its replacement on the Russian territory is estimated to require around 10 billion dollars and cannot be quickly done given Russia's present financial constraints. Further, Russia is reported to have set up 4 military bases in Georgia after exerting considerable pressure on President Edward Shevaradze. The intention was to obtain for Russia exclusive control over pipelines. It was further observed that the Russia military and security services were playing a key role in ensuring Moscow's control over the pipeline routes by denying foreign companies the right to export oil without their control as in the case of Chechnya in 1994-95. (Gidadhubli, 2000, pp.110-111; Kuzio, 2000, pp. 90-93)

Since the Soviet break-up Georgia, Azerbaijan and Armenia have been passing through problems of internal and interstate political conflict relating to Abkhazia, Nagorno Karabakh etc. Ariel Cohen emphasising political angle of these problems has opined that Russia has tried to benefit itself from these conflicts and instability in the region often precipitating them to show that oil pipelines on Western Route, both proposed and potential passing through Georgia will be exposed to security threats whereas 'Northern Route' pipelines passing through Russia were the safest. In this regard it appears Russia's policy towards the 'Near Abroad' meaning thereby the CIS countries seems to have
undergone some change over the last six years in the 1990s. (Gidadhubli, 2000, pp.111-112)

THE US INTERESTS IN AZERBAIJAN

The US has three main policy goals in the region. The first is support for the sovereignty and independence of the countries of the region. The US takes the view that oil is the key to the economic viability of several of these countries, particularly Azerbaijan and Kazakhstan, and that oil development in those two could also bring benefits to others, such as Georgia and Armenia, depending on export routes. Second, the US supports its own commercial involvement in the region’s oil production and export, on the basis that its domestic companies’ involvement can help to further the growth of free market economy. Such commercial involvement could also enhance the US presence in the Caucasus and Central Asia, and in developing a highly valuable resource to which private companies bring necessary capital, management and technology. Finally, it is hoped that the involvement of US companies in successful and lucrative oil deals will bring economic benefits to the US. Third, US policy supports the diversification of world oil supplies to reduce future dependence on Persian Gulf oil. This is considered particularly important in the run-up to and after the year 2000 during which time, according to some projections, world oil capacity will not keep pace with the demand created by economic growth. This is not to say that the world will experience the same oil shocks that occurred in the 1970s, but the margin between production and demand may not be narrower than it is now, as some present resources dry up. Caspian oil will not begin to make a significant difference until after 2005, but the US endorses as early a start as possible to planning and development. (Cornell, July 2004, pp.239-240)
Washington is also facing the foreign policy goals. These include a desire to contain Iran because of its use of religious extremism to derail the Middle East peace process, and its quest for weapons of mass destruction; an interest in encouraging Russian political and economic reform and fair commercial practices in the region; support for an end to regional conflicts, including in Nagorno-Karabakh, Chechnya and Georgia; and the desire to maintain a good relationship with Turkey, a critical ally in an area that is of top national security interest. The rapid development of oil projects is crucial for the Caucasus and Central Asia, whose countries tend to be poor, and economically dependent on Russia. The US oil policy in the Caspian region is designed to support domestic company involvement in the region’s projects; to bolster the states’ independence and sovereignty; and to promote the development of internationally accepted business practices in the former Soviet Union. (Cohen, 15 November 2006)

Active diplomatic support at all levels, have worked to pursue US goals in a number of high-level meetings with all countries involved, particularly the $20 billion Tengizchevroil project in Kazakhstan, the Azerbaijan international oil consortium, and in the Caspian demarcation issue. US officials have maintained extensive contacts with domestic company representatives in order to coordinate strategies for the promotion of national business interests. Then US President Bill Clinton’s October 1995 held discussion with Azerbaijani President Aliyev on both northern and western routes for short-term export. Then Vice President Al Gore was also active in promoting US oil policy in the region through contact with regional leaders and through the special framework for cooperation with Russia - the Gore-Chernomyrdin meetings. He has also pushed an environmental protection agenda, encouraging oil projects that are safer for the environment, and securing the cooperation of US companies. For
example, the AIOC's first production-sharing agreement included much higher standards for environmental protection than any used before in the Caspian. (Rasizade, September 2004, p. 1)

Government trade and commercial bodies, including the Overseas Private Investment Corporation, the US Department of Commerce, the Export-Import (EXIM) Bank and the Trade and Development Agency, are either already involved in projects, or examining ways to assist Caspian states in getting their projects started more quickly and efficiently. Substantial technical assistance was provided to help these countries develop their legal and commercial infrastructures to meet modern needs and facilitate oil development and export projects. The US also supported International Financial Institutions (IFI) efforts at institution-building and infrastructure policies in these countries. Given these policy goals and instruments, the US has established parameters to underpin its policy. Future national political and commercial decisions would be made within these parameters as the situation develops.

*Multiple short-and long-term routes:* The US has promoted this policy since 1994 because it encourages commercial competition, keeping tariff rates lower, safeguarding exports against interruption by avoiding dependence on a single route, and endorsing fairer commercial practices.

*A route through Turkey (as one of several routes):* This will: augment the total amount of pipeline capacity to export oil from the Caspian region, relieving current pressures on the Russian pipeline system; decrease Caspian countries' dependence on a single route through Russia; allow exporters to avoid the weather and capacity problems at the Russian port of Novorossiysk; reduce the potential for oil spills and tanker accidents in the Black Sea and the
Turkish Straits; and reduce the pressure for a route through Iran to the Persian Gulf.

*Opposition to projects that give Iran significant political, material and economic benefits.* The US has encouraged Caspian countries to minimize Iranian involvement in oil projects as part of an overall effort to contain Iran. This is a result of Iran's attempts to "jeopardize the Middle East peace process and its use of terrorism as a foreign-policy tool", according to the US.

*Restructuring the Caspian Pipeline Consortium project to allow it to obtain support of the international financial community:* Oil companies and the Caucasian and Central Asian countries are in the process of sorting through proposals for medium and long-term exports, including feasibility studies, cost estimates and risk assessments. The US has been careful not to push ahead of the commercial game, particularly since it is not providing financial backing. The parameters described above define the policy as far as possible, in the context of developments to date. As the situation evolves, US policy-makers will further refine those parameters in a way that best suits their national interests.

Companies and countries involved in the Azerbaijani and Kazakhstani oil projects are presently examining possible pipeline route through either Georgia or Armenia. The US would consider supporting the future development of these routes depending on whether the projects can attract suitable financing and are supported by commercial interests. A route through Armenia, under the right conditions, could enhance the Nagorno-Karabakh peace process, if the parties could agree on a partnership arrangement, and if the conflict settlement process had progressed sufficiently to give investors confidence in the project’s viability. The US has been an active participant in
seeking a resolution to the Karabakh conflict, and if the peace process advances far enough, the US can find ways to encourage financing. In co-operation with other west European countries, the USA would strive to preserve the independence and economic viability of the newly Independent states and to ensure that Russia is not a dominant partner in developing oil resources of the Caucasus and Central Asia. (Berman, 2006, pp. 59-60)

A factor that negatively affects US efforts to mediate in the Nagorno-Karabakh conflict, and Washington's ability to become involved in the development of Azerbaijan's strategic oil sector, is the Freedom Support Act (Section 907), which restricts all aid, including humanitarian, to Azerbaijan. Both the Bush and Clinton administrations objected to Section 907. Fundamentally biased by the assumption that only one side of the Nagorno-Karabakh conflict is to blame, Section 907 prevents the US government from, among other things, helping Azerbaijan improve and shape its legal and commercial infrastructure - a move that would facilitate US oil company efforts to develop this strategic resource. Section 907 prevents the US from offering advice on democratisation and economic reform, effectively bans humanitarian assistance for civilian victims of the war, and constrains the flexibility of US negotiators in crafting solutions with incentives for both sides.

Oil is said to be the key, determinant of American policy towards the Caspian region. It is argued that since the region is richly endowed with oil and gas and has even the potential to emerge as alternative to be Persian Gulf Region, and America and its allies will continue to import oil, therefore the region becomes strategically important for them. Once classified as the region of high strategic salience, it occupies a distinct status in Pentagon and the US state department in terms of foreign policy norms. Democracy, Human right and other cardinal principles of US foreign policy loose their relevance and are
replaced by different set of concerns like strategic ties, military build up and defense arrangements including the joint military exercise. Drawing from the Persian Gulf experience, it may be argued out that intervention of all kinds, military or otherwise are justified in the name of what is described in American parlance as the imperatives of energy security. (Nanay, 1998, p.150)

Like Russia, the US is also pursuing a policy of pro-activeness in this region. The core objective of Washington is to maintain hegemony in this part of the world by controlling the oil resources, lying in this part of the world. As Ariel Cohen rightly observes, "the American dominance of international oil was neither an accident nor a product of absentmindedness, but rather the result of careful planning by both, the government and the corporate officials with the government often taking the lead. Furthermore, the control of oil was a major political resource for the United States in its dealing Europe, as the aftermath of Suez showed." To have control over the raw material, the crude oil, the American state devise a the strategy of linking oil to national security on the ground of its oil dependence, thereby designating oil as strategic commodity and created a new space to intervene as and when and where required. As early as in 1955 the oil important and US security became the subject of public debate in America. Almost every administration since President Eisenhower has been faced with the issue of oil imports. (Cohen, 24 July 1997)

Finding alternative routes for the Caspian's oil and gas is not only commercially imperative but also a strategic necessity. The US government has declared it as a foreign policy priority to transport the region's energy resources through multiple routes, mainly to ensure that the West has access to secure suppliers. To do this, however, it has to ensure that the FSU states which possess these hydrocarbons reduce their dependence on Russia. For the Russia's stranglehold on the region has to be lifted, which is not an easy task.
Given the fact that Moscow never seriously developed the Caspian oil fields, mainly because it did not want to create competition for the oil already flowing from their Siberian wells, Russia has traditionally viewed the region as its backyard and sphere of influence and controls the access routes for the region's resources. Virtually all the pipeline and railways, which transport the region's oil, gas, metal and cotton, pass through Russia. Now in pursuit of what is believed to be the third largest energy deposits in the world, (after the Persian Gulf and Russia's on-shore deposits in Siberia). In a modern-day version of the old "Great Game" Russia is now pitted against Washington on the one hand, and the four other littoral states of the Caspian Sea, on the other. For ownership rights, energy hungry China hovering in the sidelines, seeking to secure additional supplies, via overland supplies from West Asia. To complicate matters further. Azerbaijan is also locked in a territorial battle with Turkmenistan over ownership rights over the oil that is already flowing out of Azerbaijan. (Brzezinskii, 1997, pp. 60-62)

A consortium of mainly US and Western oil companies sought to loosen the Russian hegemony by providing transport routes to the South and East, avoiding Russia. Washington's tacit goal in the region in clear: make sure that Moscow no longer dominates and guarantee that the region’s energy resources eventually get safety to Western markets, preferably thanks to the efforts of US oil companies. In fact, soon after the first pipeline carrying initial oil from Azerbaijan to the Russian Black Sea port of Novorossiysk was inaugurated, US Energy Secretary, Federico Pena, said that Washington will insist that the Azeri oil could be exported in "any direction" as long as it was through a non-Russian or non-Iranian pipeline. (Adams, 2000, Online: Web)

The USA has already declared the Caspian Sea region as an area of its vital interests. (The crux of its approach to the Caspian Sea region lies in the
enormous reserves of energy sources of the region.) The US has put forward the concept of geo-political pluralism and multi-centrism. In its view Russia alone cannot claim that the post-Soviet space is its vital sphere of influence. It is in fact a counter to the Russian goal of creating a belt of stability, friendship and good neighbourliness around its periphery. According to then Deputy Secretary of State, Strobe Talbott, "We believe that our presence and influence in region can itself be a force for the right kind of integration." Further in his speech at the Central Asia Institute at the John Hopkins University, he stated the United States favoured this integration of these countries with the larger international community. Western oil cartels have already made their presence in the region and different routes to transport the oil are being worked out. Azerbaijan is even willing to have Western military presence on its territory in order to ensure primarily the security of the new transport routes being built. An Azerbaijan State Counsellor on Foreign Policy, Vafa Gulizade said, "there is not and cannot be anything unusual about locating a US, Turkish, or NATO military base in Azerbaijan, when 20 per cent of the country's territory with the aid of Russian weapons and military hardware is occupied by Armenian Armed Forces. (Talbott, 1997)

In the post-Soviet era, the USA has been playing an active role in the energy rich Caspian whose resources are important for ensuring prosperity in the future. Hence much is at stake for the USA in the developments in the Caspian region. But as observed by Ariel Cohen the USA does not want Russia to dominate the region and restore its empire in the region which will become a destabilising factor for other states including the USA. Some analysts in the West perceived a possible emergence of neo-imperialist Russia due to the growing political strength of radical nationalists like Vladimir Zhirinovsky's party in the domestic affairs of Russia. Based on such view, measures were
recommended in the formulation of the policy of the USA towards the Caucasus and Central Asian states of the former USSR. For instance, Ariel Cohen had offered following guidelines for the USA: Economic dimension of the above guidelines for the USA and the West 'need to convince Russia to approach the oil question Eurasia as an economic, but not geopolitical, opportunity' and that 'Russia would be benefited by co-operating with the USA in the development of energy resources in Caspian-Central Asia. (Jaffe, 6 January 2000, p.1)

As it is known since 1992 several US oil giants have rushed to Caspian and invested millions of dollars for producing oil and gas in Caspian and laying alternative pipeline routes for transporting the same to the global markets. Hence the US has to safeguard the economic interests of the American oil companies in the region.

USA had four policy objectives for the region.

a. Promoting peace and prosperity of the young democracies of the Caspian region. The US formula was that the development and export of energy resources would produce the revenues that increase the standard of living and quality of life. For achieving this peace was necessary in the region.

b. Diversification of global energy supply particularly in the expectation of doubling of global energy needs in the 25 years. Hence diversification of world energy supply will serve the national security interest of the USA.

c. Multiple Pipeline Strategy-to ensure secure and commercially viable pipeline routes for export of oil and gas to global market from the Caspian. While the US policymakers emphasised Baku-Ceyhan and trans-Caspian routes, they were committed to working with Russia and the Russian oil
companies. In other words, the USA proposed to pursue the policy of cooperation and collaboration with Russia.

d. The US policy workers wanted to promote the interest of the US oil companies, which had invested billions of dollars in the Caucasian-Central Asian region which were playing leading role in discovering and developing energy resources in the region. (Forsythe, 1996, p. 22)

In July 1994, Richard Armitage (Coordinator of American aid in the countries of the CIS from January 1992 to May 1993) objected to Russian interference in the Transcaucasus, using for it all the diplomatic means at her disposal: to appoint its own representative to the Minsk Group of the CSCE; to insist on the government of Azerbaijan's signing agreement on oil extraction; to act as a mediator in the reaching of an agreement about unimpeded transportation of humanitarian aid; to achieve the abolition of a ban on rendering assistance to Azerbaijan; to involve Russia in a high-level dialogue about this region, clearly stating that American aid to Russia in the International Monetary Fund (IMF) and the World Bank cannot be taken for granted while Russia poses a threat to the interests of the USA. Thus the attitude of the USA towards the settlement of conflicts and integrational tendencies on the territory of the former USSR has one aim - to avert the spreading of Russian influence into the post-Soviet space and especially in such "key" republics as Azerbaijan, neighboring with Iran, Turkey, Georgia, Russia, and Central Asia and possessing significant energy resources. The American administration let Yeltsin know that the USA has its own interest in the Transcaucasus and will protect them. It is understood both in the USA and Russia that control over Azerbaijan will mean control over oil transportation from this region to Europe. Therefore, with the improvement of the relationship with the USA at the same time the Azerbaijan-Russia relationship became
complicated in the immediate aftermath of signing the contract. (Adams, 2000, Online: Web)

The USA has encouraged its ally Turkey to play a greater role in the Caspian Sea region. Accordingly, Turkey hosted a meeting of foreign ministers of Azerbaijan, Georgia, Kazakhstan and Turkmenistan on 4 March 1998 to discuss routes of transportation of oils and gas. Russia was not represented at this meeting. The attempt was to bypass and isolate Russia, deprive it of valuable transit revenues and to promote the influence of Turkey.

**TURKISH INTERESTS IN AZERBAIJAN**

Turkey has historically had strong ties to the Caspian region, particularly to Turkic ethnic groups there. These ties, however, were considerably weakened during the Soviet period. The demise of the Soviet Union has given Turkey an opportunity to renew its historical association with its co-ethnic groups in the Caucasus and Central Asia, and to increase once more its influence in the region. This has been established as a priority for Turkish foreign policy. Ankara's traditional relations with the Caspian region have often been nurtured at the expense of Turkey's historical rivals, Russia and Iran. In an attempt to profit economically from new investment opportunities, Turkey has presented itself as a development model for the newly independent states, and has been generally keen to play a leading role in the area. Turkey has concluded a number of political, military and economic agreements with the Caucasian and Central Asian states, and commercial ties have deepened, particularly since 1991. (Forsythe, 1996, pp. 21-22)

Turkey has made significant efforts in forming sound relations with its closest neighbour, Azerbaijan, and with the most populous of the Central Asian states, Uzbekistan. The Presidency of Azerbaijan's Abulfaz Elchibey, from
June 1992 to June 1993, marked a high point of Turkish influence in the region. Although it is arguable that Elchibey was overthrown for internal and external reasons - and maybe even with support from Moscow - Azerbaijan’s overt move towards Turkey clearly worried many in Moscow. Turkey has expressed concerns about Russia’s behaviour towards the states in the Caucasus, which have decreased their dependence on Moscow, particularly through an alternative oil export route. The Turks point especially to Russia’s aggressive regional posture. (Forsythe, 1996, p. 22)

Ankara’s traditional relations with the Caspian region have often been nurtured at the expense of Turkey’s historical rivals, Russians and Iran. In an attempt to profit economically from new investment opportunities, Turkey has presented itself as a more attractive example to emulate than Iran, which, equally keen to play a leading role in the area, has also engaged the new states strongly. Turkey has, in the meantime, also tried to forge better relations with its historical enemy, Armenia. Ankara is particularly keen to build a pipeline to carry Caspian oil out through Turkey, anticipating the substantial benefits in terms of income, and jobs such as pipeline would bring. However, the outcome of Turkey’s review of limits on Tanker traffic through the Bosporus Straits - or reason including safety and the environment – could significantly, affect wider deliberations on transport routes for this oil. Plans for a pipeline through Turkey may be complicated by Ankara’s struggle with Kurdish separatism in the region through which the pipeline would pass.

Ankara and Moscow, too, are engaged in competition, to promote preferred pipelines. The Turks believe that a single Russian pipeline to carry the Azeri and the Kazakh crude would solidify Moscow’s stranglehold over the region, campaigned actively against it. Ankara argued that the oil storage
capacity at Novorossiysk was not sufficient to handle enormous amounts of Russian, Kazakhs and Azeri oil.

As highlighted in the third chapter, BTC pipeline routes, provided an opportunity to Ankara to mend its fence with Baku. Though Turkey is not an economic Superpower, its deep rooted ethnic linkages as well as its geographic location, force Azerbaijan to maintain its relation with Turkey. The successful completion of BTC pipeline in 2005 gave an economic dimension to to Turkey-Azerbaijan relations.

**IRANIAN INTERESTS IN AZERBAIJAN**

Like other traditional regional powers, Iran has complex historical ties with the Caucasus and Central Asia. For example, an estimated 16 million ethnic Azeris live in northern Iran - nearly twice as many as in Azerbaijan. Indeed, during former Azerbaijani leader Elchibey’s Presidency, these cross-border ethnic links were a source of tension in Azerbaijani-Iranian relations, since Elchibey openly advocated the unification of Iran’s Azeris with Azerbaijan. Iranian officials, religious leaders and business people have visited all the countries of the region, increasing contacts with the new governments and their people. Although Iran does not have the economic capacity to offer significant aid, it has pursued with great zeal wider economic contacts and joint ventures, particularly in the areas of oil and gas. (Forsythe, 1996, p. 23)

Iranian Foreign Minister Ali Akbar Velayati frequently talked of the ‘revival of the silk route’ during his visits to the region, and pushed for the rapid construction of rail and road links between Iran and the Caucasus and Central Asia. Such links include a rail line connecting Iran with Turkmenistan, and the improvement of transportation links with Azerbaijan. These were intended to form the basis of a silk route revival, because most of the countries
of the Caucasus and Central Asia would have transportation links through Iran to the Persian Gulf. In the longer term, Iran has designs on a link through Turkmenistan and Kazakhstan to China. (Forsythe, 1996, p. 24)

As part of this silk route revival, Iran has sought shares in a number of Caspian oil and gas development and export ventures, and is aggressively pushing these states to explore both short and long-term export arrangements and an alternative both to the Russian pipelines, and the BTC pipeline. Another alternative arrangement is the system of swaps, in which oil is sent to northern Iran, and Iran sends out to the Persian Gulf oil of equivalent. This arrangement exists with Turkmenistan.

Like others, Iran has used a combination of incentives and threats, particularly with Azerbaijan, to try to achieve agreement on a pipeline route and on other areas of oil trade. Iran failed, however, to secure a share in the lucrative $7 – 8 billion Azerbaijani international oil consortium deal, primarily due to US opposition to Iranian participation, though Azerbaijan intended to give Iran a share in this or another oil-field to smooth the latter’s ruffled feathers, and to enlist Iranian support for Azerbaijan’s view of the Caspian boundary dispute. As a result, Iran has encouraged Kazakhstan to send more of its oil through to Iranian ports in swap deals. (Forsythe, 1996, p. 24)

Iran’s geographic position offers opportunities for influence over the region’s natural reserves. It does not have the economic capacity to offer significant aid but it has pursued with great zeal wider economic contacts and joint ventures particularly in the area of oil and gas. Specific Iranian goals in the region could be characterized as exerting political influence, profitable economic and commercial relations, spread of religious ideology, procurement of former Soviet weaponry and the acquisition of nuclear expertise and
material. In order to contain Russia's influence in these new states Iran has been repeatedly talking of the revival of these routes.

Given its wider political isolation, Tehran has become increasingly active in trying to amplify economic and political contact with the Caucasian and Central Asian states. In February 1992, Iran hosted what was considered a successful meeting of the Economic Cooperation Organisation (ECO) - Iran, Turkey, Pakistan, Azerbaijan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan and Kazakhstan as an observer - to discuss Caspian issues, and to try to take a regional leadership role in economic, particularly oil and gas, affairs, ECO agreed to set up a Caspian Cooperation Organisation (CCO) with its headquarters in Tehran.

At an international conference on Caspian cooperation in Tehran in April 1992, the participants, including the Caspian littoral states, signed a protocol 'on the protection of the Caspian environment, navigation, passenger traffic between their respective ports, and related issues. Iran sought economic and commercial cooperation at various times with Turkey, Russia and some of the Western European countries involved in the Caspian region, but generally these are alliances of convenience and tend not to be long-lasting. Iran has numerous ties with Russia, including significant economic and trade relations on which Iran depends. At the same time, Iran is in competition with Russia throughout the region, particularly on short and long-term export issues. For example, Iran has offered to cooperate with Russia on the Caspian boundary dispute, in part as an accumulation of leverage to pressurize the Caspian littoral states to work with Iran on other issues. On the other hand, Iran itself has been subject to Russian leverage over the trade Tehran desires, particularly in the areas of arms and civilian nuclear power-plant material. As a result, Iran has shifted its position on the Caspian boundary issue several times, depending on
the particular constellation of influencing factors and Iranian needs at the time. (Forsythe, 1996, pp. 24-25)

Other Western and developed countries - the UK, France, Japan, and Italy - share policy goals with the US, including encouraging stable, independent, secular, democratic and market-oriented countries in the Caspian region, and pursuing profitable commercial deals that would benefit their own domestic firms. They have consequently established political, aid and trade programmes with the region's countries similar to those of the US. Despite this political and aid cooperation, however, there is also intense commercial competition for shares in deals such as the Azerbaijani consortium, which give rise to differences among the Western countries.

In spring 1995, both France's President and Prime Minister contacted President Aliyev in an ultimately unsuccessful attempt to increase Elf-Aquitaine's share in the Azerbaijani consortium over those of the US companies Exxon and Mobil and Italy's Agip. And differences between the US and others in the West arise over Iran. Unlike some Western European countries, the US advocates a policy of economic pressure against Iran to change its behaviour. Again, unlike the US, Western countries have not been explicit in their public pronouncements on Caspian oil issues, particularly on the pipeline proposals. Like Western countries, international organisations such as the World Bank and the European Bank for Reconstruction and Development (EBRD) may play a greater role in future in the region's oil and gas ventures. The World Bank has already initiated projects to help several Caspian countries develop their energy infrastructures and legal frameworks. In early 1995, it granted Azerbaijan and Kazakhstan technical assistance loans of several million dollars to develop their management of oil resources. (Forsythe, 1996, pp. 28-29)
Iran’s strategy is to use “Central Asian markets to reconstruct its own war ravaged and constricted economy, project itself as a redeemer of Islamic values against all non-Shiite challengers (especially Saudi Arabia and Turkey) and act as a key player in the game of petro politics in the international arena.

While establishing relations with all the states of the region, including Armenia, Iran retains its closest ties with Turkmenistan, alarming Turkmenistan’s Central Asian neighbours, particularly Uzbekistan and Kazakhstan, both of whom are wary of Iran’s role. This notwithstanding, other Caspian Basin countries maintain ties with Iran, to balance their relationship with Russia and Turkey. Iran has sought economic and commercial cooperation at various times with Turkey, Russia and some of the Western European countries are involved in the Caspian region, but generally these are alliances of convenience and tend not to be long-lasting. Iran has shifted position in the Caspian boundary dispute; in part as an accretion of leverage to pressure the Caspian littoral states to work with Iran on other issues.

Thus the rivalry between Turkey, Russia and Iran over the Caspian Sea mineral resources and oil and gas pipelines is a complex one. It involves not only the three rivals’ efforts to outflank the others, but also the Turkic Caspian littoral state calculations of how to reap the economic benefits of their mineral resources without antagonizing either Russia, Iran or Turkey and without becoming dependent on any one of them.

The changing strategic realignment in this part of the world requires a close scrutiny. After the Iraqi crisis, the US is currently pursuing an expansionist foreign policy in this region. As discussed in the first chapter, nation-building is a continuous process. Different strands of a social structure, play its own role in sustaining the same. Azerbaijan is also no exception to this.
Its deep rooted cross cultural ethnic linkages i.e., with Russia, Iran and Turkey, provided necessary base for streamlining the process. Though at certain level, one vector need to get preponderance over the two other external elements, it is through the intermingling and interaction among these three forces, provided necessary substance to the ethno-cultural plurality of Azerbaijan. Of late, Washington is also dexterously trying to have a say in the nation-building process, by using democracy as a key element. The irony of democracy in Azerbaijan is that it is being used as a means to perpetuate authoritarian rule of Aliyev legacy. Through a pragmatic approach and using the available means to resolve conflict, nation-building can be possible. Rule of law is a misnomer, coupled with fragile democratic system. This process can be more successful, if CIS model of conflict resolution can be more successful in Azerbaijan than other Western models.