



# THE EUROPEAN GEOPOLITICAL FORUM

## **EGF Azerbaijan Briefing: Energy, Elections, Security** **April 14, 2010**

### **Energy**

The Geopolitics of the Caspian energy supply continue to place Azerbaijan into a key position in the strategic Black and Caspian Seas region, and in the wider energy security discussion of the European Union (EU). As a former Soviet Republic pursuing a highly pragmatic foreign policy which allows it to enjoy close relations with both Russia and the West, Azerbaijan is already a strategic partner to the Baku-Tbilisi-Ceyhan (BTC) oil pipeline. The BTC was built by international oil companies (IOCs) and was heavily endorsed by Brussels and Washington as an alternative energy supply route, diverting Caspian oil supplies away from Russia. While Azerbaijan has long been known for its potential as a significant international oil supplier, towards the end of February this year Baku finalised a tripartite agreement with Georgia and Romania to export Azeri gas to Romania.

The tripartite agreement foresees Azeri gas being transported by pipelines to the Azeri controlled Kulevi terminal on Georgia's Black Sea coast, from where it will be liquefied and shipped across the Black Sea by tankers to new terminals in the Romanian port of Constanta. From Constanta, the gas will be distributed through the Romanian pipeline system, which will allow Romania to become a regional gas hub within a period of five years and help reduce the country's dependence on Russian gas imported through the Ukrainian pipeline network. Upon completion, the new pipeline will transport from seven to 30 billion cubic meters (bcm) of gas per annum to the EU via Romania, diversifying the continent's energy supply and reducing its dependence on Russian gas.



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The EU has long foreseen a role for Azerbaijan as a gas supplier to the Union and has envisaged the country as a partner to the NABUCCO gas pipeline project, which Brussels hopes will provide an alternative supply route for Caspian gas to Europe. Although Baku appears to have promised some gas for NABUCCO, the project has suffered from the absence of an evident and reliable source of gas to fill the pipe, which foresees up to 30 bcm of gas per annum to flow upon implementation of two phases of the project.

Increasing uncertainty and lackluster support from EU member states is hindering further development of the NABUCCO project at present, however, as political momentum gathers behind the tripartite project. The latter is now starting to be regarded as a cheaper and faster alternative to NABUCCO.

The success of the tripartite project will depend on the level of commitment which Baku lends to the project, however, since the country's extensive Shah Deniz II gas field will provide the essential source of gas for the project.

Baku's commitment to projects of this nature should not be taken for granted, since Russia is currently Azerbaijan's largest single natural gas importer and Russia's state gas holding, Gazprom, has been highly energetic in buying up slack gas production from Azerbaijan in the form of long term gas supply arrangements. While this has come at a price (Moscow has been paying market rates for Azeri as well as Central Asian gas instead of buying on the cheap, as has been the case in the past), the result has been a shortfall in the availability of Caspian (Azeri) gas for gas pipeline projects such as NABUCCO, further consolidating Moscow's role as Europe's pivotal gas supplier. A similar fate could yet await the tripartite project.



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## **Elections**

While the EU has been energetic in cultivating energy ties with Azerbaijan, Brussels is also seeking to foster political liberalisation in the country – a presidential republic which lacks an established tradition with pluralist democracy. A semblance of democratic political culture appeared to be taking root in Azerbaijan during the very early period of its independent statehood. However, (political) power in Baku has long consolidated around the regime of the Aliyev family (father and ex-Soviet KGB official, Haydar Aliyev, president of Azerbaijan in the 1990s, with Aliyev's son, Ilham, taking up the presidency upon the father's death and ruling during the recent years), which has ruled over a country where scope for political forces coming to power from outside of the establishment have become increasingly limited.

Nevertheless, with Azerbaijan's next parliamentary elections scheduled for November 7 (2010), the EU, the OSCE and the Council of Europe are providing funding for technical assistance projects aiming to support Azerbaijan's efforts to improve the country's electoral culture, streamline election conditions and bring them in line with international norms and standards. Such initiatives further intend to strengthen the political dialogue between all of the key stakeholders in the country, increase the independence of Azerbaijan's Electoral Commission and media; and aim to stimulate interest in the elections amongst the Azeri public, particularly amongst women and the youth.

Although there is little evidence to suggest that Baku does not look forward to cultivating further harmonious ties with Brussels, it should be mentioned that the nature of governance practices in the country tends to generate an atmosphere of skepticism towards such initiatives from within the Azeri political authorities.

Earlier this month, the deputy speaker of the Azeri parliament, Bahar Muradov, stated that there is no need to improve the Azeri electoral code, which allows all political forces in the country to compete on equal terms.



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The country's opposition parties, however, have called for improving the electoral code in order to conduct transparent and democratic elections. The opposition has demanded that electoral commissions be formed on a parity basis in order to reduce the dominance of the ruling New Azerbaijani Party, which controls the majority of seats (in the electoral commissions).

However, it is not expected that the electoral assistance initiatives provided by the international organisations will reach into this domain, which predominantly remains within the competence of the Azeri state authorities. Azerbaijan's last Parliamentary elections were held in November 2005.

## **Security**

Azerbaijan's unresolved conflict with Armenia over a disputed strip of land in the Nagorno-Karabakh region continues to present a major security challenge to the Azeri government. Relations between Baku and Yerevan have failed to normalise since the costly Karabakh war of 1992-93, and border skirmishes between their military forces continue to take place with relative frequency.

Shortly before the time of this writing, the Azeri and Armenian militaries were exchanging fire in several border regions, including Borsunlu, Gapanli villages of Terter region, Tapgaragoyunlu village of Goranboy and the former-Gulchuluk sovkhos of Aghdam region. The skirmishes resulted in the deaths of (at least) two Azeri soldiers, reportedly killed by Armenian snipers, whilst three further Azeri soldiers were wounded.

Armenia continues to occupy the territory of the disputed Nagorno-Karabakh region which Azerbaijan claims as part of its own. The two countries have been unable to find a solution to the dispute through diplomatic channels and hawkish political



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voices, particularly in Azerbaijan, frequently call for an escalation to full scale military hostilities as the preferred method of returning the disputed territories into the fold of Azeri sovereignty.

Whilst the unresolved conflict between Azerbaijan and Armenia continues to threaten regional stability, the threat level which Azerbaijan faces from domestic terrorism is likewise hardly insignificant. In January of this year, the trial of 31 suspects accused of association with a network of international terrorist cells and attempts to overthrow the government recommenced in Baku. The ongoing trial revealed an inter-linkage of alleged terrorist related activities spanning the entire Caucasus region, involving a multiple-cell terror network active in Azerbaijan, the neighbouring Russian Federation Republics of Dagestan and Chechnya, and the Georgian break-away region of Abkhazia.

Suspects faced accusation in connection with the bombings of the Abu-Bakr Mosque in Baku, in August 2008, where an unknown assailant hurled a grenade into the packed building through a window, killing two worshippers and injuring nine others (particularly in assisting those accused of the bombing of fleeing Azerbaijan). Suspects likewise faced accusation in connection with plans to blow up the Baku-Novorosiisk (Russia) oil pipeline, waging guerrilla combat against Russian Federation troops in Abkhazia, Chechnya and Dagestan, and belonging to illegal, violent armed structures, particularly the "Karabakh Partisans" (led by Rovshan Badalov) and "Brothers of the Forest" (led by Semir Mehdiev, aka Suleiman, who is wanted in connection with the Abu-Bakr Mosque bombing).

While Azerbaijan is predominantly perceived to be a Muslim country of a secular orientation, authorities tend to cluster a large part of the country's terrorist threat around extreme interpretations of Wahabbi Islam, which has found its way into Azerbaijan from the Arabian Peninsula since the collapse of the Soviet Union.





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Azeri authorities have not chosen to ban Wahabbism in the country, however, in acknowledgement of the many Azeris who practice Wahabbism non-violently, alongside followers of the more conventional Sunni and Shi'ite schools of Islam, which remain more prevalent.

On the other hand, while the Azeri authorities show little tolerance for militant Wahabbi manifestations of Islam in Azerbaijan, experts suggest that the Azeri regime tends to exacerbate (if not artificially create) the threat of Islamic extremism in order to justify the democratic deficit which exists in the country.

This tends to further exacerbate violence and tension in Azerbaijan, given that the Islamists tend to be vocal critics of corruption involving state-bureaucrats<sup>1</sup>, exposing and denouncing such practices, and ultimately winning widespread sympathy for the less militant forms of Islamic extremism.

Taking into account state repression of many Azeri youths increasingly associated with Islam, experts suggest that religious radicalism (and the pan-Caucasus Islamic Wahabbi trend) is only likely to proliferate further in the country in the near term.

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<sup>1</sup> By most expert accounts corruption appears to be worsening and is likely to remain systematic throughout the majority of spheres of government and business in Azerbaijan. The country tends to hover in the "bottom quarter" of the corruption rankings of some 200 countries ranked by Transparency International (Azerbaijan's recent ranking was 158, where 1 is least corrupt and 200 is most corrupt, with only Uzbekistan, Turkmenistan and Kyrgyzstan being ranked as more corrupt than Azerbaijan amongst its former-Soviet peers).