

# Azerbaijan's Strategic Outlook

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## ABOUT THE AUTHORS

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Ilham Aliyev is the son of Azerbaijan's President Heydar Aliyev. He is an executive at [SOCAR \(https://en.wikipedia.org/wiki/SOCAR\)](https://en.wikipedia.org/wiki/SOCAR), the state-owned  [\(https://en.wikipedia.org/wiki/State-owned\)](https://en.wikipedia.org/wiki/State-owned) [Azerbaijani oil and gas \(https://en.wikipedia.org/wiki/Petroleum\\_industry\\_in\\_Azerbaijan\)](https://en.wikipedia.org/wiki/Petroleum_industry_in_Azerbaijan) company, and president of the National Olympic Committee of Azerbaijan.



Brief Analysis

**Read a summary of remarks given by the son of Azerbaijan's then-president at a 1998 Institute Policy Forum. The speaker, Ilham Aliyev, would succeed his father as president of Azerbaijan in 2003.**

**W**hen the Republic of Azerbaijan achieved independence in 1991, war broke out with Armenia. By 1993, Armenian forces were in control of 20 percent of Azerbaijan's territory, 1 million Azerbaijanis were refugees, Azerbaijani industry was collapsing, inflation exceeded 1,000 percent a year, and a civil war had erupted. The situation began to stabilize, however, when Haidar Aliyev assumed the presidency in 1993. The new government set several priorities: strengthening Azerbaijan's independence and democracy, ending the civil war and the war with Armenia, and opening up the country to investors in order to strengthen economic potential.

Since 1993, most of these objectives have either been met or are on the path toward being met. Azerbaijan is truly independent; it is the only former Soviet republic without any Russian military presence. In fact, there are no foreign military bases in Azerbaijani territory. The internal warfare is over and Azerbaijan now stands as arguably the Caucasus's most stable country. A cease-fire has governed Azerbaijan's relationship with Armenia for the past four years; progress was being made on a final peace settlement until the rise of radical forces in Armenia brought it to a halt. A new constitution was adopted, presidential and parliamentary elections were held, and the death penalty was abolished. Independent newspapers and television stations have proliferated. Economic development has been significant: Azerbaijan's gross domestic product grew by 8 percent last year, and privatization has been proceeding well. Most of all, Azerbaijan leads all former Soviet republics in bringing in foreign investment.

**Azerbaijan's Energy Potential** Azerbaijan is home to recoverable resources of 40 billion barrels of oil and 140 billion to 180 billion cubic feet of natural gas. SOCAR has made agreements with fourteen international oil companies concerning the extraction, transportation, and marketing of these resources. Dealings with oil companies from a wide variety of countries is an important part of Azerbaijan's attempt to improve its world image and to create pro-Azerbaijan lobbies in their home countries. These fourteen companies plan to invest \$50 billion in Azerbaijan, with

nine U.S. oil firms investing \$11 billion. By July 1998, U.S. oil companies had invested \$655 million.

The original agreement between SOCAR and the Azerbaijan International Operating Company (AIOC) called for construction of a main export pipeline. AIOC now says that it will not begin building the pipeline until oil from other non-AIOC facilities in Azerbaijan as well as oil from Kazakhstan is ready for export. This is a breach by the AIOC of the original agreement. AIOC now also indicates a preference for the route from Baku to the Georgian Black Sea port of Supsa rather than the route to the Turkish Mediterranean port of Ceyhan. Any claim that Baku-Supsa is cheaper than Baku-Ceyhan is unfounded, as final costs need to take into account yet unknown information about transit, land, and tariff costs of the countries the pipeline is to go through. Moreover, Turkey has already indicated its unwillingness to allow more oil shipments through the Bosphorus, which will be a real problem for a Baku-Supsa pipeline. If AIOC deliberately delays building the main export pipeline and decides that the Baku-Ceyhan project is too expensive, SOCAR is prepared to work with other companies to make it happen.

Azerbaijan-U.S. Relations Cooperation between SOCAR and U.S. businessmen has helped pave the way for better political relations between Azerbaijan and the United States. The very successful official visit to Washington of President Aliyev and his meeting with President Clinton were symbols of the strong, high-level relations developing between the two countries.

Despite the improving relationship between the two countries, there is one significant barrier to cooperation: Section 907 of the Freedom Support Act. This act, which deprives Azerbaijan of most governmental assistance from the United States, is based on the presumption that Azerbaijan is blockading Armenia. In fact, Azerbaijan could not blockade Armenia even if it tried, because Armenia has full access to Iran. Moreover, it is Armenia that by force controls 20 percent of Azerbaijani territory and has created 1 million Azerbaijani refugees. The Clinton administration has supported the repeal of Section 907. Although Azerbaijan very sincerely wants a close relationship with the United States, Congress's failure to repeal Section 907 may damage the very good prospects of future cooperation with the United States.

Similarly, Azerbaijan believes that the United States could play a significant role in settling its dispute with Armenia. So far this has not been the case. When the Organization for Security and Cooperation in Europe (OSCE) set up the Minsk Group to look into the Armenia-Azerbaijan matter, Azerbaijan insisted that the Minsk Group include the United States as well as Russia, while Armenia insisted France be a member. Interestingly, France has played a more active and helpful role than has the United States.

Azerbaijan's Relations with Other Countries: Iran. Relations between Azerbaijan and Iran are important because of the long shared border between the two countries and the presence of 20 million to 25 million Azeris in Iran. Although Azerbaijanis are concerned about the fate of Iranian Azeris, Azerbaijan has no intention of interfering with the citizens or internal politics of another sovereign state.

Israel. Azerbaijani-Israeli relations have been developing in a very positive direction, highlighted by an Israeli embassy in Baku and the strong bilateral cultural ties. There has long been a strong Jewish community in Azerbaijan that was fully integrated into Azeri society.

Turkey and Cyprus. Azerbaijan perceives the Turks not only as supporters but as "brothers." Azerbaijan fully supports Turkey's position on Cyprus and firmly believes that the existence of Turkish Cyprus is necessary to protect Turkish Cypriots from the types of massacres that occurred before 1974. Turkey's invasion was not an act of aggression but of protection. Unfortunately, Azerbaijan does not formally recognize Turkish Cyprus, but Azerbaijan's support for Turkey should speak for itself on this issue.

*This rapporteur's summary was prepared by Harlan Cohen. ❖*

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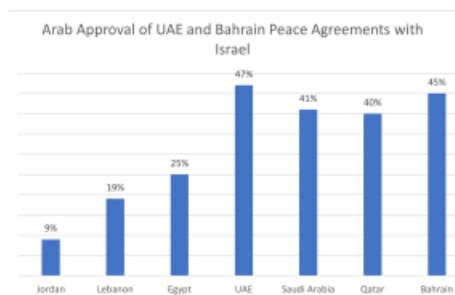
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