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US Foreign Policy toward Azerbaijan, 1991-2015

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FLORIDA INTERNATIONAL UNIVERSITY

Miami, Florida

US FOREIGN POLICY TOWARD AZERBAIJAN: 1991-2015

A dissertation submitted in partial fulfillment of the

requirements for the degree of

DOCTOR OF PHILOSOPHY

in

INTERNATIONAL RELATIONS

by

Galib Bashirov

2017

To: Dean John F. Stack, Jr.
School of International and Public Affairs

This dissertation, written by Galib Bashirov, and entitled US Foreign Policy toward Azerbaijan: 1991 - 2015, having been approved in respect to style and intellectual content, is referred to you for judgment.

We have read this dissertation and recommend that it be approved.

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Florida International University, 2017

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DEDICATIONS

To my parents, Ramiz and Shehla, for their endless support and sacrifices

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ABSTRACT OF THE DISSERTATION

US FOREIGN POLICY TOWARD AZERBAIJAN: 1991 - 2015

by

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Florida International University, 2017

Miami, Florida

Professor Ronald W. Cox, Major Professor

This dissertation aims to investigate the sources of United States (US) foreign policy toward Azerbaijan by examining the relative impact of domestic, geostrategic and structural factors in explaining US foreign policy toward the country. Azerbaijan is one of the newly independent states that emerged after the collapse of the Soviet Union. Despite its small size, the country's strategic location, vast oil and natural gas reserves, and its conflict with Armenia over the Nagorno- Karabakh region elevated its importance and made Azerbaijan the center of interest for great powers. As the sole superpower after the end of the Cold War, the US has largely followed a unilateral foreign policy agenda. US foreign policy toward the South Caucasus in general, and Azerbaijan in particular, has been marked by inconsistencies, and by a lack of coordination and an unwillingness to take the initiative in crucial issue areas. Most importantly, experts have observed several important shifts in US policy toward Azerbaijan. These shifts can be conceptualized as critical junctures as they represent fundamental changes in the orientation of US policy. The dissertation is focused on these critical junctures as they relate to four main issue areas: the political economy of oil, the security partnership, economic reforms, and human rights. Why did the US disengage from Caspian energy issues after the successful completion of

the Baku-Tbilisi-Ceyhan pipeline? Why did the US lose its commitment to Azerbaijani security, including the peaceful resolution of the Nagorno-Karabakh conflict? Why did the US grow unhappy about the investment climate in Azerbaijan in the 2000s? Why did the Obama administration decide to shift to a “human rights policy” toward Baku, despite two decades of neglect of such issues by the Clinton and Bush Administrations? This dissertation follows a chronological format and analyzes the sources of US foreign policy towards Azerbaijan in three time periods: 1991-2001, 2002-2007, and 2008-2015.

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ABBREVIATIONS AND ACRONYMS

AAA	Armenian Assembly of America
ACG	Azeri-Chirag Guneshli oil field
AFDD	Azerbaijan Foundation for the Development of Democracy
AIOC	Azerbaijan International Operating Company
AMCHAM	Azerbaijan-American Chamber of Commerce
ANCA	Armenian National Committee of America
APF	Azerbaijan Popular Front
AZAL	Azerbaijan Airlines
BIT	Bilateral Investment Treaty
BP	British Petroleum
BTC	Baku-Tbilisi-Ceyhan pipeline
CAOLA	Citizen Advocacy Office for Legislature's Accountability
CEC	Central Election Commission
US CENTCOM	United States Central Command
CIPCO	Caspian International Petroleum Company
CNIS	Center for National and International Studies
CIPE	Center for International Private Enterprise
CSCE	Commission on Security and Cooperation in Europe
CSL	Cooperative Security Location
CSO	Civil Society Organization
CSTO	Collective Security Treaty Organization
CTFP	Defense Counterterrorism Fellowship Program

CTR	Cooperative Threat Reduction
DoD	Department of Defense
DRL	Democracy, Human Rights and Labor
EBRD	European Bank for Reconstruction and Development
EEB	Bureau of Economic, Energy and Business Affairs
EIA	Energy Information Administration
EMC	Election Monitoring Center
EMDS	Election Monitoring and Democracy Studies Center
ENEMO	European Network of Election Monitoring Organizations
EPDE	European Platform for Democratic Elections
ETRI	Expanded Threat Reduction Initiative
EU	European Union
EUCOM	European Command
EX-IM	Export Import Bank
FDI	Foreign Direct Investment
FFD	Full Field Development
FMF	Foreign Military Financing
FMS	Foreign Military Sales
FRC	Foreign Relations Committee
FSA	Freedom Support Act
FSCS	For the Sake of Civil Society
GOAJ	Government of Azerbaijan
GSGI	Global Shale Gas Initiative

HRW	Human Rights Watch
IBA	International Bank of Azerbaijan
IFC	International Finance Corporation
IfDP	Institute for Democracy and Peace
IFES	International Foundation for Electoral Systems
IFI	International Financial Institutions
IGA	Inter-Governmental Agreement
IMET	International Military Education and Training
ECU	Eurasian Customs Union
IMF	International Monetary Fund
INL	International Narcotics and Law Enforcement Affairs
IO	International Organizations
IPAP	Individual Partnership Action Plan
IPC	Iraq Petroleum Company
IPF	Institute of Peace and Freedom
IRC	International Rescue Committee
IREX	International Research & Exchanges Board
IRFS	Institute for Reporter Freedom and Safety
IRI	International Republican Institute
ISFED	International Society for Fair Elections and Democracy
LNG	Liquefied Natural Gas
MCC	Model Constitutional Court
MDA	Maritime Domain Awareness

MED	Ministry of Defense
MEP	Main Export Pipeline
MNC	Multi-National Corporation
MOU	Memorandum of Understanding
NAP	New Azerbaijan Party
NATO	North Atlantic Treaty Organization
NDI	National Democratic Institute
NDN	Northern Distribution Network
NED	National Endowment of Democracy
NEDP	National Energy Policy Development
NGO	Non-Governmental Organization
NIS	Newly Independent States
NK	Nagorno-Karabakh
NMS	National Military Strategy
NRRC	Nakhchivan Regional Resource Center
NSS	National Security Strategy
OPEC	Organization of the Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OPWR	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Co-operation in Europe
PAAFE	Public Association for Assistance to Free Economy
PFF	Partnership for Freedom
PfP	Partnership for Peace

PSA	Production Sharing Agreement
PTA	Preferential Trade Agreement
PTAP	Privatization Technical Assistance Project
PVT	Parallel-vote Tabulation
RDJTF	Rapid Deployment Joint Task Force
REAL	Republican Alternative
RFE/RL	Radio Free Europe/Radio Liberty
SANG	Saudi Arabian National Guard
SCC	State Customs Committee
SD	Shah Deniz
SD2	Shah Deniz 2
SGC	Southern Gas Corridor
SME	Small and Medium-sized Enterprises
ECG	Exports Credits Guarantee
SOCAR	State Oil Company of Azerbaijan
SOE	State-Owned Enterprises
SWAPDT	Society of Women of Azerbaijan for Peace and Democracy for the Transcaucasus
TANAP	Trans-Anatolian Pipeline
TAPI	Turkmenistan-Afghanistan-Pakistan-India Pipeline
TIRSP	Trade and Investment Reform Support Program
TPAO	Turkish Petroleum Corporation
US	United States
USAID	United States Agency for International Development

USD	United States Dollar
USG	United States Government
USNAVEUR	United States Naval Forces Europe-Africa
USTDA	United States Trade and Development Agency
VOA	Voice of America
WB	World Bank
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

CHAPTER I: SIGNIFICANCE, THEORY & METHODOLOGY

Introduction

This study aims to investigate the sources of US foreign policy toward Azerbaijan by examining the relative impact of domestic, geostrategic and structural factors in explaining US foreign policy toward the country. Azerbaijan is one of the newly independent states (NIS) that emerged after the collapse of the Soviet Union. Despite its small size, the country's strategic location, vast oil and natural gas reserves, and its conflict with Armenia over the Nagorno-Karabakh region elevated its importance and made Azerbaijan the center of interest for great powers. As the sole superpower after the end of the Cold War, the United States (US) has largely followed a unilateral foreign policy agenda. US foreign policy toward South Caucasus in general, and Azerbaijan in particular, has been marked with inconsistencies, a lack of coordination and an unwillingness to take the initiative in crucial issues.

More importantly, experts have observed several important shifts in US policy toward Azerbaijan. These shifts can be conceptualized as critical junctures as they represent fundamental changes in the orientation of US policy. The study is focused on cases related to four main issue areas: political economy of oil, security partnership, economic reforms, and human rights. Why did the US disengage from Caspian energy issues after the successful completion of the Baku-Tbilisi-Ceyhan pipeline? Why did the US lose its commitment to Azerbaijani security, including peaceful resolution of the NK conflict? Why did the US grow unhappy about the investment climate in Azerbaijan in the 2000s? Why did the Obama administration decide to use the human rights card against

Baku, despite two decades of neglect of such issues by the Clinton and Bush administrations?

What are the possible explanations for the shifts in US foreign policy? Domestic forces within the US, as some claim, might determine US policy toward Azerbaijan. For others, the great power rivalry between the US and Russia determines US policy. However, a systematic study has yet to demonstrate the relative weight of domestic, geostrategic, and structural factors that may have impacted U.S. policy. Whether US policy was determined by domestic factors such as special interest groups or by geopolitical and structural considerations is an important consideration for both foreign policy processes and international relations theory.

Problem Statement

There have been important shifts in US policy toward Azerbaijan regarding at least four main issue areas; energy, security, economic reforms and human rights. Throughout the 1990s and early 2000s, diversification of oil routes and establishment of a Western corridor constituted major parts of US strategy in the region. The US companies provided half of the \$8 billion investment to build the Azeri-Chirag-Guneshli oilfield. And despite its heavy economic cost, the Clinton and Bush administrations provided financial and political support to a highly strategic Baku-Tbilisi-Ceyhan (BTC) pipeline that bypassed Russia and Iran. However, the US started to disengage from the Azerbaijani energy sector after the BTC pipeline opened in 2006. No US oil company participates in the new oil and natural gas projects, including the Trans-Anatolian Pipeline (TANAP) and the Shah Deniz Consortium. Given that these projects, too, bypass Russia and Iran and may serve the

geostrategic interests of the US as much as the BTC, why did the US decide to disengage from the Caspian energy sector?

The first encounter of the US with Azerbaijan happened in the context of the former's ongoing war with Armenia over the contested Nagorno-Karabakh region in 1992. Influenced by the Armenian American Lobby, the US Congress established a one-sided view of the conflict that perceived Armenia as the victim, and put all the blame on the Azerbaijani side. The US discontent with Azerbaijan was further demonstrated when Azerbaijan was banned, by Section 907 of the Freedom Support Act (FSA), from receiving any type of direct US aid. However, the US started to politically engage in the resolution of the conflict throughout the second half of the 1990s, in order both to curb Russian influence in the region, and perhaps to accommodate the interests of a new global oil supplier, Azerbaijan. The US efforts peaked at the Key West Summit in 2001, when leaders of both parties to the conflict were brought together by the diplomatic efforts of the US. Unfortunately, the Summit failed to resolve the issue, and since then not only has the US dissociated itself from the talks, but also Russia has taken the lead in negotiations. The US inattention climaxed when it decided to support the Turkish-Armenian Rapprochement which demonstrated that the NK Conflict had been "moved off even from the proverbial backburner". We don't know why the US lost its commitment to peaceful resolution of the NK conflict. What domestic, geostrategic, and structural factors influenced the US disengagement?

The US engagement with the resolution of the NK conflict was part of its overall security engagement with Azerbaijan in security areas. Since the establishment of independent Azerbaijan in 1991, security issues have been at the forefront of the bilateral

relations between the two countries. The US security assistance and overall cooperation with Azerbaijan has not been steady. Rather, it has followed an uneven trajectory, with multiple instances of vicissitudes in the process, which can be characterized as shifts in US security policy. What have been the dynamics of these shifts, i.e., the factors behind variation in US security assistance to and cooperation with Azerbaijan?

Another important issue area is economic reforms. The Aliyev government created a very suitable investment environment for Western multinational oil corporations in early 1990s when those corporations invested over 8 billion USD in the Azerbaijani oil sector. The relations between the Aliyev government and transnational oil corporations were so good that the latter lobbied on behalf of the former in Washington for influence. Yet, these good relations came to an end by the mid-2000s, when transnational corporations started to criticize the regime for corruption and the US government grew critical of Azerbaijan's investment climate. Why did the transnational corporations and the US grow critical of Azerbaijan's investment climate? What were the implications of this change for US policy toward Azerbaijan?

Another major shift happened when the US government started to elevate the criticism of the Government of Azerbaijan (GoAJ) for its disastrous human rights record. Many experts were surprised because not only was such harsh rhetoric never used in the diplomatic history of US-Azerbaijani relations, but also that the US denouncement occurred in the midst of the latter's ongoing standoff with Russia. Although the initial perception of Azerbaijan was critical due to the NK war, the US administrations built strong bilateral relations with the GoAJ, to the point where George Bush invited the Azerbaijani President Heydar Aliyev to the White House and called Azerbaijan a "strategic

partner” of the US. The US has regarded Azerbaijan as a strategic partner and a regional balancer against Russia and Iran in a critical region. Furthermore, Azerbaijan continued to serve as a strategic ally of the US by opening up its territory and airspace for the Northern Distribution Network (NDN) and the US Air Force. But why did the Obama administration suddenly decide to use the human rights card against Baku?

Geostrategic arguments don’t tell us why the Obama administration has expanded the criticism of the GOAJ for its human rights record, grouping the country in the same category as Russia, Venezuela, and China. Strategically speaking, the US could have sided, even strongly, with Azerbaijan, a country that has allegedly turned its face to the West, in order to balance against Russian influence in not only the South Caucasus, but also the Russian Near Abroad in general. Instead, the Obama administration employed a rather ideological discourse in justifying its criticism of the GoAJ. Thus, the initial problem underlying this study is to find out the sources of the foreign policies the US has adopted toward Azerbaijan. This question has both academic and policy implications.

The ultimate academic puzzle of this study is what domestic, geostrategic and structural factors determine the US policy toward Azerbaijan. This puzzle is further complicated by the shifts in US policy toward Azerbaijan described above. Is it domestic factors, such as special interest groups and ideological considerations dominating the US policy, or structural factors like the geopolitics of oil and balancing Russia in its Near Abroad?

This study will have relevant findings on important critical junctures in American foreign policy toward the South Caucasus in general, and Azerbaijan in particular. These junctures are related to key issue areas that have dominated US policy; the Nagorno-

Karabakh conflict, geopolitics of the region, oil and economy, and human rights and ideological considerations. This study offers answers to the question of how to understand American behavior not only in Azerbaijan, but also in the context of geo-strategic politics affecting the entire region.

Research Question and Hypothesis

The puzzle of what domestic and international sources inform US policy toward Azerbaijan can be encapsulated in the following set of related questions: What foreign policies has the US adopted toward Azerbaijan? What is the role of domestic forces, such as ethnic and corporate lobbies, ideologies, bureaucracies, and leaders in determining that policy? What is the role of structural and geopolitical considerations in that regard? Do domestic forces exert independent influence in US foreign policy toward Azerbaijan, or do international structural forces condition their influence?

These questions are part of a bigger theoretical puzzle concerning the ways in which international relations are structured. The study will show how the second image can structure international relations and how special interest groups, ideologies, bureaucracies, and other domestic factors impact foreign relations. Importantly, this requires a framework to see how and when domestic forces influence foreign policy independent from international structural limitations. The specific case studies selected for this study will provide ample opportunities to test the relevance of structural theories of international relations vis-à-vis second image approaches in explaining US policy not only in Azerbaijan, but in the post-Soviet space as well. The study investigates the sources of US foreign policy toward Azerbaijan by examining the relative impact of domestic, geostrategic and structural factors. It pays specific attention to both the content of US

foreign policies toward Azerbaijan during the post-Cold War period and to the shifts in US foreign policy that have occurred in critical junctures.

With respect to the aforementioned discussion on US foreign policy toward Azerbaijan and domestic, geostrategic and international forces, I hypothesize the following:

H1) If the US is acting as a unified “rational-actor” state, we should find that

H1a) US foreign policy has been developed and formulated by a relatively unified foreign policy bureaucracy that is able to shape Azerbaijani policy based on perceptions of aggregate US interests in the region.

H1b) US strategic behavior in the region followed strategic goals derived from preferences determined by rational cost-benefit calculations.

H2) If there are domestic factors involved in US foreign policy formulation, we should find evidence that

H2a) Domestic interest groups exerted enough pressure on the executive and legislative branches to divert US policy from strategies benefiting US aggregate interests in the region.

H2b) Competing US foreign policy bureaucracies played key roles in the formulation of US foreign policy.

The study will examine a null hypothesis as well. That is, the US does not have an established foreign policy toward Azerbaijan, and that it only reacts to sporadic events and developments happening in the region from time to time. Why does the US not have an established policy in such a crucial part of the world? What factors prevent the US from formulating its interests in the region and creating stable policies to serve those interests? These hypotheses will be tested in the following case studies, using a historic range of

critical junctures in foreign relations, and including a number of issue areas: the Nagorno-Karabakh conflict and its resolution process; the Caspian energy sector; American geopolitical standoff with Russia and Iran; and human rights.

I gathered data concerning these cases from archival records pertaining to US foreign policy actors and bureaucracies that have been most heavily involved in the formulation and implementation of US policy toward Azerbaijan. This includes key actors in the executive branch including the White House, the State Department, the Defense Department, and other bureaucracies within the national security apparatus that have been actively engaged in policy discussions and deliberation. I also examined the role of the US Congress to trace the extent to which domestic groups utilized key Congressional committees or subcommittees to advance their views, and to what extent their views were translated into policy discussions, deliberations, and/or decisions at the executive branch level. I also looked at the impact of political, economic and strategic factors in Central Asia and Azerbaijan that may have contributed to US policy formulation.

Falsifying/Testing My Hypothesis

In order to test my hypotheses, I will begin by examining relevant literature. That review is based on a focused analysis of writing concerning 1) Structuralist explanations of US foreign policy, 2) Statist explanations of US foreign policy, and 3) Domestic/institutionalist explanations of US foreign policy

Literature Review

I hope to make several contributions to the academic literature and to foreign policy analysis with this dissertation. This dissertation is rooted in several areas of such research: Neorealism and structural explanations of US foreign policy; Neo-classical realism and

statist explanations of US foreign policy; and domestic forces of US foreign policy. In terms of a puzzle for academic literature, the study will examine the linkage between domestic groups, international structure, and foreign policy. By doing so, I hope to bridge the foreign policy realm and academia with a practical discussion of US foreign policy toward Azerbaijan. I also hope to make a theoretical statement regarding US policy in the post-Soviet region in general.

My academic goals revolve around a desire to develop an interdisciplinary study that combines the study of foreign policy analysis, international relations theory, and great power politics. Specifically put, I want to learn what factors account for the US foreign policy toward Azerbaijan. For that purpose, I am analyzing three distinct schools of thought, neorealism, neoclassical realism, and domestic (Innenpolitik) approaches. In my literature review, I will highlight what each theoretical approach would look for to analyze US foreign policy toward Azerbaijan

Neorealism and Structural Explanations of US Foreign Policy

Neorealism is a theory of international politics (Waltz, 1979). It analyzes the properties of different international systems concentrating on the issues of stability and proneness to war. Thus, its dependent variable is not the foreign policy behavior of any particular state; rather it is the international system (Waltz, 1996). Despite this contention, neorealists often engage in analyzing state behavior and base their assessments on the main tenets of neorealist analytical concepts (Mearsheimer, 2005, 2011; Mearsheimer and Walt, 2007; Walt, 2006; Layne, 2006; Art, 1991, 2013). As Elman (1996) argues, there is no substantial argument to prove the impossibility of neorealist foreign policy.

To begin with, Waltz (1993) himself claims that the structure of the international system leads states to adopt a power-political mode of behavior. According to neorealists, the independent variable to explain interactions among states is the international distribution of power. Therefore, for an individual state, its relative power position within the system is the most important variable to determine its behavior in external relations. Zakaria (1992) argues that a state's foreign policy is the end result of pressures originating from the distribution of power in the international system. The four main assumptions that all neorealists share regarding the characteristics of the international system are that 1) the international system is anarchic, 2) the most important actors in the system are sovereign states, 3) each state has to help itself to survive and 4) power is the main currency in international politics. Furthermore, neorealists perceive the state as a unitary rational actor that makes its decisions based on cost-benefit calculations.

Defensive realists claim that states are fundamentally security maximizers. Power-seeking behavior will most probably trigger a balancing coalition against an aggressor state that may end up decreasing the overall security of the aggressor. Thus, states will "only seek the minimum level of power that is needed to attain and maintain their security and survival" (Grieco, 1997: 167). However, as Stokes and Cox (2012) argue, due to its distinct geographical location away from potential great power centers of the world, US foreign policy belies this anticipation.

Offensive realists, on the other hand, argue that states are power-maximizers. States can be secure only by increasing their relative power against others in the system. Hegemony is the ultimate goal of every state as it is the only way of guaranteeing one's security and survival in the anarchic world (Mearsheimer, 2001). However, due to the

‘stopping power of water’, no state can become a global hegemon. Therefore, after achieving regional hegemony in the Western hemisphere, the US will strive to prevent the emergence of regional hegemons in other parts of the world, mainly in Europe or Asia.

Since the end of the Cold War, the US has strived to prevent China, Russia, and Iran from creating regional hegemony. In East Asia, the US relied on other countries surrounding China in order to balance against the aspiring regional hegemon. Aside from working together with its traditional partners Japan and Australia, the US encouraged Taiwan to resist Chinese pressure by increasing arms sales to China and training Taiwanese soldiers. Furthermore, it has improved its relations with nuclear India based on common US-Indian interests in opposing Chinese power (Ross, 2006).

As Azerbaijan borders Russia in its North, and Iran in South, it would be expected for the US, from a neorealist point of view, to utilize its relationship with Azerbaijan in order to balance against an aggressive Russia and Iran in the region. Washington was already engaged in containing Iran in the Persian Gulf by building alliances with Arab countries of the region, such as Saudi Arabia, and the Arab Emirates. Located in the north of Iran, Azerbaijan is the only secular Muslim country with a majority-Shia population.

Furthermore, as Russia recovered from the early shocks of the Soviet collapse, and as it started to increase its influence in its “Near Abroad”, the US was expected to “support neighboring countries to prevent Russia from regaining its earlier influence over the region” (Ibrahimov, 2014: 6). Given the latest surge of Russian expansionism in Ukraine and Georgia, it would be more important to look for Washington’s efforts to strengthen its alliances with neighboring countries in order to counter regional hegemony.

Finally, as Cornell, Starr, and Tsereteli (2015) argue, the peculiar geographical location and secular character of Azerbaijan elevate its strategic importance as a bulwark against global terrorist forces the US has been fighting since 2001. In this sense, a neorealist foreign policy outlook would seek to prevent the influence of aspiring regional hegemons to increase their influence in Azerbaijan, and to build better relations with Azerbaijan in order to balance against its powerful peer competitors in the region. In my analysis, I will assess the importance of neorealism and structural factors to see if they account for the shifts in US foreign policy toward Azerbaijan. The independent variables of the neorealist foreign policy outlook will be analyzed against the shifts in US policy, which is the dependent variable of the dissertation.

Neoclassical Realism and Statist Explanations of US Foreign Policy

In contrast to neorealist scholars, neoclassical realists seek to “develop an explicit and generalizable theory of foreign policy” (Rose, 1998: 153). They incorporate both structural and domestic variables, albeit in a carefully organized fashion. Systemic incentives constitute the independent variable in explaining foreign policy of a given state. It is argued that systemic forces, mainly relative distribution of power, “ultimately drive external behavior” by limiting available choices and strategies (Taliaferro, Lobell, and Ripsmann, 2009: 25). However, systemic distribution of power does not tell us what policy would be adopted, given a few choices structural factors make available. Here, neoclassical realists point to the role of unit level forces, such as perceptions (Wohlforth, 1993), bureaucratic organizations, special interest groups (Ripsman, 2009), and national political power (Zakaria, 1998; Schweller, 2004) as intervening variables.

For neoclassical realists, intervening variables work as “transmission belts” between structural factors and the actual foreign policies that states pursue (Taliaferro, Lobell, and Ripsmann, 2009: 4). It is important to note that states cannot transcend the limits set by the international distribution of power in their external behavior; neither can intervening variables dictate the foreign policy of a given state. Thus, relative weakness of a given state will clearly create constraints and limit its policy options. On the other hand, once its power starts to increase relatively, its foreign policy’s magnitude and ambition will grow as a result.

Furthermore, neoclassical realists argue that neorealist propositions do not explain why countries with the same power capabilities act differently. This is because systemic incentives are translated through unit level variables such as the perceptions of foreign policy executives and the influence of domestic interest groups. In a way, neoclassical realism breaks away from the black-box conceptualization of the nation-state predominant in neorealist tradition, and puts the “state” into the heart of its analysis. Thus, the properties of the state, such as its capability to extract resources (Taliaferro, 2009), its identity (Sterling-Folker, 2009) and its main ideological inclination within FPE (Layne, 2006) play crucial roles in determining the final shape of its foreign policy.

It is important to note that neoclassical realists do not ascribe definitive values to each intervening variable in terms of its impact on actual foreign policy. That is, the importance of any intervening variable is case dependent, which is why neoclassical realists favor case studies and process tracing as their main methodological tools while conducting empirical research (Rose, 1998). Furthermore, as Rathbun (2008) argues, intervening variables should not be incorporated into neoclassical realist analysis in an ad

hoc way, rather, we should look for departures from ideal behavior that is expected under systemic constraints.

In terms of US foreign policy, Zakaria (1998), Layne (2006), and Dueck (2009) successfully utilized a neoclassical realist framework to explain American external behavior throughout a specific period of time in particular case studies. Fareed Zakaria claims that neorealist theories cannot explain why the US didn't pursue expansionist policies up until the years before World War I, even though it was the richest country in the world for decades. That is, the international distribution of power, as the independent variable does not account for the US behavior of non-involvement. In order to explain this puzzle Zakaria introduces "state strength" as an intervening variable between national capabilities and foreign policy behavior. He defines state power as "the portion of national power the government can extract for its purposes and reflects the ease with which central decisionmakers can achieve their ends" (p. 9), and argues that this variable explains the departure from ideal behavior expected by neorealists.

In his book "Peace of Illusions", Christopher Layne (2006) argues that structural realist theories do not tell us why the US chose to expand its hegemony beyond the Western Hemisphere into the European heartland during the Cold War years, and why it continued to do so despite a major change in the structure of international system with the collapse of the Soviet Union. He utilizes a neoclassical realist framework, and proposes a domestic intervening variable, that is the "Open door", to account for US external behavior since the end of WWII. The Open Door holds that US foreign policy executives linked economic and ideological expansion to American national interests. Such an ideological disposition

created incentives to expand American hegemony beyond Western Hemisphere, and led to a particular US grand strategy of “extraregional hegemony” (p. 7).

In addition to explaining variation in the foreign policies of the same state or unified entity (such as the EU) over time (Holden, 2012; Layne, 2006), neoclassical realism also seeks to explain variation in the foreign policies across different states facing identical systemic constraints (Christensen, 1993; Cha, 2000). In his study, Cha (2000) deals with an important puzzle. That is, despite having similar structural constraints and an identical security threat (Soviet Union), why did Japan-Korea relations remain volatile during Cold War years? Systemic variables cannot account for variations in bilateral relations. Therefore, Cha introduces “quasi alliances” as an intervening variable, and claims that, “Japanese and Korean perceptions of their common great power patron's security commitment (the United States) directly affects the level of political-military cooperation between the two quasi-allied states” (p. 261).

There are similar dilemmas in US policy toward Azerbaijan as well. The US-Azerbaijan relationship is recently described to be the most “striking” and “unsettling” bilateral relationship in the South Caucasus (Cornell, Starr, and Tsereteli, 2015). Structural variables do not tell us why the US abandoned its interests in Caspian oil reserves, despite clear geopolitical incentives to continue its strategic investment in diversifying energy routes in the South Caucasus and the Russian Near Abroad. In the same vein, the volatility of bilateral relations between the US and Azerbaijan cannot be explained by changes in the relative distribution of power. The US continues to remain the sole hegemon, and Azerbaijan’s oil revenues cannot give her any relative power advantage vis-à-vis the US. Furthermore, both countries continue to share an identical great power threat (Russia), and

similar security concerns (Islamic terrorism). I want to know why the US chose to publicly censure the GoAJ despite promising structural factors working for partnership. Thus, it might be useful to look for intervening variables in order to explain shifts in US foreign policy toward Azerbaijan.

There can be various intervening variables working as transmission belts between structural forces and US foreign policy toward Azerbaijan. Perception of the Russian threat to Azerbaijani security, American MNCs' commitment to the Caspian energy sector, the US desire to maintain an "Open Door" in Azerbaijan, and the policy preferences of the Armenian American Lobby are worth analyzing to determine their influence in shaping US foreign policy. It is crucial here to mention that none of these factors can have an independent determining impact according to the neoclassical realist framework. Rather, they can account for variations in the shape of US policy within the confines of available choices set by the international distribution of power. In my analysis, I will test the importance of these intervening variables to find out whether they can account for shifts in US foreign policy toward Azerbaijan.

Domestic/institutionalist explanations of US foreign policy

The role of domestic forces in explaining foreign policy has always been contested by realist scholars of international relations. Focused on structural factors surrounding the state, realists claim that the power of domestic forces is limited if not non-existent when it comes to determining the external behavior of states. However, there are distinct schools of American foreign policy that attribute great importance to domestic sources. They argue that domestic forces have raised their relative weight since the end of the Cold War, which has made it crucial to consider their preferences and policy positions while interpreting US

policy abroad. In this review, I will divide them into three categories (societal, institutional, bureaucratic) following McCormick et. al (2012), and demonstrate what each category would look for in analyzing US foreign policy toward Azerbaijan.

The societal environment includes the political culture of the US: its values, beliefs, traditions, and self-images. However, often times, these beliefs find their expression in the efforts of special interest groups, particularly of ethnic, business, or ideological single-issue groups. To begin with, organized interest groups are believed to have great influence in US foreign policy. In their comprehensive study, Jacobs and Page (2005) find that in contrast to epistemic communities and public opinion, organized groups, and among them internationally oriented business corporations “exercise strong, consistent, and perhaps lopsided influence on the makers of US foreign policy” (p. 120). Their influence is felt both in executive and legislative branches.

Furthermore, in his historical analysis of US policy in Latin America, Cox (1994) finds that business groups were influential in the shifts toward major US economic initiatives in Latin America. Risse (2007) also argues that transnational actors, (TNA) mainly multinational corporations (MNC) and international non-governmental organizations (INGO), influence international negotiations through 1) lobbying activities in domestic societies, 2) coalitions with international organizations (IO) and 3) coalition-building with smaller states.

In this study, I will analyze the role of major oil corporations and certain INGOs in influencing US policy toward Azerbaijan. I will focus on critical junctures in US-Azerbaijan relations and try to see whether they can account for major shifts in US policy. Particularly, I will analyze the role of MNCs in US disengagement from the Caspian oil

sector and the politics of the South Caucasus and the influence of human rights INGOs in the latest standoff between US and Azerbaijan.

Perhaps more controversial than the TNAs is the influence of ethnic lobbies in the US. Scholars analyzing ethnic identity groups in the US generally have come to the conclusion that these groups are more influential than we think and that their pressure in legislative and executive branch is somewhat controversial if not against US national interests (Ambrosio et. al, 2002; Ambrosio, 2002; Smith, 2000; McCormick, 2012; Haney and Vanderbush, 1999; Mearsheimer and Walt, 2007; Uslander, 1998; Watanabe, 1984). Ethnic lobbies tied to Israel, Armenia, Cuba, and Greece are the most successful ones in terms of having considerable impact on US foreign policy regarding their home countries (Rubenzer, 2008; McCormick, 2012).

The pluralist nature of American democracy allows various social forces, including ethnic lobbies to penetrate the US political system (Smith, 2000; 86-94). There are multiple ways by which ethnic groups can exert influence in US politics, mainly by voting in presidential and Congressional elections, and by campaign financing. Their most important assets are organizational strength and level of political activity (Rubenzer, 2008). They can use their influence and assets to build coalitions with bureaucrats and politicians in Washington, to set their agendas on a relevant topic, and to monitor and define the policymaking process (Smith, 2002; 118-128).

Scholars also analyzed the influence of ethnic lobbies in US foreign policy by contrasting their findings with major international relations theories. Watanabe (1984) scrutinizes the role played by the Greek-American lobby in formulating the US response to the Turkish invasion of Cyprus in 1974. He finds strong support for the argument that

the Greek lobby was influential in orchestrating a US arms embargo against Turkey in Congress. However, he contends that the increased activism of the Greek lobby did not deny the executive branch the ability to formulate its independent position vis-à-vis the conflict, and rejects the popular view of “ethnic groups dangerously promoting parochial interests at the expense of the national interest” (p. xiv). Furthermore, both Schraeder (1994) and Woodward (2013) demonstrate that the influence of the African-American lobby in US Africa policies has historically been very weak and ineffective. We can argue that this is not surprising, given that the African-American lobby is considerably weak and disorganized compared to the Israeli, Armenian, Cuban, and Greek lobbies.

Perhaps the most important case for strong ethnic lobby influence in US foreign policy was made by Mearsheimer and Walt (2006). In their study on “The Israel Lobby and US Foreign Policy”, the authors claim that “no lobby has managed to divert U.S. foreign policy as far from what the American national interest would otherwise suggest” [as the Israel lobby] (p. 30). Moreover, coming from realist backgrounds, they insist that although Israel might have been a strategic asset during the Cold War, it has rather become a “strategic burden” for the US since the collapse of the Soviet Union (p. 31-35). They claim that none of the propositions propounded by the Israel lobby is satisfactory to make Israel a US ally in the Middle East. To the contrary, providing unconditional support to Israel curtails US efforts in building an effective peace in the Middle East and in fighting against global terrorism. All in all, Mearsheimer and Walt provide powerful arguments that an ethnic lobby can divert US foreign policy from its national interest and prevent policymakers from formulating sound policies to advance the strategic interests of the US in the region.

US-Azerbaijani relations have not been free from ethnic lobby influence as well (Kasim, 2012; Ambrosio, 2002; Maresca, 1998). The major turning point in US policy happened when Congress passed Section 907 of the Freedom Support Act which effectively banned US governmental support to Azerbaijan. Ambrosio (2002) argues that the Armenian-American lobby was highly influential in framing congressional perceptions of the Nagorno-Karabakh war against Azerbaijani interests. By providing a distorted image of events, the lobby managed to pass a major resolution which has since been a major impediment to improvement of US-Azerbaijani relations. Kasim (2012) also insists that US policy toward the Nagorno-Karabakh conflict has historically been constrained by the Armenian-American lobby in the US. As a matter of fact, the first U.S. mediator for the Mountainous Karabakh conflict, John Maresca, while lamenting the non-objective role of the US in conflict, wrote that “Congress was left to the influence of lobbyists and as a result Section 907 of the Freedom Support Act, banning direct aid to the Azerbaijan government, was passed” (1998). In my study, I will analyze the influence of the Armenian lobby in diverting US policy toward Azerbaijan. It is particularly important to find if the lobby has had an independent impact on US policy, instead of an intervening or a complementary one. Finally, there has been recent surge of Azerbaijani activism in the US as well (Weiss, 2014). I will analyze the role played by the Azerbaijani lobby, specifically during the recent strangulation of relations between the US and Azerbaijan.

The institutional setting of the US government also affects conduct and content of foreign policy. The presidency, as an institution, has been at the center of the foreign policy-making establishment since WWII. It has been argued that the presidents have continuously exceeded the limits of their constitutional power to set the foreign policy

agenda, a phenomenon that is named as the “Imperial Presidency” (Schlesinger, 2004). On the other hand, Lindsay (1994, 2012) argued that there have been ebbs and flows in Congressional activity in foreign policy since the Vietnam War. That is, although the end of the Cold War strengthened Congressional authority, the pendulum swung back to the White House after the 9/11 incident, only to change yet again in favor of the Congress after 2006. For the purpose of this study, it is important to determine whether such shifts in Congressional activism have had considerable impact on US policy toward Azerbaijan. Furthermore, Cornell, Starr and Tsereteli argue that the weakness of operational coordination among various governmental agencies and organizational missteps within the State Department have been the main causes of the ineffectiveness of US policy in the South Caucasus in general, and Azerbaijan in particular (2015: 46-51). In my study, I will also test these hypotheses to assess their empirical value.

A final perspective puts the positions, roles and policy processes in the center of foreign policy analysis (Halperin and Priscilla, 2006). Inspired by Allison’s (1971) pioneering work on the Cuban Missile Crisis, the bureaucratic politics model claims that the explanation for why states make the choices they do lies in the pulling and hauling among key decision-makers within the foreign policy establishment. The roles created by related governmental structures affect the behavior of policymakers, which in turn influences US foreign policy. Essentially, the government does not have a unitary opinion; rather, different views and preferences clash during policy-making process. All in all, the three perspectives laid out above challenge the rational actor model, which assumes that the state operates as a single, unitary actor. In this study, I will first try to find out whether there have been competing preferences within the US establishment regarding Azerbaijan

policy. If found, I will test the influence of these competing preferences to see if they had considerable influence on US policy toward Azerbaijan.

Methodology

This study aims to solve the empirical puzzle pertaining to US policy toward Azerbaijan. Above, I outlined certain shifts in US policy regarding the NK Conflict, Caspian energy, and human rights issues. The reasons why I chose these three cases are threefold. First, these cases can be classified as being permanent and the most salient issues affecting US policy. The US involvement in the Azerbaijani oil sector dates back to 1992. The NK Conflict started even before the independence of Azerbaijan in 1991 and continues to be an imminent security issue to this day. Also, the US has recently increased the backburner status of human rights in bilateral relations and made it a salient concern in its policy toward Azerbaijan. Secondly, in each of these cases, we have observed a shift in US foreign policy orientation during the time-period of the research. The observation period will be from 1991 to January 2015. That is, the latest possible time since the independence of Azerbaijan in 1991.

My goal is to explain these shifts in a rather comprehensive fashion. By shifts, I mean changes in US foreign policy orientation toward Azerbaijan regarding a particular issue area, such as the Caspian oil sector. Such a shift happens during a phase of a major transformation. Because such phases are rather short periods of time, they share the characteristics of ‘critical junctures’. Thus, their outcome strongly affects the further path of the causal process. I will utilize a qualitative case study approach in this study in order to analyze these shifts. This approach will enable me to incorporate different data-gathering measures (Berg, 2000). As for a particular methodology, the study will use the process-

tracing method, which is compatible with case studies (Checkel, 2008). As Checkel argues, “process-tracing means to trace the operation of the causal mechanism(s) at work in a given situation” (p. 116). Given that causal process-tracing (CPT) approaches have an affinity to Y-centered research questions, it will fit very nicely with the framework of my study as well.

I want to explain the outcomes by revealing and evaluating the effectiveness of theoretically specified causal mechanisms that I outlined in the literature review section. Causal mechanisms are “those causal configurations that link generic social mechanisms in a multi-level model of causation” (Blatter & Haverland, 2012, p. 95). I am aware that crafting a sufficient explanation for a political outcome will require combining a multiple number of causal mechanisms into a “conglomerate mechanism” that can account for a historical outcome (Beach & Pedersen, 2013, p. 19). Furthermore, it will require me to include case-specific, non-systematic causal mechanisms in addition to systematic ones in order to build a minimally sufficient explanation. To put it simply, in the social sciences, uni-causal explanations are rarely sustainable due to the multitude of human interactions that contribute to a particular policy shift. These interactions occur on different levels of analysis, which include the macro or structural level and the micro or decision-making level. Process tracing will allow me to produce a deeper analysis of key transition points with attention to how different levels of analysis can shed light on particular outcomes

Since my study is not descriptive, but rather explanatory, I treat causal mechanisms as more than mere empirical events. That is, instead of merely describing empirical events, I will utilize causal mechanisms to explain how and why a particular outcome happened. Moreover, in line with Beach and Pedersen, I do not consider causal mechanisms as simply

intervening variables, since such a view would not only prevent me from building linkages among causal mechanisms at work, but also lead me to disregard micro/actor groups and their particular activities that actually make the outcome possible. Finally, causal mechanisms are not confined to micro/actor level analysis, but rather comprise macrolevel and structural activities as well. This means that in addition to microlevel factors such as special interest groups and bureaucratic clashes, the influence of structural factors over a given foreign policy shift can also be captured by relevant causal mechanisms. Furthermore, the interactions of causal mechanisms are not confined to a single level of analysis, rather there is constant interaction between macro and micro-level mechanisms. Process-tracing is suitable to capture the working of these interactions in order to craft a minimally sufficient explanation of a particular outcome.

I will draw empirical information from relevant archival materials pertaining to US foreign policy actors and bureaucracies that have been most heavily involved in the formulation and implementation of US policy toward Azerbaijan. This includes key actors in the executive branch, mainly, the White House, the State Department, the Defense Department, and other bureaucracies within the national security apparatus that have been actively engaged in policy discussions and deliberation. I will also examine the role of the US Congress to trace the extent to which domestic groups utilized key Congressional committees or subcommittees to advance their views, and to what extent their views were translated into policy discussions, deliberations, and/or decisions at the executive branch level. In order to plot the historical development of structural factors such as economic growth, or strength of interest groups, I will find the relevant statistical material from media reports, official documents and statements from important organizations and actors. I will

also collect information on the perception of relevant individual, collective or corporate actors from adequate sources, including biographies, memoirs, public speeches, and statements.

The empirical fundaments of my CPT analysis will be comprised of comprehensive storylines, smoking-gun observations, and confessions as outlined by Blatter and Haverland (2012). For each of my case studies, I will provide a ‘comprehensive storyline’, in which I will present “development of potentially relevant causal conditions” in a narrative style (Blatter and Haverland, 2002, p. 111). These overviews of the overall process will serve two functions: structural and sequential. Structurally, they will outline the most crucial potential causal mechanisms that might have influenced the given outcome. Sequentially, not only these storylines will specify the development of structural factors over time, but also they will divide the overall process into several sections of sequences that are separated by phases of major shifts and transformations and decisive moments. The phases or shifts and transformation are rather short periods of time that have the characteristics of ‘critical junctures’-their outcome strongly affects the further path of causal process.

After identifying the critical junctures, I will use the temporal proximity and succession of turning points as evidence for the argument that there are connections between these conditions. Second, turning points and phases of transformation can be viewed as ‘critical moments’, for which it makes sense to dig deeper into the empirical process to reveal the workings of causal conditions and mechanisms in detail. Although comprehensive storylines can give us certain hints as to the responsibility of a certain causal condition (such as deterioration of human rights situation in Azerbaijan), we need

further empirical evidence that provides plausibility that such a condition has indeed triggered the outcome. For this purpose, I will closely examine the period of time when that particular process was at work and try to find empirical evidence for or against the different causal mechanisms invoked by the different causal conditions.

The second important empirical fundament of CPT is ‘smoking guns’. Smoking gun is an “observation that presents a central piece of evidence within a cluster of observations, which together provide a high level of certainty for a causal inference” (Blatter and Haverland, 2012, p. 115). As Collier (2004) claims, a smoking gun provides a “sufficient but not necessary criterion for accepting the causal inference” (827). However, there need to be further observations that provide further evidence for the causal claim on the basis of temporal and spatial contiguity. Finally, I will utilize smoking gun observations for actor-centered elements of explanations, mainly in order to determine how individual, corporate, or collective actors behaved at ‘critical junctures’. Therefore, the capabilities and the behavior of actors will take center stage in smoking gun observations, and they will complement the focus on structural factors that dominate within the bigger picture.

Finally, in order to complement the macro-structural features that I establish in the comprehensive storylines and the smoking gun observations, I will attempt to find ‘confessions’, “explicit statements of actors in which they reveal why they acted the way they did” (Blatter and Haverland, 2012, p. 117). I will try to find out how a given actor perceived a certain situation, his driving motivations, and reflections about the anticipated consequences of specific actions. The latter will help me to overcome the problem of drawing causal inference on the basis of temporal succession by demonstrating the stimulus

of a given actor, the stimulus that triggered the anticipated action before the actor acted in accordance with his/her anticipation.

My initial research indicates that single theory-driven explanations cannot account for shifts in US foreign policy toward Azerbaijan. In regards to Caspian Oil, realist scholars have relied on balance-of-power dynamics in the region in order to explain US strategic support for the Azerbaijani oil sector and the diversification of oil routes bypassing Russia. Monetary reasons were muted here, as the US financially and strategically supported BTC project despite its huge financial costs and bleak prospect of profitability for American oil corporations. Thus, the widely accepted realist account is important, mainly because it can explain why the US supported the Azerbaijani oil sector throughout late 1990s and early 2000s. However, it is also incomplete, as it does not account for US disengagement from the Caspian oil sector since the completion of the BTC. The evidence indicates that realist explanations are not sufficient, and that introduction of another causal mechanism(s) is required in order to build a sufficient explanation for US behavior.

We need to carefully reexamine the historical period prior to and after the completion of BTC to find about the workings of those potential mechanisms. The secondary literature and bureaucratic statements provide us hints as to where we can find those mechanisms. For example, Cornell, Starr and Tsereteli mention the US failure to coordinate different areas of interest in the Caucasus as the main reason for US disengagement. They pinpoint the ineffective operational coordination among relevant US agencies as an explanation. Some others argue that Caspian oil reserves are not profitable enough to substantiate huge investments anymore. Lacking corporate backing, the US governments rather prefer to abandon the Caspian oil sector.

It is clear that these causal mechanisms need to be tested against the empirical evidence that will be gathered by comprehensive research. The organizational structure of relevant US bureaucracies needs to be scrutinized, along with statements made by relevant bureaucrats in order to test this hypothesis. Furthermore, I need to gather data on investment decisions made by relevant US corporations, and determine the role of profitability in their decision-making. Furthermore, the complex relationship between these corporations and government bodies also needs to be scrutinized in order to determine the influence of corporate preferences on the White House's strategic decision-making in the region. These observations can comprise powerful smoking-gun evidence by linking the influence of corporate interests to US behavior. Moreover, I will look for confessions in memoirs, third party interviews, and testimony of the foreign policy establishment and corporate lobbyists at Congressional hearings to reveal the perceptions and motives of these actors. Such confessions can further strengthen the accountability of corporate interests for US disengagement from the Caspian oil sector.

I adhere to George and Bennett's criteria (2005) in regards to establishing a satisfactory historical explanation that "needs to address and explain each of the significant steps in the sequence that led to the outcome of that case" (p. 29). Therefore, the causal chain should not contain any major gaps in order to build a continuous narrative. Going back to the Caspian oil case, I demonstrated that the realist logic is not sufficient to explain US disengagement, and it leaves a huge gap in the causal chain. Thus, we need to introduce a new causal mechanism that has been sufficient to produce the final outcome. This requires, in turn, empirical testing of different mechanisms against the historical evidence.

Thus, I need empirical evidence for each step in the causal chain to clarify which causal mechanisms have been active.

Outline of the Dissertation

This dissertation follows a chronological format and is comprised of five chapters. The next three empirical chapters analyze the sources of US foreign policy towards Azerbaijan in three time periods. In the chapter two, I analyze the first period of US policy in Azerbaijan that runs from 1991 to 2001. In the first part that covers the 1991-1994 period, I demonstrate that the United States, which was busy trying to manage Russia's transition and denuclearization of several peripheral post-Soviet countries, did not have a defined set of interests in Azerbaijan. The dearth of political interests, and the resulting lack of political initiative on part of the White House, enabled private interests to exert a disproportional level of influence in Congress. This was manifested in the activism of the Armenian Lobby, whose influence helped lead to economic sanctions against Azerbaijan. In contrast to this early period of 1991-1994, the second period, which captures the time from late 1994 to 9/11, was characterized by an unprecedented level of policy activism on the part of the US government, which made Azerbaijan (and Kazakhstan) the new center-stages (in addition to Russia) of its policy in the post-Soviet region. I argue that the main driver of that activism was energy issues. Hyperbolic oil estimates in the Caspian Sea region and more importantly, policy advocacy of oil corporations in the US, managed to change US perception of Azerbaijan from a remote place in the post-Soviet space to a holder of a very crucial political and economic stake in the new era.

In the third chapter, I analyze the second period of US policy toward Azerbaijan that includes 2002 to 2007. I argue that the primary US policy objectives toward Azerbaijan

in this period were to achieve energy security through the liberalization of Azerbaijani markets to provide access to Azerbaijani oil by transnational capital. I demonstrate that the US security objectives in Azerbaijan revolved around ensuring the safe supply of energy from Azerbaijan to international markets and the protection of offshore facilities owned by transnational capital. Hence, I reject the rigid outlook of the realist argument which pays too much attention to the geopolitical rivalry between Russia and the US over the region.

Furthermore, I argue that neoliberalization of Azerbaijani markets emerged as a major policy objective for the United States after the successful completion of the BTC pipeline and the subsequent pouring of oil money into the Azerbaijani Government's coffers. I demonstrate the difficulties that US policy faced pertaining to this objective especially after the completion of the BTC pipeline, which increased the hubris of the Azerbaijani regime and made it much less open to the advice of US and transnational capital. Finally, within a focused discussion on US efforts on democratization and human rights, I document a division of perceptions and policy objectives between the US government, mainly the executive branch, and the US-supported NGO community in Azerbaijan. Specifically, in contrast to the executive branch's preoccupation with stabilization of the political regime in Azerbaijan (which derived from ongoing cooperation in energy and security issues), the NGO community grew highly critical of the Aliyev regime and attempted to instigate a Color Revolution in both the 2003 and 2005 elections.

In the fourth and final empirical chapter, I analyze the third and final period of US policy toward Azerbaijan that includes 2008 to 2015. I argue that in this period, the main US objective had become the neoliberalization of Azerbaijani markets, especially the non-oil sectors of the economy, in order to open investment opportunities for foreign capital. I

demonstrate that the US engagement with the Azerbaijani energy issues was heavily reduced due to three interrelated reasons emanating from geoeconomic factors: the bust in Azerbaijani energy resources, lack of progress in gas projects due to lack of interest on the part of the EU, and the changing energy dynamics emanating from the unconventional oil and shale gas boom in the US.

These changes in energy dynamics had a reverberating impact on the security, economy and human rights policy of the US. Regarding security, the US disengagement from the Caspian energy issues reduced US interest in the security of the Caspian energy as well, leaving the NDN as the only pillar of security cooperation between the two countries. The lack of US interest in Azerbaijan's security was demonstrated when the former did not improve its military assistance in the aftermath of the Russian invasion of Georgia in August 2008. The US insistence on the Turkish-Armenian Rapprochement, and the separation of this process from the Nagorno-Karabakh issue further aggravated the situation.

On the economic front, with the bust of Azerbaijani energy, many US companies left the country due to lack of new investment opportunities in the Caspian. Without a focus on energy, the US economic interest moved explicitly to the non-oil sector that was heavily dominated by the regime-backed cronies. The transnational business community grew critical of the Azerbaijani government due to the former's closure of the economy to foreign investors after the oil money started to flow in following the construction of the BTC pipeline. Following the US-funded NGO and media networks' exposure of the Aliyev government's corruption, lack of reforms in the domain of economy was made more

visible. The US attention to the non-oil sector had made the regime's corruption much more visible and brought the issue into the center of US policy.

Regarding democratization and human rights, reduced US interests in Caspian energy and its impact on security, have made stabilization of the Aliyev regime much less important for the US. With stabilization out of the agenda, there emerged an opening for human rights discourses at the center of the debate in bilateral relations. Although the collapse of bilateral relations in 2014 was attributed to the deteriorating human rights environment in Azerbaijan, this chapter, and this dissertation in general, will demonstrate the contingency of human rights considerations for US policy.

CHAPTER II: 1991 - 2001

Introduction

In this chapter, I analyze US policy in Azerbaijan from 1991 to 2001. From 1991-1994, I demonstrate that the United States, which was busy trying to manage Russia's transition and the denuclearization of several peripheral post-Soviet countries, did not have a defined set of interests in Azerbaijan. The dearth of political interests, and the resulting lack of political initiative on part of the White House, enabled private interests to exert a disproportional level of influence in Congress. This was manifested in the activism of the Armenian Lobby, whose influence helped lead to economic sanctions against Azerbaijan. When these sanctions were imposed, Azerbaijan was confronting war on its western borders in Nagorno-Karabakh and internal political turmoil that saw the fall of two presidents in two years. Meanwhile, the country was in the very early stages of re-establishing its bonds with Western energy corporations that once had made Azerbaijan their home one hundred years ago. Hence, although the government of Azerbaijan had the will and desire to establish political and economic links with the US, relations between the two countries were frayed during this period. This is mostly due to the lack of a powerful U.S. domestic lobby, especially transnational oil corporations that could effectively counter the Armenian Lobby.

In contrast to this early period of 1991-1994, the second period, which captures the time from late 1994 to 9/11, was characterized by an unprecedented level of policy activism on the part of the US government, which made Azerbaijan (and Kazakhstan) the new center-stages (in addition to Russia) of its policy in the post-Soviet region. I argue that the

main driver of that activism was energy issues. Hyperbolic oil estimates in the Caspian Sea region and more importantly, policy advocacy of oil corporations in the US, managed to change US perception of Azerbaijan from a remote place in the post-Soviet space to a holder of a very crucial political and economic stake in the new era. The Azerbaijani government promoted neoliberal economic reforms that created a favorable investment regime for oil corporations. This provided momentum for corporate lobbying in Washington for closer ties to Azerbaijan. The US government, in turn, mobilized its institutions to build cooperative relations with, and to establish its influence in, Azerbaijan. An important area of cooperation took place around the Nagorno-Karabakh peace process, where the efforts of the second Clinton and first Bush Administrations resulted in the 2001 Key West Summit that brought the leaders of Azerbaijan and Armenia together. Finally, in regards to human rights issues, the US government followed a policy that had its roots in the Carter and Reagan years. On the one hand, the human rights abuses of the Azerbaijani regime were not allowed to factor into US support for energy projects. On the other hand, starting in 1997, the US provided funding to the National Endowment for Democracy (NED) and its affiliated institutions, to promote low-intensity democracy¹ in Azerbaijan.

In the following sections, I will first analyze the years between 1991 and 1994, when the US government's attention to, and involvement in, Azerbaijan was so minimal that it allowed the Armenian Lobby to dominate the congressional perception of the Nagorno-Karabakh conflict. This resulted in an extensive sanctions regime that barred all government-to-government aid, including humanitarian assistance, to Azerbaijan. Later, I

¹ The term, "low-intensity democracy" was developed by Barry Gills and Joel Rocamora in their 1992 study "Low Intensity Democracy" *Third World Quarterly*, 13:3, 501-523. See also, Barry Gills, Joel Rocamora and Richard Wilson, eds. *Low Intensity Democracy: Political Power in the New World Order*.

explain the way in which the Contract of the Century (1994), and subsequent heavy lobbying by the oil corporations, shifted the dynamics of US policy altogether, paving the way for involvement by the US in economic, as well as political and security areas. The final section explores the dynamics of human rights issues.

First Period: 1991-1994

In the immediate aftermath of the collapse of the Soviet Union, the United States' attention to newly established independent countries in the Russian periphery was minimal. The US was mainly preoccupied with the newly-created nuclear states of Kazakhstan, Ukraine and Belarus. The US objective was "to help reduce [former Soviet Union states'] nuclear arsenal" (NSS, 1993). In other words, the goal was to transfer nuclear capabilities from these three countries to Russia to prevent nuclear proliferation and loss of control over use of nuclear weapons. By 1994, the US largely succeeded in this objective. Another US policy in the region was to support economic liberalization and expansion of markets. However, this goal was also limited to Russia in the early periods. As Clinton (1994) declared in 1994, "Russia is a key state in this regard" (p. 19). The idea was that if market and democratic reforms could be consolidated in Russia, not only would the US have turned a former nemesis into a partner, but it could also have opened the door for similar reforms in other Newly Independent States (NIS) in the region. Aside from these two areas, the US interests in the states of the former Soviet Union were very weak and undefined. Especially in the South Caucasus, the US Government did not have any defined policy and was almost indifferent to the political developments in the region.

One of the most striking aspects of US policy in this period was how little consideration the US government gave to building friendly relations with the Azerbaijani

government. The US even abstained from officially recognizing Azerbaijan for several months, on the grounds that its “authoritarian governments have made no clear moves toward democracy” (Kempster and McManus, 1991). However, the US recognition standards were loosely defined and were open to interpretation depending on American strategic priorities in other post-Soviet countries. For example, Belarus and Kazakhstan were immediately recognized because of the presence of nuclear weapons in those countries. The US established diplomatic relations with Azerbaijan in 1992, after Secretary of State James Baker’s visit to Baku in February on the condition that the country would end Soviet-style dictatorship and begin taking tangible steps toward democracy and integration with Western community. Given the high-level expectations of people in the region from the United States, such late and reluctant engagement by the US government frustrated both the Azerbaijanis and some American experts on the region (Patterson, 1992, p. 21-22).

Section 907

There is scholarly agreement that the Armenian Lobby dominated the perception of events occurring in the NK and the shape of subsequent policies formulated by Congress in the period from 1991-1994 (Ambrosio, 2002; Cornell, 2011, 2015). The most important manifestation of the lobby’s influence was the passing of Section 907 of the Freedom Support Act (FSA) which banned any US aid to the Azerbaijani government “until the President determines, and so reports to Congress, that the Government of Azerbaijan is taking demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh” (1992). The sanctions went against the main tenets of the FSA, which were to support the independence of the NIS and to provide urgent

humanitarian assistance. The act was controversial on many fronts: It portrayed the Azerbaijani side as the sole aggressor, ignored that there was an ongoing war between the two sides and that the Azerbaijani side lost 20 percent of its territory because of the war. Furthermore, the act ignored the fact that the Azerbaijani government did not have any capability at the time to impose a 'blockade' (which essentially involves blocking the trade relations of Nagorno-Karabakh with other neighboring countries, that is Iran and Georgia), and that Armenia was itself the perpetrator of an embargo against Nakhichevan, an exclave of Azerbaijan cut from the latter by Armenian territory. Section 907 received a tremendous amount of criticism from the Azerbaijani government at the time and remained as an 'Achilles heel' of the bilateral relations ever since. It has had tremendous amount of influence in shaping the US policy toward Azerbaijan during this early period in almost every issue area.

The Bush Administration was not interested in preventing the Congressional bill. Although the draft version of the bill that was sent by President Bush to Congress did not contain Section 907, the Administration did not put up an effort to prevent its inclusion in the final bill in August 1992. John Maresca, who was appointed in 1992 as the special representative of the United States for mediation of the NK conflict and as the US representative for the Minsk Group, claims that "under the Bush Administration, there was very limited effort to influence Congressional thinking, or to indicate that the U.S. government was actively seeking an impartial role in the solution of this conflict" (Maresca, 1998). The Bush Administration did not attempt to block the inclusion of Section 907 in the Congressional bill. The Administration also exhibited a disinterested attitude toward ceasefire negotiations and did not act in the face of the danger of complete

disintegration of a newly-independent post-Soviet nation. Such US dismissal of Azerbaijan's national security interests in the period between 1991 and 1994 becomes more curious given the pro-Western and more importantly anti-Russian orientation of Azerbaijani governments of the time, both those of Elchibey and of Aliyev. Aside from the Baltic countries, in 1993, Azerbaijan was the only ex-Soviet country that expelled Russian military forces and was the only ex-Soviet country that refused to approve joint Russian-Azerbaijani border patrols. It was also the one (contrary to Armenia) that refused Russian pressure to accept CIS peacekeepers on its territory to enforce the cease-fire (Nichol, 1996).

The Nagorno-Karabakh Conflict

More important than any other political development at the time, stability of political order in Azerbaijan was most threatened during these years by the war with Armenia over the secessionist Nagorno-Karabakh region. In fact, the Nagorno-Karabakh (NK) conflict provided background conditions for political turmoil by stripping the governments of Ayaz Mutallibov (president, 1991-1992) and Abulfaz Elchibey (president, 1992-1993) of the necessary military means to monopolize the use of force and to provide internal stability within the country. The war lasted from 1988 to 1994 and had a devastating impact on social, political and economic conditions in Azerbaijan. Over 1 million Azerbaijanis had to flee their homes in the face of Armenian aggression. Even after the end of warfare in 1994, the conflict would remain as the most important impediment to peace and stability in Azerbaijan and the whole South Caucasus region ever since (Cornell, 2011, p. 126-132).

I do not discuss the politics of the NK conflict² which include ethnic and historical details involving at least Turkey, Russia, and Iran that go beyond the scope of this dissertation. Where I discuss the NK conflict, I focus on the level and shape of US involvement in this conflict, especially in its peaceful resolution, for several reasons. First, the NK conflict has been the most important reason for internal instability in Azerbaijan ever since its independence. The warfare from 1988 to 1994 destroyed socio-economic infrastructure, and provided the background conditions for further political turmoil. Even after the hot war ended in 1994, the ‘frozen conflict’, as it was starting to be called, has continued to carry the seeds of new warfare, destruction, and hence, political instability in the region. In this regard, many scholars equated the US interest in solving this frozen conflict to its interest in maintaining and strengthening stability and peace in the region and within Azerbaijan and Armenia.

Secondly, and related to the first, the conflict has posed a potential threat to the pipeline systems, that were built later, passing through both Azerbaijan and Georgia. A new war on the Azerbaijan-Armenia border could spread into both Azerbaijan and Georgia. In that event, the pipelines, an essential means of economic wealth for Azerbaijan, would become potential targets of attack. Finally, resolving the NK conflict has become the most important security goal for the Azerbaijani government. Positive involvement in the resolution of the NK conflict has become a political lever through which the Azerbaijani government determined its friends in the international system and whether such friendships

² For an excellent study on the history of the conflict, see De Waal, T. (2013). *Black Garden: Armenia and Azerbaijan Through Peace and War, 10th Year Anniversary Edition, Revised and Updated*. NYU Press.

were to be maintained. Precisely because of these factors the US involvement in the NK conflict mattered a lot for US energy security, and hence for US security engagement in Azerbaijan.

What position did the US government take on the NK conflict during this most tumultuous period in the history of independent Azerbaijan? John Maresca, who remained in his post in the Minsk Group³ until 1994, wrote a report on the negotiation process over the NK conflict between 1992 and 1994. The report reveals a complete lack of US interest in the negotiations. Maresca laments that “the US representative in [the Minsk Group] received little to no support from the lame-duck administration in Washington” during the fateful Stockholm meeting of the CSCE foreign ministers in December 1992 (Maresca, 1996, p. 481). Washington’s inattention to the ongoing warfare in NK continued through the first Clinton term as well. Maresca reveals how he tried to obtain commitments from important actors, such as Russia, to support an international operation “despite a lack of backing from Washington” (p. 485). He also claims that the Clinton Administration did not have an interest in preventing the Russian government from taking over the process of peaceful resolution of the ongoing war, and from exerting its influence in the region during the process.

For example, during the negotiations in 1993, when Sweden was the chair of the Minsk Group (the US was not a co-chair back then), “Washington gave its representative no support on the matter (of preventing Russians from sidelining the Minsk Group and

³ The Minsk Group was established by OSCE (back then, CSCE) in 1992. The initial goal of the OSCE was to bring Azerbaijan and Armenia together in Minsk, Belarus for a peace conference. However, the conference never took place. The group has 11 members other than the two parties to the conflict: Belarus, Denmark, Finland, France, Germany, Italy, Poland, Russia, Sweden, Turkey and the US. The US, France and Russia are the current co-chairs of the group (Hakala, 1998).

establishing their exclusive prerogative for sphere-of-influence peacekeeping on the territory of the former USSR). In fact, officials in Washington seemed relieved that the Swedes would take over at least some of the responsibility for dealing with the growing problem of the Russian role” (p. 487). Overall, Maresca argues that “Under the hierarchical approach to issues with Russia and the former USSR, the Nagorno-Karabakh conflict has not been considered a top priority by the US or other Western leaders, because it has not appeared to engage vital Western interests” (p. 472). The Russian government was more interested in resolving the conflict, and it was no surprise that the cease-fire agreement was reached in 1994 not under the leadership of the Western-backed CSCE Minsk Group mechanism, but under the unilateral Russian leadership.

Stability of Political Order

An important manifestation of US indifference to political developments within Azerbaijan was its lack of attention to the stability of political order in Azerbaijan during this period. The years between 1991 and 1994 were marked with social and political turmoil on both domestic and international fronts. Domestically, the country was facing a danger of political collapse similar to failed states in the Third World. The first president of Azerbaijan, Ayaz Mutallibov, was a Soviet-appointed political apparatchik with little-to-no popular support among the population. When he was replaced by the first and only democratically elected president of Azerbaijan, Abulfaz Elchibey, in 1992, the internal stability of the country did not change in a positive way. One reason for this was that the nationalist and pro-Western policies of the Elchibey government received much criticism from both Iran and Russia. As Elchibey tried to undercut the political influence of the former imperial powers by changing the foreign policy orientation of Azerbaijan toward

the West and especially Turkey, these countries supported centrifugal forces within ethnic Talish and Lezgin minorities that are located on the Southern and Northern borders, respectively. Both minority groups started to demand independence from Azerbaijan. Eventually, a Russian-supported army general from the Northwestern city of Ganja, Surat Huseynov, threatened to topple the Elchibey government by moving his troops (armed by Russian-provided artillery) to Baku in 1993. Huseynov's coup indeed succeeded, although with a caveat. As the Elchibey government lost its monopoly over the use of force within the country, the former invited Heydar Aliyev to Baku to handle the situation. The US provided no help to President Elchibey at this fateful period, despite the fact that Elchibey was a staunch pro-Western politician who ventured to cutting his country's ties with Iran and Russia.

After Aliyev's arrival in Baku, and while Huseynov's forces were waiting in the gates of Baku, Elchibey left Baku for his native village in Nakhichevan, effectively leaving political power to Aliyev and Huseynov. Aliyev struck a deal with Huseynov, where the former ascended to the Presidency, while leaving the post of Prime Minister to the latter (Bolukbasi, 2013, Ch. 7; Cornell, 2011, Ch. 4; Swietochowski, 1995, Ch. 8). It is important to note that this period was marked by the highest level of political turmoil in the history of independent Azerbaijan. Indeed, aside from smaller scale events in the aftermath of the undemocratic transfer of power from the father Heydar Aliyev to his son Ilham in 2003, the political scene of Azerbaijan has been highly stable ever since Heydar Aliyev came to power in 1993. As I described above, on the international front, it was the war with Armenia over the NK region that caused instability in Azerbaijan.

Energy Issues

What was the situation in the energy sphere at the time? In contrast to today's modern infrastructure in the Caspian region, the Baku oil fields were in disarray at the time of independence. Since the 1970s, the Soviets had abandoned oil exploration in Azerbaijan on the premise that it was "depleted or technologically too difficult" to carry out (Yergin, 2011, p. 51). Azerbaijan's energy infrastructure was left for degeneration and was on the brink of complete collapse due to lack of investment for more than two decades. The Caspian Sea and its energy resources were opened to Western exploration after the collapse of the Soviet Union in 1991. Already in 1990, the Soviet government had started negotiations with Chevron over exploration in Kazakhstan's Tengiz oil field. Indeed, in Azerbaijan too, the Westerners were invited in 1990 before the complete collapse of the Soviet Union. Both the Elchibey and Aliyev governments wanted to open the country's oil reserves for Western exploration for economic and political reasons. The exploration of untapped reserves in Azerbaijan would bring much needed cash into the devastated Azerbaijani economy. Cooperation with the Westerners, especially with the Americans, would also allow the newly independent country to assert its independence in the face of external pressures arising from Armenia, Russia and Iran (Ismayilov, 2014).

Indeed, American oil companies arrived in Azerbaijan much earlier than the US government and became the main locomotive of US foreign policy for years to come. In January 1991, the Azerbaijani government put the Azeri-Chirag-Guneshli fields out to tender which was won by an Amoco-BP-Statoil-Unocal alliance (Bagirov, 1996). Despite Amoco's early advantage in the talks, BP emerged as the ultimate winner of the competition during ongoing negotiations, thanks to firm support by the British

Government. Then-British Prime Minister Margaret Thatcher visited Baku in 1992, along with several of her cabinet members and MPs, to meet with the Azerbaijani President Elchibey. During this visit, agreements were made between the BP-Statoil alliance and Azerbaijan's SOCAR concerning the exploration rights in the Chirag and Shah-Deniz fields. Thatcher brought two checks worth 30 million USD as a bonus to Elchibey (Bagirov, 2001, p. 180; Mariott and Paluello, 2012). Instead of getting a similar type of support, the efforts of US companies were hit by the passage of Section 907 in this period. The act slowed down the advance of American companies in Azerbaijan as the prospects of favorable credits from the US agencies eroded.

Despite the huge disappointment, the Elchibey government still pursued talks with the US companies as the latter were gateways to establish better relations with the United States. Elchibey's pro-Western stance was marked in the draft agreement for the Azeri-Chirag-Guneshli (ACG) field. Per the 1993 agreement, no Russian or Iranian oil company was given a share in the ACG fields. When Heydar Aliyev came to power after the fall of Elchibey in June 1993, Heydar Aliyev annulled the previous agreements with Western oil companies and decided to start them from scratch. In contrast to Elchibey, Aliyev wanted to give shares to both Russia and Iran to alleviate the political pressure coming from these two powerful neighbors. Russian LUKoil was eventually granted a 10 percent share, but the Iranian option was met with fierce US opposition and shelved. All in all, in this period, the US oil companies were much more active in Azerbaijan than the American government. However, because of the ongoing war with Armenia and internal political turmoil on the one hand, and passing of the Section 907 on the other, their efforts were not enough to steer the direction of US political engagement in Azerbaijan. It was only later, after the signing

of the Contract of the Century in 1994, and subsequent heavy lobbying by US corporations headed by Amoco that Azerbaijan emerged as the center of attention for the Clinton Administration.

Second Period: 1995 – 2001

Contract of the Century

Created in 1993, the Tengizchevroil consortium (TCO) was the first energy project where the Western oil corporations received majority stakes⁴ in the Caspian. In the following year, Azerbaijan, Kazakhstan's neighbor on the western shore of the Caspian, signed its own "Contract of the Century" with eleven oil companies from the West. The contract was signed a year after Heydar Aliyev came to power. When Aliyev, an ex-KGB head and Politburo member, replaced pro-Western Elchibey in 1993, there were a lot of questions in the minds of corporate managers and Western officials about the position Aliyev would take vis-à-vis the West's oil interests in Azerbaijan (Pashayev, 2012). Western concerns proved to be right when Aliyev annulled the terms of early negotiations made during the Elchibey period and insisted on bringing in Russia and Iran into the deal. However, as a good strategist, Aliyev positioned himself as pro-Western when he did not touch the shares of Western companies and instead allocated some of Azerbaijani SOCAR's shares for Russian LUKoil and Turkish TPAO. Eventually, Aliyev signed the contract after receiving 300 million USD in bonuses from Western oil corporations. This contract was followed, in 1995, by the creation of the Azerbaijan International Operating Company (AIOC), a consortium tasked with exploration and exportation of Azerbaijan's

⁴ TCO was created as a two-company joint venture between US's Chevron and Kazakhstan's KazMunaiGaz. Today, the current partners in the venture are Chevron (50%), KazMunaiGaz (20%), ExxonMobil (25%), and LukArco (5%).

energy⁵. The Contract opened the riches of Azerbaijan to Western oil companies. Although they were much lower during the Soviet era, the estimates of oil in the Caspian Sea grew radically after the signing of the contracts. The United States involvement and interest in the Caspian Sea, and especially in Azerbaijan started to increase at this period.

Caspian Sea Interagency Group

The US started to actively support the development of the oil and gas resources of the Caspian basin in 1994, when the US government established a special inter-agency group to focus on the President's Caspian energy policy. This interagency group was the only one that was chaired by the National Security Council. From 1995 on, the US started to promote the establishment of multiple energy export pipelines "traveling along the east-west axis from the Caspian region" (Fact Sheet, 1999). In 1995, with the advocacy of the US, international energy companies decided to build two early oil pipelines: a western line to Supsa in Georgia, and a northern line in Novorossisysk in Russia. The main tenets of US energy policy in Azerbaijan were established during the years between 1994 and 1997. Prepared by the Interagency Group within the State Department, the 1997 "Caspian Region Energy Development Report" was the cornerstone document that laid out the main principles of US policy for the first time. It contained "a plan for action for the United States government to assist and accelerate the earliest possible development and shipment

⁵ Originally AIOC was composed of eleven major international companies: BP (UK), Amoco (U.S.), LUKoil (Russia), Pennzoil, (now Devon of U.S.), UNOCAL (U.S.), Statoil (Norway), McDermott (U.S.), Ramco (Scotland), TPAO (Turkey), Delta Nimir (now Amerada Hess of U.S.), and SOCAR (Azerbaijan). Since then Exxon, now ExxonMobil (U.S.); ITOCHU (Japan); and INPEX (Japan) have joined the consortium. McDermott, Ramco and LUKoil have since sold their shares. AIOC's first president was Terry Adams (UK) of British Petroleum (BP), the company which operates the offshore oil platforms and the onshore Sangachal Terminal.

of oil from the Caspian Sea region to the United States and other Western markets”, and provided guidelines to the US government as to “how to provide incentives for the United States to help promote the development of this new source of energy supplies” (The Report, 1997).

The report, for the first time, argues that the Caspian region contained as much as 200 billion barrels⁶ of oil, and therefore it “could become the most important new player in world oil markets over the next decade”. Because the US was interested in enhancing and diversifying global energy supplies, the report argued, the rapid development of Caspian resources would “reinforce Western energy security”. The report provided several policy recommendations: to repeal Section 907 of the FSA, to take necessary legislative and administrative actions to make TDA, OPIC and EXIM programs available to our companies in the Caucasus, to encourage high-level visits to and from the region, and to structure assistance to the region to encourage economic reform and the development of appropriate investment climates (The Report, 1997).

This report was the foundational policy document that laid out the importance of the region for the US and appropriate policy measures to be followed by the Administration. The subsequent official documents followed the logic of this report in elaborating the role of the Caspian region for the United States. Delivered a month after the report, the 1997 National Security Strategy (NSS) document argued, first time for an NSS, that the region had “potential oil reserves of 200 billion barrels” (p. 21). The following NSS documents in 1998, 1999 and 2000 provided top-level attention to the

⁶ In 1997, the world’s proven oil reserves were 1020 billion barrels. Saudi Arabia’s proven reserves were 261 billion barrels. North America’s were 77 billion barrels (IEA).

Caspian region, always in relation to its energy riches. All three documents reiterated the same arguments first articulated in the State Department report, and claimed that “The Caspian Basin, with potential oil reserves of 160 billion barrels, promises to play an increasingly important role in meeting rising world energy demand in coming decades” (NSS 1998, p. 36; NSS 1999, p. 27; NSS 2000, p. 60). Furthermore, important policy-making officials ⁷ in the second Clinton term promoted the agenda laid out in the report. In his testimony before the U.S. Senate Foreign Relations International Economic Policy, Export and Trade Promotion Subcommittee in October 1997, Under Secretary for Economic, Business and Agricultural Affairs Stuart Eizenstat explained that the “US government needs to enhance its efforts throughout the region to support American companies” with “high-level engagement, extensive credit lines and other incentives” (Eizenstat, 1997). He also argued that the U.S. should bring significant assets to the table, such as Trade Development Agency (TDA), OPIC, EX-IM Bank financing, and technical assistance programs in order to support the US government’s goals.

Building a new major pipeline along the East-West corridor was identified as an important part of US objectives in Azerbaijan. The idea of a Main Export Pipeline (MEP) emerged in the mid-1990s, when it was understood that the higher amounts of oil production (up to 1 mb/day) in Azerbaijan would require a major pipeline to carry oil to global markets from Azerbaijan. The already existing Baku-Supsa and Baku-Novorossysisk were small pipelines, neither surpassing 150 thousand barrels per day. The US preferred a route that started in Baku, ended in Ceyhan, Turkey through Tbilisi,

⁷ For some of the important address see Talbott (1997), Kalicki (1998), and Morningstar (1998).

Georgia. The Baku-Tbilisi-Ceyhan (BTC) Pipeline became a cornerstone of US energy policy in Azerbaijan starting 1998.

Mobilization of US Institutions

In the following years, the U.S. government proceeded to mobilize all relevant institutions and offices to implement the set of policies formulated by the Report. Congress was pressured to repeal, or at least amend the nefarious Section 907 which was blocking the way for intensive US engagement in Azerbaijan. In this period, we witnessed a plethora of congressional testimonies and major public statements by senior US officials responsible for policy towards the South Caucasus that stated the importance of the BTC project to the US and the significance the US attached to the relations with Azerbaijan. Signed in November 1997, the Foreign Operations Appropriations Act of 1998 introduced necessary amendments to Section 907 to make TDA assistance, EX-IM Bank financing, and any insurance or assistance provided by OPIC available in Azerbaijan (FOA, 1998). In May 1998, the U.S. Trade and Development Agency, the U.S. Export-Import Bank, and the Overseas Private Investment Corporation announced the establishment of the Caspian Finance Center, in Ankara. The Center's mission was to facilitate the development of energy and other infrastructure projects in the Caspian region by combining the forces of the U.S. government's three export credit agencies. Furthermore, the Administration crafted a new position of Special Advisor to the President and the Secretary of State for Caspian Basin Energy Diplomacy in the same year and appointed Richard Morningstar⁸ to the position. In his new position, Ambassador Morningstar was responsible for assuring

⁸ Morningstar served as Senior Vice President for OPIC between June 1993 and April 1995. Between 1995 and 1997, he served as Special Advisor to the President and Secretary of State on Assistance to the New Independent States of the Former Soviet Union.

maximum coordination within the executive branch of U.S. policy and programs relating to the development of oil and gas resources in the Caspian Basin.

President Bill Clinton hosted Azerbaijan's President Heydar Aliyev for the first time in the White House in 1997. This visit was made possible thanks to heavy lobbying on the part of Amoco, the largest American investor in Azerbaijan, of President Clinton in 1996 (Morgan and Ottoway, 1998). During the visit, the sides signed the US-Azerbaijani Bilateral Investment Treaty (BIT) and investment deals with four US energy corporations (Exxon, Chevron, Mobil, and Amoco) worth \$8 billion. President Clinton also "reiterated the Administration's strong support for repeal of Section 907" in the Joint Statement of the leaders (Joint Statement, 1997). In 1998, the BTC pipeline project gained traction with the signing of the Ankara Declaration among the presidents of Azerbaijan, Turkey, Georgia, and Kazakhstan. US Secretary of Energy Bill Richardson was witness to the ceremony. Special advisor Richard Morningstar continued his shuttle diplomacy throughout the year attempting to remove the barriers to the east-west energy corridor option preferred by the United States, which included the construction of an oil pipeline between the Azerbaijani capital Baku and Turkish Mediterranean port of Ceyhan. It is important to note that this high-level US diplomacy involved, persuading international energy companies to join the project, and on the other hand, the courting of the regional political leaders to get their support for the project (HDN, 1999). As a point man, Morningstar made countless trips to Azerbaijan, Georgia, Turkey, Turkmenistan and Kazakhstan in order to facilitate a multilateral legal framework between Azerbaijan, Georgia and Turkey (Aliriza, 2000).

The intergovernmental agreement^{9 10} (IGA) in support of the BTC pipeline was signed by Azerbaijan, Georgia, and Turkey on November 18, 1999, during a meeting of the Organization for Security and Cooperation in Europe (OSCE) in Istanbul, Turkey. President Bill Clinton was present at the ceremony and was one of the signatories for the Declaration of Support for the Construction of the Baku-Tbilisi-Ceyhan oil and the Trans-Caspian Gas pipelines (Ibrahimov, 2014). The US government “actively supported the negotiations leading to these agreements” and promised to “continue to be actively engaged in both pipeline projects” in the future (NSS, 1999, p. 33).

Economy: Integration through PSA Regime

Similar to other post-Soviet countries, Azerbaijan experienced a devastating economic collapse after the dissolution of the Soviet Union and disintegration of the Soviet command economy (Aslund, 2002, 2013). After the Soviet collapse, Azerbaijan started its own so-called transition into a free market liberal economy. However, the transition proved to be nothing but a socioeconomic disaster for most Azerbaijanis. As Azerbaijan disconnected from the highly-centralized Soviet economic system, the factories and other manufacturing plants were closed. In the early years until 1998, total output plummeted

⁹ IGAs are “agreements among the states through whose territories the pipeline system is to be constructed and operated” (Energy Charter, 2011). They deal with issues related to pipeline infrastructure, issues such as provision of physical security, co-operation of the pipeline, the provision of land rights, application of environmental regulations, and harmonization of tax structures. IGAs are intended to facilitate the realization of the project. However, an IGA does not guarantee the commitment of any of the signatory countries to a given project.

¹⁰ Host-Government Agreements (HGAs) usually follow IGAs, and are agreements between host governments and project investors (operating companies) related to the pipeline. HGAs deal mainly with vertical issues that concern the project activity within the territory of each state and expand on some of the issues identified in the relevant IGA(s): e.g. various governmental obligations, investor duties, environmental and other relevant standards, liability, termination and issues relevant to the implementation of the project in each specific territory (Energy Charter, 2011).

more than 65 percent (Aslund, 2013, ch. 3). Concomitantly, inflation numbers¹¹ skyrocketed after the liberalization of prices in 1992. With the collapse of the value of money, people's savings eroded. Social services, including healthcare, education, and pensions broke down. Poverty levels soared up to 60 percent. Until 1998, Azerbaijan suffered enormously due to economic meltdown in both Azerbaijan and the post-Soviet region. In Azerbaijan, the liberalization was carried out unsuccessfully, with limited success. Most of the liberalization reforms, such as privatization of SOEs, benefitted regime members at the expense of the public.

By the mid-1990s, the Aliyev regime had built a corrupt economic system that relied on patronage networks and institutionalized corruption. This cronyism, which was based on distribution of rents to powerful political actors in return for loyalty to the regime, ensured that the regime remained in power as long as no economic power center emerged outside of the political establishment. Bureaucrats and politicians became the owners of the most lucrative businesses in the aftermath of the privatization process that saw the country's most valuable assets plundered. Opening and operating private businesses became an excruciatingly difficult process for regular people. Many times, these businesses had to transfer substantial amounts of their profits to government authorities for protection and freedom from harassment. In such "circles of hell" where the shop owners had to pay substantial bribes to inspectors and law-enforcement authorities, it became almost impossible for businesspeople to earn legitimate profit in the new crony capitalist economy of Azerbaijan (Burke, 2000; ICG, 2004).

¹¹ Between 1992 and 1994, the 'monthly' inflation was 20 percent in Azerbaijan.

With corruption levels running high, Azerbaijan became a minefield for foreign companies to invest and operate. In such an unfavorable business climate, the energy sector proved to be a very hospitable area to invest for Western multinationals, thanks to very favorable production-sharing agreements (PSA)¹² regime offered by the Aliyev government. This PSA regime created a very attractive environment for oil corporations to invest in Azerbaijan. As opposed to many other PSA contracts elsewhere in the world¹³, the Azerbaijani PSA regime stipulates that the contract “after being ratified by the Azerbaijan parliament (Milli Majlis) assumes the force of law and prevails over any other existing or future law or decree whose provisions differ from or are in conflict with the contract” (Bayulgen, 2003, p. 212; see also, Bindemann, 1999, p. 81-83). Furthermore, the contracts provided all sorts of guarantees to corporations in regards to exploration rights, right of access to fields and facilities and freedom from extralegal measures¹⁴. In a way, Aliyev created a safe haven for oil companies to operate in the country, where they would be free from intimidation and harassment by government authorities.

Furthermore, the authoritarian political system in Azerbaijan acted as a blessing for oil corporations to conduct their operations. To begin with, Aliyev’s strongman position meant that getting his consent on an agreement constituted the most important task for

¹² PSAs are contracts outlining the regulatory, financial, organizational, legal and compensatory relationship between investors and host governments. Under the PSAs, contractors are granted the sole and exclusive exploration, development and production rights within the contract areas. The PSA laws and regulations, ie the PSA regime, provides that the state is bound by the contractual obligations to the investor and should be liable for breach of contract (Bindemann, 1999).

¹³ For an illuminating study on differences between Azerbaijani and Russian PSA regimes, see Bayulgen, O. (2005).

¹⁴ For such an agreement, see AGREEMENT ON THE JOINT DEVELOPMENT AND PRODUCTION SHARING FOR THE AZERI AND CHIRAG FIELDS AND THE DEEP WATER PORTION OF THE GUNASHLI FIELD IN THE AZERBAIJAN SECTOR OF THE CASPIAN SEA (bp.com)

corporations looking to invest in Azerbaijan. Also, with weak parliament and state institutions, SOCAR¹⁵, the Azerbaijan's state oil company, with its close ties to Aliyev, acted as the most and perhaps the only important institution to deal with. The other institutions, such as Department of Petrochemical and Department of Economic Development, or the Parliamentary Commission on Mineral Resources, Energy and Ecology, who also had to review and approve the draft of the contract, rubber stamped them after very short review and minimal, mostly grammatical, revisions. The undemocratic character of domestic politics also meant that neither oil corporations nor the government had to explain and negotiate the details of these agreements with opposition parties and civil society organizations. The latter were completely excluded from decision-making process, which meant less headache and more efficiency. As one expert put it, the single man rule in Azerbaijan provided a 'one-stop shopping' for oil companies (Bayulgen, 2005).

Between 1994 and 2000, SOCAR and the AIOC signed 32 such PSAs. (Ciarreta and Nasirov, 2011). These agreements established a special type of relationship between the corporations and the Aliyev Government where their political interests have largely harmonized. In Azerbaijan, one of important goals of the oil corporations was to ensure the stability of the favorable PSA regime provided by the Aliyev regime. Looking at the prior period when Aliyev annulled all previous negotiations conducted by his predecessor, corporations feared that the same fate might befall their current agreements with Aliyev

¹⁵ It is also notable that during until 2001 SOCAR functioned as a government ministry. Its head was a minister directly reporting to the President. SOCAR has so far maintained a virtual monopoly over the management of Azerbaijan's oil wealth (Bayulgen, 2013, ch. 5).

once someone from the opposition replaced him as the new president. As a result, the AIOC consortium members became proponents of regime stability in Azerbaijan.

At a structural level, cooperation with Western oil corporations emerged as the most important medium through which Azerbaijan came in contact with the US-led global capitalist order. Although the US government had established integration of post-Soviet economies into Western markets and promotion of liberal economic reforms as its primary policy objective in the region, during the early years of Soviet collapse, this strategy was largely limited to Russia ('Russia First' approach). The idea was that, given the sheer size of its economy and its political influence on other countries in the region, the reforms had to start in Russia first, and then spread to other countries. Given that its economy had collapsed completely and that its leaders were not as reformist as those in Georgia or Ukraine, it seemed at first that Azerbaijan was not a suitable country to push for neoliberal reforms in the post-Soviet space. However, the Contract of the Century in 1994 altered the scene significantly. Indeed, the deal and projected economic growth made Azerbaijan a priority in the region for the US policy of neoliberal reform. The goal was to ensure the flow of Caspian oil into Western markets and concomitant integration of Azerbaijani economy into neoliberal economic system.

Neoliberal Integration Through IFI Structure

However, the US government had a big obstacle: Section 907. The Congress-sponsored sanctions regime barred the US from providing any government-to-government aid to Azerbaijan in order to facilitate institutional reforms similar to those in Georgia and Ukraine. Facing such an insitutional hurdle, the US government found the solution in resorting to the Washington Consensus institutions to overcome the sanctions. Through the

IMF and World Bank, the Clinton Administration tried to achieve substantial privatization of especially large-scale state-owned enterprises and liberalization of trade and financial sectors. These reforms would, in turn, enable the US companies to penetrate into Azerbaijani markets and open the latter to American goods and services.

The IMF and the Aliyev government started negotiations in late 1994. The first IMF stand-by agreement was signed in April 1995. This agreement provided an impetus to neoliberal reforms in Azerbaijan. The program's main objective was to "reduce monthly inflation to about 2 percent by the end of the year" (IMF, 1995a). It also envisioned a 'comprehensive privatization program' that would require public enterprises to be transformed into corporations and sold to domestic and foreign investors. Indeed, the Aliyev government started the mass privatization of small and medium size state-owned enterprises in 1995, in a bid to make a transition into capitalist economy. Eventually, though, the cash-producing government enterprises were sold to government insiders and regime cronies at a fraction of their value. However, the IMF praised the government's success "in achieving macroeconomic stabilization" by reducing monthly inflation from 20 to 2 percent and therefore approved a second stand-by agreement worth 132 million USD in late 1995 (IMF, 1995b).

In the second stand-by agreement, the main objective was to speed up the privatization process and achieve privatization of large and medium-sized enterprises. However, the government refused to privatize large-scale enterprises such as Azerbaijan Airlines, Azer Energy, and most importantly, SOCAR and IBA (International Bank of Azerbaijan), fearing that its vested interests would be challenged by new economic powerholders in the system (Rasizade, 2003; ICG, 2004). The IMF continued to provide

loans to Azerbaijan during the late 1990s as part of structural adjustment programs. In addition to privatization of large-scale enterprises, these programs were “designed to prepare the country for the prospective oil boom as oil production is projected to double by the turn of the century and to quadruple shortly thereafter” (IMF, 1996). In 1999 and 2001, the IMF provided 283 million USD credit to Azerbaijan in order to reduce poverty and alleviate negative effects of low-oil prices on the economy during this harsh period. Overall, between 1995 and 2002, the IMF provided 672 million USD credits to Azerbaijan.

The World Bank also started to provide credits to Azerbaijan around the same time-frame. In 1995, the Bank approved 20.8 million USD credit as part of Petroleum Technical Assistance Project. The project was designed to “accelerate foreign private investment and financial participation in petroleum exploration and production” and “development of a legislative and fiscal framework for petroleum exploration and production” in Azerbaijan (World Bank, 1995). Along with the IMF’s second stand-by agreement in November 1995, the main objective of this program was the privatization of SOCAR. To this end, World Bank President James Wolfensohn cooperated with Viktor Kozeny, an international financial operator who defrauded investors over 1 billion USD in privatization schemes in the Czech Republic. Although Wolfensohn and Kozeny managed to bribe the State Property Commission (SPC) of Azerbaijan to go along with the privatization, the scheme stopped in 1999 after the Aliyev government decided to halt the privatization.¹⁶ The World Bank PTAP project ended abruptly in 2000, and disbursement of 11.8 million USD was halted. In 2006, an independent review of the PTAP project revealed that the World Bank’s

¹⁶ For a detailed report on this affair, see ‘Privatization and Corruption: The World Bank and Azerbaijan’, Government Accountability Project, August 2008.

promotion of a legal framework for private investment through legislative action in Azerbaijan were largely unsuccessful due to lack of commitment to such regulation on part of the Azerbaijani government which rejected transparency and disclosure mechanisms in its energy sector development (World Bank, 2006; see also, GAP Report, 2008).

The Bank's second project was Institution Building Technical Assistance and was designed to "provide support to the Government in formulating and implementing reforms to move to a market-oriented system" (World Bank, 1995). The Bank also provided a rehabilitation credit worth 65 million USD in 1996 in order to support Azerbaijan's transition to a market economy. In its implementation completion report, while praising "good progress on economic liberalization", the Bank complained about "limited achievement in the areas of privatization, private sector development, restructuring of the public sector, and introduction of a supportive regulatory environment" (World Bank, 1997).

The US signed a Bilateral Investment Treaty (BIT) with Azerbaijan in 1997¹⁷. The BIT would "protect U.S. investment and assist Azerbaijan in its efforts to develop its economy by creating conditions more favorable for U.S. private investment" (Treaty Doc., 2000). Azerbaijan also started accession negotiations with the World Trade Organization (WTO) in 1997. The same year, a Working Party was established within the WTO to lead the negotiations.

The cooperation outlined above was a by-product of an overlapping set of interests of the US and Azerbaijani governments. For the US, the International Financial Institutions

¹⁷ The Treaty entered into force in August 2001.

(IFIs) provided a much needed tool through which to promote neoliberal reforms in Azerbaijan. As its hands were tied at home due to Section 907 restrictions, the IFIs became a useful tool to steer the direction of the political regime and carry out institutional reforms to make the country a suitable market for American capital. For the Aliyev regime, the IFIs provided much-needed cash during a period of low prices and low production of oil. Also, the IFIs were regarded as an important medium through which to build relations with the Western countries, and improve the image of the political regime. However, as I mentioned above, the regime was not willing to give up its economic and political privileges as a result of following the IFI advice. This was clearly demonstrated in the former's fierce opposition to privatization of large-scale enterprises such as SOCAR and IBA. Privatization of small and medium-sized enterprises was hijacked by regime cronies. Moreover, the regime did not build a transparent legal regime for investment in sectors other than oil. Institutionalized corruption, harassment by bureaucratic authorities and bribe schemes were established as the norms of doing business in Azerbaijan's non-oil sector. As a result, the cooperation with IFIs did not produce any tangible outcome in terms of institutional change. However, for the US and transnational capital, the favorable investment climate in the oil sector, and the willingness of the regime to cooperate, even if under severe economic pressure, with the IFIs regarding structural adjustment reforms gave hope for future reforms in Azerbaijan.

In particular, the Azerbaijani PSA regime signaled to the US the willingness of the government to cooperate with big business, despite a very high level of petty corruption at lower levels that usually hurt regular people who were trying to make a living for themselves. Secondly, although many of the promises of structural reform remained

unfulfilled in this period, the government's cooperation with IFIs signaled its openness to 'advice' from the international financial community, and hence the possibility of actual reform in the near future. Indeed, it was this 'potential' for Azerbaijan's integration into capitalist markets that most of the time received praise from American policymakers in 1990s rather than actual reforms that are carried out on the ground.

Security Issues

Energy considerations played a profound role in bringing US attention to Azerbaijan's political interests. Beginning in 1994, the Clinton Administration, along with oil corporations, tried to establish strong ties with the Aliyev Government in Baku. The Administration's engagement involved activism in several areas. The first area was Azerbaijan's national security interests. The US helped the Aliyev regime to gain independence from Russian and Iranian pressure. It also actively participated in Nagorno-Karabakh peace process. In the second area, the Administration provided aid through non-governmental organizations (NGO) especially humanitarian aid in regards to internally-displaced-people (IDP). In the third area, Clinton hosted Aliyev in the White House. The event provided political legitimacy and support to the regime in Azerbaijan.

The first serious attempts by the US government to build cooperative relations with the government of Azerbaijan were made in 1995. The Clinton Administration started to provide attention to security interests and political independence of Azerbaijan in the same year. This happened less than a year after the signing of the Contract of the Century and right around the time when the AIOC consortium was discussing the transportation of early oil from Azerbaijan. In a letter to Aliyev in May 1995, President Clinton stressed that "we regard the successful exploitation of the oilfields in the Caspian as ... the key to turning

Azerbaijan into a fully sovereign and flourishing state” (quoted in Nichol, 1996). When the two met for the first time in New York in October 1995, Clinton praised the decision of the Azerbaijani government to pursue multiple pipeline routes as the primary policy and called for progress in the Nagorno-Karabakh peace talks. In 1995, the US Government also appointed a Special Negotiator, Joseph Presel, for the NK. Presel was a Coordinator for Regional Affairs in New Independent States (NIS) (The White House, 1996).

Congress also passed an act in 1995, PL104-107, that for the first time eased the restrictions on Section 907: “assistance may be provided for the Government of Azerbaijan for humanitarian purposes, if the President determines that humanitarian assistance provided in Azerbaijan through nongovernmental organizations is not adequately addressing the suffering of refugees and internally displaced persons” (PL104-107, 1996). This act, and another one passed next year (PL104-208) allowed the non-governmental organizations (NGOs) and international organizations (IOs) to use, rent, and repair the facilities belonging to the Azerbaijani government while distributing necessary aid to refugees in Azerbaijan. Prior to this act, the NGOs that were providing aid to Azerbaijani refugees could not use or rent the government facilities (Goltz, 1996). In the words of William Cohen in 1996, the soon-to-be Secretary of Defense in Clinton’s second term, “When the (Azerbaijani) government allowed the [International Rescue Committee] to use (warehouse) space rent free, (the) IRC still had to store supplies under tarps inside the warehouse because (the) IRC was not permitted to pay to repair a leaking roof since that would have been a contact with the government of Azerbaijan” (p. 8854, 1996). One of the co-sponsors of the bill, Senator Murkowski from Alaska, called Azerbaijan “the Kuwait of

the Caspian”, and noted that “the ultimate potential of the country as high as forty billion barrels of oil” (S8857, 1996).

The shape and content of US policy toward Azerbaijan was clarified in the report of the Interagency Group for Caspian Energy to the President in 1997. The report stressed that “The United States has a policy that focuses on ... supporting the development and diversification of regional infrastructural networks and transportation corridors to tie the region securely to the West”. It went on to claim that “Resolution of regional conflicts in Nagorno-Karabakh, Abkhazia, and Chechnya is also critical for successful and comprehensive energy development in the region” (The Report, 1997). President Clinton mentioned the resolution of the NK conflict in 1997: “A stable and prosperous Caucasus and Central Asia will help promote stability and security from the Mediterranean to China and facilitate rapid development and transport to international markets of the large Caspian oil and gas resources, with substantial U.S. commercial participation. While the new states in the region have made progress in their quest for sovereignty, stability, prosperity and a secure place in the international arena, much remains to be done--in particular in resolving regional conflicts such as Nagorno-Karabakh.”

The US government also started to become active in the Nagorno-Karabakh conflict during these years. In 1997, the US joined Russia and France to become one of the three co-chairs of the OSCE’s Minsk Group that was tasked to resolve the conflict. The Clinton Administration appointed Lynn Pascoe as the American co-chair of the OSCE’s Minsk Group and Special Negotiator for the NK conflict. Pascoe was a senior Foreign Service diplomat who was a Senior Advisor in the Bureau of East Asian and Pacific Affairs and at the United States Mission to the United Nations (The White House, 1997b). In 1998,

Pascoe was replaced by Donald Keyser, another senior diplomat with experience in East Asia, especially in China and Taiwan. Neither Pascoe nor Keyser managed to provide a boost to the negotiations. Both received heavy criticism from the Azerbaijani government. In the words of Vafa Guluzade, Aliyev's top-level advisor, "previous U.S. State Department representatives displayed illiteracy and ignorance of the Armenian-Azerbaijani conflict" (Hogan, 1999).

The fate of the NK negotiations changed with the appointment of Corey Cavanaugh to the Special Negotiator position in February 2000. Cavanaugh, a senior diplomat from Florida, was a proven peace negotiator with great experience and knowledge of the region. Prior to his appointment, he was the Acting Special Cyprus Coordinator. During his tenure on Cyprus he received State Department's James Clement Dunn Award for Excellence for defusing the bilateral tensions between Turkey and Cyprus when the latter purchased Russian S-300 missiles capable of hitting the former. Coupled with the highest level engagement from the State Department, Cavanaugh and the Minsk Group members managed to convene sixteen bilateral meetings between the Azerbaijani and Armenian presidents within the span of two years from 1999 to 2001 (Cavanaugh, 2001).

In fact, the breaking point in negotiations came on April 1999, when the three leaders of the South Caucasus met under the leadership of the Secretary of State Albright on the sidelines of the 50th Anniversary NATO Summit (Tamrazian, 1999). One US official explained the reasoning behind such high-level US engagement with these words: "There was general agreement that the region cannot reach its economic potential without resolving underlying political issues" (HDN, 1999). Albright also stressed "the importance of political stability for the Caucasian countries to attract much needed foreign investment"

during the fateful meeting at the 1999 NATO Summit (AFP, 1999). This reasoning was reiterated by other US officials tasked to handle the NK conflict. Donald Keyser, then the Special Negotiator, stated in 1999 that “the stakes [in the region] are vitally important for [the United States]”. The stakes included “independence, stability” and “the Caspian Basin’s energy resources” which “dictate policy-level attention, both to support U.S. commercial interests and to satisfy our strategic imperative to diversify the world's sources of oil” (Keyser, 1999).

The Bush Administration followed its predecessor’s heavy engagement policy in 2001. In the words of Cavanaugh, “On the tenth day of this administration, George Bush was talking about Nagorno-Karabagh. He talked to French President Jacques Chirac about it. He was aware of it before that” (Cavanaugh, 2001, p. 29). These efforts culminated in the April 2001 Key West Summit between the leaders of Azerbaijan and Armenia. The Summit, which took place in the tenth week of the Bush Administration, marked a high point in US involvement in the NK peace negotiations and was certainly a fruit of tête-à-tête conversations between Aliyev and Kocharian spearheaded by the US government. When asked about the role of Russia, Cavanaugh noted that “Today I would say that the outlook and perspective of Moscow, Washington and Paris are virtually identical. That has made for a much greater chance of finding a settlement and moving this forward” (Cavanaugh, 2001).

Furthermore, the US Government increased its pressure on Congress to ease the restrictions put by Section 907 on US governmental aid to Azerbaijan and called for the first time to repeal the infamous Act at the executive level. In addition to President Clinton (The White House, 1997), many high-level officials within the Clinton Administration

requested Congress to repeal Section 907, which they claimed “hinders our ability to advance America's national interests in Azerbaijan and the Caucasus” (Albright, 1999). In Fiscal Year 1998, Congress exempted democracy, non-proliferation and trade and investment programs from Section 907. The exemption provided a substantial boost to overall US aid to Azerbaijan which was very necessary given the dire conditions in the Azerbaijan economy during those years.

Protecting Critical Security Infrastructure

The US security cooperation with Azerbaijan developed during this period between 1995 and 2001. As the AIOC built its oil exploration infrastructure in the Caspian Sea, and as the early pipeline routes to Georgia and Russia were coming to operation in 1999 and the plans were underway to develop the BTC pipeline, the US engagement in ensuring the safe transport of these pipelines and the protection of offshore energy infrastructure was intensified. An important part of this engagement was to facilitate Azerbaijan’s integration into NATO and to establish maritime protection. Azerbaijan, together with Armenia and Georgia had joined NATO’s Partnership for Peace (PfP) program in 1994. The PfP aimed at “increasing security and defence cooperation between NATO and individual Partner countries” (NATO, 2015). The partnership deepened after 1997. In 1997, Azerbaijan joined the NATO Planning and Review Process which “aim[ed] to promote the development of forces and capabilities by partners that [were] best able to cooperate alongside NATO Allies in crisis response operations and other activities to promote security and stability” (NATO, 2014). In March 1997, the US and Azerbaijan started the Bilateral Security Dialogue.

In his meeting with Aliyev in the White House, President Clinton noted that “The United States recognizes the challenges facing Azerbaijan in assuring its national security and strongly supports Azerbaijan's active integration into newly emerging European security structures, including NATO's Partnership for Peace and the Euro-Atlantic Partnership Council” (The White House, 1997a). The two leaders also discussed “security threats posed by international terrorism, narcotics trafficking, international criminal activity, and proliferation of weapons of mass destruction. They agreed to explore the expansion of security cooperation, including through the bilateral security dialogue inaugurated in March 1997” (The White House, 1997a). The culmination of Azerbaijan’s NATO partnership was in 1999 when the former sent a unit composed of 33 soldiers to Kosovo to participate in NATO’s peacekeeping efforts there (Reuters, 2008).

In 1999, President Clinton proposed the Expanded Threat Reduction Initiative (ETRI) which “significantly increased funding for cooperation with Russia, Ukraine and other New Independent States (NIS) to prevent proliferation of weapons of mass destruction and the materials to make them” (ETRI, 1999). Azerbaijan started cooperating with the US on WMD nonproliferation and defense activities the same year and signed the US-Azerbaijan Cooperative Threat Reduction (CTR) Agreement. For the first time Azerbaijan started to receive CTR funding from the US Government. The Government of Azerbaijan received a total of \$160,000 from the Department of Defense Customs Service Counterproliferation Program. Cooperation on maritime and border protection also started in 1999 and 2000. In 2000, the State Department and the U.S. Coast Guard conducted a maritime border enforcement assessment in Azerbaijan and began an integrated interagency maritime nonproliferation support program. The US government also

expanded its cooperation with Azerbaijan under the Export Control and Related Border Security (EXBS) program in 2000.

The Great Game?

Given this high level of US engagement on energy and security in the second part of the 1990s some commentators received the metaphor of ‘great game’ to describe the rivalry between Russia and the US over the control of the energy resources of the Caspian (Cohen, 1997; Berman, 2004; for more on Great Game, see Edwards 2003, for an illuminating discussion on the roots of Great Game discourse in the Caspian see O’Hara 2004.) According to a particular version of this analysis, the US energy and security policy in the region was part of a much bigger strategic goal: to control the destinies of the countries in the region, and to integrate the region into the Western political and military structure. Based on the main tenets of realism, or those of *realpolitik*, this argument emphasized the need to cut Russian influence in the region. The US supported the new pipeline projects along the East-West axis and promoted Azerbaijan’s integration into US-led military institutions such as NATO, in order to achieve this broad geopolitical goal (Blank, 1999). Azerbaijan, in particular, was important, and had to be supported, due to its particular location, bordering Iran and Russia, and located in a critical pivot to Central Asia.

US Security Assistance and the Great Game

However, it is hard to characterize the US government’s eagerness to help Azerbaijan enhance security in the Caspian Sea in this period as part of its ‘Great Game’ in the region against Russia. Instead, I argue that US security cooperation was developed in tandem with its vital interests in Azerbaijan. As was articulated by President Clinton,

the vital US interest in Azerbaijan was the free flow of oil to world markets. First of all, the scope and magnitude of US security assistance to Azerbaijan was severely curtailed by the restrictions imposed by Section 907 in this period. Azerbaijan could not receive assistance from some programs completely and the amount of assistance through other programs was limited. For example, Section 907 of the FREEDOM Support Act has precluded the International Narcotics and Law Enforcement Affairs (INL) from providing law enforcement training to Azerbaijan. The IMET and FMF programs were also barred. DoD's Warsaw Initiative program which was designed to "promote interoperability with NATO; increase the level of participation in PFP exercises; and support efforts to deepen defense and military cooperation between the U.S. and NATO and their PFP partners" was also prohibited.

The US government was aware of these limitations and had complained about them in many instances. It was clear that the current level of military assistance was not enough and more was needed, especially in the maritime domain. The State Department's Annual Reports for Assistance in 1999 and 2000 stressed that "Azerbaijani agencies responsible for maritime law enforcement are sorely in need of resources to conduct surveillance and boardings in the Caspian Sea and port-security training for maritime enforcement agencies in Baku. Without these resources, the Government of Azerbaijan has an extremely limited ability to conduct any maritime operations, particularly export control and nonproliferation" (Department of State, 1999, 2000).

Secondly, as the Adapted CFE Treaty that was signed at the OSCE's 1999 Summit demonstrated, the US did not request Russian forces to leave Georgia, and indeed agreed to the terms of the Flank Agreement signed in 1996 without making any changes. Secondly,

the US government's complaints and requests were directly pointed toward maritime security, and did not capture other elements, especially those related to the Azerbaijani government's internal security forces and the army. Simply put, the US government was not interested in, and indeed would never in the future, provide training to paramilitary forces belonging to the Azerbaijani Government (such as SAND in Saudi Arabia). The main reason behind this policy was the dynamics of the conflict between Azerbaijan and Armenia and the US position. During the Clinton Administration, the US Government formulated a policy whereby it would never provide training and equipment to governmental forces belonging to either Azerbaijan or Armenia. Indeed, during the late 1990s, when Azerbaijan was still subject to restrictions on military aid, and despite the fact that the amount of FSA assistance to Armenia was five times that of to Azerbaijan, the US government would follow the same pattern in terms of military assistance. For example, the US did not provide IMET and FMF, nor INL or WI assistance to Armenia and built its security cooperation with the former in parallel to the developments in its cooperation with Azerbaijan. Finally, this logic clearly presented itself in 1999, when, according to Aliyev's top-level advisor Guluzade, the former offered Secretary of State Albright a US military base in Azerbaijan as a "safeguard of the country's national security and its independence". Since its independence, the Azerbaijani government had seen the West and the US in particular as a balancer against Russia and Iran in the region:

"Having mighty neighbors to its north and to its south, Azerbaijan views the West as the guarantor of its independence. Azerbaijan needs the support of the United States and Western Europe to protect itself from the influence of Russia and Iran. Given that the interests of the United States and Azerbaijan coincide in that both struggle against the Russian expansionism and Iranian fundamentalism; the two countries should struggle against these forces together" (Guluzade 2002).

The US government declined the offer. As one military planner explained at the time “A real American base in Azerbaijan is impractical, especially since there's no direct threat to American interests there or any active enemy to defend against” (Kinzer, 1999).

BTC Pipeline and the Great Game

According to the Great Game logic, the BTC pipeline was the embodiment of the realpolitik logic: the pipeline was heavily supported, both financially and politically, by the US because it would deal a huge blow against Russian influence in the region, and would help connect Azerbaijan (and Georgia) further to the West. In fact, critics of these policies argued that the BTC pipeline did not merit substantial US attention as it was economically unviable and was traversing a harsh, conflict-ridden territory. However, they lamented, the dominance of geopolitical considerations led the US to follow such risky endeavors. (Jaffe and Manning, 1998; Jaffe and Olcott, 2000).

However, some of the primary assumptions of this geopolitical reasoning were problematic. For one, the idea that the BTC pipeline was almost forced by the US government despite it being economically unviable and geographically dangerous is misleading and is missing an important insight. First, the US government did not start providing financial support (through EX-IM Bank, OPIC and USTDA) until the project proved itself financially viable in 2002. Secondly, there were real geoeconomic, security and environmental problems facing the implementation of other routes, namely the northern route through Novorossysk, Russia and Supsa, Georgia. Stulberg (2005) demonstrates that the Russian oil sector did not have the economic and technological capabilities to assert itself in Caspian oil exploration and export projects throughout this

period. Russia “was not strategically positioned to inflate exploration or logistical costs” which was an important reason why the Caspian was rather grabbed up by “those international oil firms that enjoyed competitive commercial and technological advantages over Russia” (Stulberg, 2005, p. 16).

The Baku-Novorossysk Northern Route faced security problems in the late 1990s and early 2000s due to the Russian war with Chechnya. The security situation in Grozny and Dagestan prevented BP from maintaining already modest pumping amounts at the time, and raised serious doubts over the possibility of expanding this pipeline (Jaffe, 2001, p. 142; Lieven, 1999, p. 73; Roberts, 1996, ch. 2). Nor would building a pipeline passing through war-torn Nagorno-Karabakh be a better idea. A further problem concerning both Supsa and Novorossysk routes was that the tankers filled with oil in these ports had to be shipped through the already congested Bosphorus Straits. This idea faced severe criticism from the Turkish government, who argued that it would not allow any more tanker traffic in the Straits due to the risk of disastrous accidents and of environmental catastrophes (Slaney, 2004; for more on the realities of oil transit through the Turkish Straits see Eurasian Transportation Forum’s Special Report, 2011). Finally, any pipeline through Iran would have further clogged the already jammed Persian Gulf, adding more importance to the already troubled Middle Eastern waters. Therefore, even without US sanctions, the Iranian route was meant to be problematic to carry out (Barnes, 2002).

Secondly, and more importantly, the Armenian Lobby ardently opposed the realization of US-backed energy projects, especially those that benefitted Azerbaijan, throughout the 1990s and 2000s. Not only did influential bodies of the Lobby such as Armenian National Committee of America (ANCA) and Armenian Assembly of America

(AAA) send countless mails and requests to the members of the Congress (ANCA Press release, 2003), but they also managed to push Congress to introduce a resolution in the House to block US assistance for the BTC pipeline. Introduced by the Congressional Armenian Caucus (the Caucus), the legislation called for the US to stop funding any pipeline in the region that would bypass Armenia or prevent Armenian participation (H.Con.Res.162, 2001). Furthermore, important members of the Caucus, such as Rep. Joe Knollenberg raised his voice against the BTC pipeline in multiple Congressional hearings on US policy in the Caspian and Caucasus regions (The Caucasus and the Caspian Region, 2001). However, this activism could not create enough influence on US policy-makers to change the course of US energy policy in Azerbaijan during this period. Both Clinton and Bush Administrations pursued the US policy objectives set during the late 1990s. Occasional opposition in the Congress was either ignored, or was countered by high-level bureaucrats who served under both administrations.

The Azerbaijani Oil Bonanza

Finally, I would like to discuss here an important, but generally neglected aspect of US oil interests in the Caspian, and in Azerbaijan in particular. This aspect is related to hyperbolic estimates of Azerbaijani oil in the 1990s. After the oil companies arrived in the Caspian, exaggerated estimates of oil started to be formulated within policy circles in the US. These hyperbolic estimates were triggered by several factors. First, they were related to the way the companies conducted their initial tests in the Caspian. Although the initial geological studies were enough to determine the “existence” of resources, the exact amount (hence profitability and viability) of these resources, however, could have only be determined after actual drilling in the Sea. Therefore, companies and the governments were

misled by the geological surveys which showed the ‘existence’ of oil and gas in several areas in the Caspian. Second, both the regional governments and the oil companies had incentives to exaggerate the amount of oil and gas in the Caspian. For companies, the Caspian presented a new source of major supplies, which could potentially help them to generate enormous profits. Also, because these ventures were joint-stock companies, their shareholders derived their profits from the rising price of their shares and oil futures on the mercantile exchange, instead of increasing dividends from actual production activity. Therefore, the rosy estimates and reports helped the oil companies to improve the image of their investments and generate instant profits in the process (Rasizade, 2005). For the countries, the stakes were even higher. They were in dire need of foreign investment, aid and export-generated revenue for their newly-independent nations that were already facing harsh economic consequences of the Soviet collapse. The hyperbolic estimates were utilized to lure both Western companies and governments to the region, and in the process, to gain their attention and care (Peimani, 2001, ch. 1).

These estimates fed into the evaluation of the Interagency Group for Caspian Energy in mid-1990s. The ultimate report of the group reflected the positive bias that dominated the thinking of oil companies and Caspian governments. The report declared that “[w]ith potential reserves of as much as 200 billion barrels of oil, the Caspian region could become the most important new player in world oil markets over the next decade”. The report went further to claim that “the scale of Caspian basin energy resources not only justifies – but will demand – multiple transportation options for moving production into world markets” (The Report, 1997). Formulated for the first time in this report, the “200 billion barrels” idea started to shape the US Government’s perception of the region. Many

major policy documents and speeches, most importantly the NSS documents¹⁸ began to spin this idea throughout the late 1990s. Azerbaijan was estimated to possess 20 to 40 billion barrels of oil in its sector of the Caspian Sea. This put Azerbaijan on par with Nigeria, the United States, and Qatar (Goldberg; 20 percent).

What did Caspian oil mean to the US at the time? The main US objectives concerning energy security were diversification of oil supplies away from the Persian Gulf and the Middle East, lessening US dependency on Middle Eastern oil, and marketization of new supplies, such as those in the Caspian, in order to depress the price of oil and prevent dangerous fluctuations. The US officials perceived the Caspian as part of all of these three objectives. Clinton's Secretary of Energy Bill Richardson declared, in 1998, that "[t]he Caspian region will save us from total dependence on Middle East oil" (quoted in Goldberg, 1998). Even if the initial estimates were proven to be wrong in the early 2000s, the officials continued to believe that there were going to be significant discoveries in the future. The NEDP Report in 2001, for example, abstained from citing any hyperbolic estimate while discussing the Caspian, and settled with saying that "proven reserves are expected to increase significantly" in the near future (NEDP, 2001, ch. 8 p. 11). Hence, there was a direct correlation between the importance assigned to the Caspian by the US policymakers and the exaggerated estimates of oil.

Human Rights and US Promotion of Low-Intensity Democracy

The role of human rights considerations in US foreign policy has been a hot topic since the 1980s. It was Congressional activism in 1970s that brought human rights

¹⁸ As late as December 2000, Clinton's NSS document was claiming that the Caspian has "potential oil reserves of 160 billion barrels" (Clinton, 2000).

considerations into the foreign policy agenda. The civil rights movement, American involvement in the Vietnam War, and the amoral character of the Nixon-Kissinger-Ford foreign policy spurred congressional interest. Congress was particularly disturbed by US aid to dictatorial regimes in Third World countries that were subservient to US strategic interests. In this period, Congress passed several country-specific provisions making foreign aid contingent upon human rights practices. However, neither the Nixon nor Ford administrations allowed their foreign assistance priorities to be disturbed by these congressional provisions. It was Jimmy Carter who, for the first time, introduced human rights as an important component of his foreign policy. Although strong in terms of its rhetoric, the Carter policy was short in practice. Scholars found a disturbing pattern of continuation rather than a break between the Nixon, Ford and Carter Administrations in terms of the relationship between human rights and foreign assistance (Stohl, Carleton, and Johnson, 1984). In fact, Carter's human right policy only had impact on levels of US aid to eight Latin American countries, Argentina, Bolivia, El Salvador, Guatemala, Haiti, Nicaragua, Paraguay and Uruguay. None of these countries was close to the Soviet Union or Soviet allies, had US military bases, was a member in pro-Western security organization, or possessed major resources such as oil (Carleton and Stohl, 1985). Starting with Carter, every US administration found ways to move around Congressional restrictions on foreign aid by resorting to the 'extraordinary circumstances' clause, which stipulated that US strategic interests have primacy in determining foreign assistance.

As Schultz (2014) demonstrates, in addition to providing direct support, in the form of provision of arms and training, to equip repressive regimes, the US Administrations provided indirect support to help maintain a repressive government in power through

economic, as well as humanitarian aid in the form of food and shelter. Furthermore, following favorable (neoliberal) economic reforms/policies was used as justification for providing economic aid to authoritarian regimes in the Third World. Schultz found that human rights considerations did not play any role in EX-IM Bank and OPIC programs. EXIM officials favored “economically sound” loan proposals: for which there is a reasonable assurance of repayment. The Congress refused to introduce human rights clause to EXIM financing, as this could increase the US trade deficit. OPIC, which insures the overseas investments of US-based MNCs from losses due to expropriations, damage by war, revolution, insurrection, and inconvertibility, has become a symbol of government attempts to keep the Third World relatively safe for US-based MNCs (Schultz, 2014)

This provides the context for understanding the Section 907 sanctions regime against Azerbaijan. In 1992, at the time when the sanctions act was introduced, for US policymakers, Azerbaijan was a little-known entity located in the Soviet periphery. Contrary to what some “Great Gamers” claim, Azerbaijan’s geographic location alone – bordering both Iran and Russia in South Caucasus - was not an effective reason to bring the country into US policymakers’ attention and make it a component of its strategic posture in the region. For the US Government, the most important priority in the region was Russia (“Russia First”) and secondly, it was the denuclearization of Kazakhstan, Belarus and Ukraine to ensure that Russia remained the only nuclear power in the post-Soviet space.

In regard to its oil resources, there were many questions whether 1) the country had possessed credible amounts of oil, and 2) its political regime will open their exploration to US corporations. As I demonstrated above, it was US oil corporations that introduced

Azerbaijan to policymakers in Washington. In their lobbying efforts, they hired top former US aides to lure the Clinton Administration. Among them was Brent Scowcroft, a former national security advisor who was hired by Pennzoil, an AIOC partner, in 1996. Another former national security advisor, Zbigniew Brzezinski was a consultant to Amoco, the US company with the biggest stake in AIOC. Former White House chief of staff John Sununu's management consulting firm, JHS Associates, was on the payroll of the Aliyev Government (Ottaway and Morgan, 1997; MacDougall, 1997). As Azerbaijan's strategic importance for the Clinton Administration increased due its actual and potential oil reserves, the latter tried to get rid of the sanctions regime and began economic and humanitarian assistance. There was a humanitarian crisis in Azerbaijan at the time due to almost a million Internally Displaced People (IDP). Hence, it would be unfair to classify US humanitarian aid as geared toward 'strengthening a repressive regime'.

However, the Clinton Administration's policy to eliminate the Section 907 sanctions can be connected to its willingness to forgo human rights considerations to the benefit of strategic objectives. Throughout the 1990s, the Aliyev regime remained one of the most repressive ones in the world. A Human Rights Watch (HRW) report in 1999 detailed the egregious human rights abuses conducted by the political regime. It demonstrated that "security forces regularly torture those in custody, and get away with it... Ministry of Internal Affairs often keeps detainees in a state of isolation from the outside world, including from lawyers and relatives, allowing torture to take place in virtual secrecy" (HRW, 1999, p. 1). The State Department's own Human Rights report in 1999 concurred with HRW's conclusion: "there are credible reports that the police practice of beating prisoners during arrest, interrogation, and pretrial detention was widespread. The

Government does not hold most members of the police accountable for their actions” (State Department, 1999) However, the Clinton Administration did not allow these concerns to block OPIC and EX-IM Bank financing.

Also important was the lack of US criticism of human rights abuses in Azerbaijan. In her illuminating analysis of this human rights rhetoric, Julia Mertus claims that instead of universal values and consistent behavior, US policy has fallen victim of a belief in American exceptionalism that exerts itself in various ways. First, rather than universal principles of equality, human dignity and moral worth, American policymakers and institutions refer to “a short list of American values, to be projected and applied to others in line with American national interests” when discussing human rights issues (Mertus, 2004). Secondly, the behavior of US policymakers is marred with ‘double standards’; the doctrine of human rights applies only to others, not the US itself. Also within the previous category, a distinction has been made between friends and enemies where the enemies were condemned for human rights abuses, but the friends were not. Hence, human rights became a ‘rhetorically available idea’ that can be utilized in order to punish and shame adversarial regimes (Mertus, 2004). The Clinton Administration abstained from criticizing the Aliyev regime for the latter’s human rights abuses in this period. As a friendly regime, Azerbaijan remained outside of Clinton’s human rights rhetoric. Instead, in its efforts of ‘democratization, the US Government focused on promotion of low-intensity democracy in Azerbaijan.

Clinton Administration and Promotion of Low-Intensity Democracy in 1990s

After the dissolution of the Soviet Union, the US made the promotion of low-intensity democracy one of its most fundamental goals in the post-Soviet countries. As

articulated by President Clinton in his 1995 National Security Strategy document, one of the primary objectives of the Clinton Administration was “democratic enlargement that increases our security by protecting, consolidating and enlarging the community of free market democracies” in “key emerging democratic states including Russia, Ukraine and other new states of the former Soviet Union” (NSS, 1995, p. 7). An important policy instrument designed to serve that goal was the Freedom Support Act (FSA) of 1992. The act envisioned billions of dollars of US aid to support “the integration of the independent states of the former Soviet Union into the community of democratic nations ... by assisting in the development of democratic institutions, and by fostering conditions that will encourage the United States business community to engage in trade and investment” (FSA, 1992). The FSA was designed mainly as a tool to foster bilateral economic assistance activities between the US and the New Independent States (NIS). However, because aid to Azerbaijan was banned by Section 907 of the FSA, the US Government could not provide any government-to-government aid to support democratization efforts in Azerbaijan. This sanctions regime deprived the US of an important policy instrument to influence state-building efforts. To illustrate, from 1992 to 2001, the US provided 850 million USD bilateral aid to Georgia, one third of which went to institution-building activities King, 2001).

Until the late 1990s, US aid to Azerbaijan focused mainly on humanitarian activities, specifically on alleviation of suffering inflicted on internally-displaced people (IDP) who fled Karabakh after being expelled from their homes by Armenian forces. USAID provided humanitarian assistance in an amount of 62 million USD between 1993

and 1998. In its assistance efforts, USAID utilized private organizations such as Save the Children Foundation, CARE, Relief International and World Vision (USAID, 2016).

Despite its ambitious agenda, by 1997, the FSA proved to be highly ineffective in promoting reform within the Soviet-style institutions in the NIS and in strengthening legislative and judiciary institutions. Frustrated by lack of progress and even reversal of reform in some countries, the Clinton Administration proposed a new aid initiative in 1997 called Partnership for Freedom (PFF). In the words of the Administration, the PFF represented “a significant change in approach to our activities in this region from advising on mechanisms of democratic and economic reform to cementing the irreversible nature of those reforms”. PFF envisioned an increase of 34 percent to 900 million USD in US aid to the NIS for Fiscal Year 1998. The main focus areas of the PFF was Central Asia and Caucasus. In terms of its main objectives, the PFF did not envision significant change from the FSA: promotion of market democracies, creation of market economies and integration with Western supranational institutions remained at the center of PFF’s agenda. Rather, the PFF envisioned a shift in the means of achieving these objectives.

Instead of government-to-government aid that focused on institution-building, the new program focused on supporting civil society and other private organizations. The idea was that Soviet-style political institutions were very resistant to reform and hence, focusing on them was an ineffective strategy in terms of bringing change. Instead, aiding civil society organizations that are responsive to US political and economic agenda will be more helpful. To this end, the Clinton Administration requested funds to support “endowments for selected foundations or NGOs for activities in democracy building, independent media, legal reform and economic development” (PFF, 1997). The new program also aimed at

supporting professional and student exchanges, and in general reaching out to a broader community of reform-minded people within these countries.

The PFF initiative had a strong effect on US aid policy in Azerbaijan. In 1997, an amendment was introduced to Section 907 to enable the US to provide aid to democracy assistance activities in Azerbaijan through private NGOs. Starting with late 1997, US NGOs such as IRI, IREX, IFES and those Soros Foundation opened their offices in Azerbaijan. These NGOs opened doors for the US to support institution-building activities in Azerbaijan. Although Section 907 was not abolished, the PFF enabled the US to provide funds for the activities of these NGOs.

The US NGOs arrived in Azerbaijan in the early years of independence before 1997. One of the first visitors was NDI. After opening its first office in the region in Tbilisi in 1992, the NDI visited Baku in 1993 to open an office. However, the coup in June of the same year and following political turmoil forced the NDI to postpone the opening until 1995.

During this period, US democracy promotion activities focused on three issues in Azerbaijan: political elections, rule of law, and the media. Elections are an important component of low-intensity democracy. As defined by Robinson, low-intensity democracy is “a system in which a small group actually rules and mass participation in decision-making is confined to leadership choice in elections carefully managed by competing elites” (1997). The first activity carried out by NDI was to send a survey mission to Azerbaijan prior to 1995 parliamentary elections. The survey mission composed of NDI Director Nelson Ledsky to Baku along with several other important officials such as OSCE Representative Sam Brown, Zbigniew Brzezinski, and Jan Kalicki, the Clinton

Administration's Ombudsman for Energy and Commercial Cooperation with the New Independent States of the former Soviet Union. The survey mission was welcomed in Baku by high-ranking officials and finished the visit with a meeting with President Aliyev. One of the most important activities of both NED institutions (both NDI and IRI) in this period was election monitoring. Indeed, these groups observed every election in this period after 1995 and prepared detailed reports about the conduct of elections.

Azerbaijan had three important elections in this period: 1995 and 2000 parliamentary elections, and 1998 presidential elections. NED institutions tried to put pressure on the Aliyev Government to respect political pluralism and enable opposition political parties and presidential candidates to participate in elections. In 1995, this pressure along with political pressure exerted by the US Embassy forced the Aliyev Government to allow the Azerbaijan Popular Front (APF), the main opposition party, to register with the Ministry of Justice and to participate in parliamentary elections. In 1998, the same activism played a role in forcing the Aliyev regime to abolish press censorship and to allow opposition rallies that were banned three years before. An important goal of the NED was to deploy large number of observers during elections. In 1998, the new election law allowed, for the first time in Azerbaijan, nonpartisan domestic (local) election observers from registered nongovernmental organizations to monitor the work of all election commissions. The NDI provided assistance to the Independent Assistance and Consulting Center for the Sake of Civil Society/Azerbaijani Civil Initiative (ACI), which deployed over 2000 domestic election monitors for the 1998 presidential elections.

However, most of these reforms were only procedural in nature, and those that had real capacity to influence the outcome of elections were reversed by the government in

later years. For example, although the government allowed APF to participate in 1995 election, the other major opposition parties, Musavat and the Social Democratic Party (SDP) could not participate due to failing to collect enough signatures. Later in 1998, all opposition candidates boycotted the presidential elections due to the highly restrictive pre-election environment and anticipation of massive electoral fraud in elections. Aliyev managed to bring Etibar Mammadov, a government insider, as an alternative major opposition candidate to the elections in order save the face. The vote counting process was still grossly flawed in all elections. ACI, the election monitoring organization, on the other hand, was barred from observing the 2000 elections after catching the ire of the government in 1998. All in all, none of the elections in this period managed to meet minimum international standards.

NED's Aggressiveness and The Regime's Response

The NED and its partner institutions quickly adopted an aggressive and public stance against election-day irregularities, corruption and overall lack of serious reform in Azerbaijan. As the government failed to respect its election promises, these NGOs raised their voices and publicized election flaws in their reports that caused quite a stir in Azerbaijani and in the international media. For example, in its report after the 1998 presidential elections, the IRI questioned the legitimacy of Aliyev's re-election by claiming that "the witnessed vote count for Aliyev fell below the two thirds necessary to avoid a runoff" (IRI, 1998). NDI's post-election report in 2000 claimed that the elections "represent[ed] a continuation of pattern of seriously flawed elections in Azerbaijan that fail to meet even minimum international standards". Criticizing the new election law, the report argued that "NDI has not encountered such restrictive legislation in any other countries

where it has observed elections” (NDI, 200). As a result of such critical reporting, the relationship between the NED and the Aliyev regime strangulated toward the end of 2000. Indeed, neither NDI nor IRI was allowed to monitor elections after 2000. The mysterious murder¹⁹ of John Alvis, head of the IRI’s Azerbaijan office in December 2000, dealt a huge blow to the activities of the IRI in Azerbaijan. IRI closed down its Baku office in 2000, only to reopen it in 2003, before the fateful presidential elections of the same year.

The election- related activities of US NGOs were not limited to monitoring and reporting. NED opened a pluralism center name ‘Inam’, where “young activists participated in seminars to learn about electoral systems ... voter mobilization ... and creation of electoral alliances” (NED, 1997, p. 37). More important was the NED’s engagement with political parties on the ground. Both NDI and IRI provided education and training to political parties and candidates and assisted them in strengthening party infrastructure, communications and outreach. Although these activities were open to all political parties, it was mostly opposition parties that participated in these programs because of lack of enthusiasm on part of Aliyev’s New Azerbaijan Party (NAP). Similar to what happened in Georgia at the time, the regime’s political party did not show interest in receiving training or education. In addition to training, the NED and its affiliated institutions built links with opposition party leaders such as Isa Gambar of Musavat and Ali Karimli of APF.

¹⁹ The murder was never solved. Alvis’s colleagues in NED claimed he was killed ‘for his efforts’ in Azerbaijan, while the Azerbaijani Government denies any such connection and claims that Alvis’s murder was connected to his homosexual identity. (for NED claims, see van Praagh, 2010; for the government’s response, see Azerireport, 2010).

The second issue that US democracy promotion activities focused on in Azerbaijan was supporting the development of free media. For this purpose, the NED established the Azerbaijan Foundation for the Development of Democracy. Through the Foundation, the NED provided financial support to Ayna/Zerkalo and Azadliq, two of the leading opposition newspapers. NDI also established an independent Journalists Association called “Yeni Nesil” (New Generation), whose goal was “to encourage the government to promote the public’s right to information and to respond to requests made by journalists” (NED, 1998). Another US- sponsored NGO project was Internews. In its activities, Internews provided training and legal assistance to local journalists and educated them about using modern equipment. It also produced independent television programs and distributed them to non-governmental, mostly local TV networks around the country. In 2000, Internews began its “Spacebridge” program which produced interactive videos to increase mutual understanding and tolerance between Azerbaijan and Armenia.

Although the Clinton Administration’s and the NED’s main objectives overlapped in regards to elections, there were important differences between the two in terms of their practice. As opposed to IRI and NDI’s public stance against massive election irregularities which they publicized in their detailed reports, the Clinton Administration abstained from public criticism of the Aliyev regime and rather relied on private diplomacy in its approach. Through diplomatic channels, the Clinton Administration tried to put pressure on the Aliyev regime to establish pluralist political institutions and to enable participation of a wide range of political parties and individual candidates in elections. As opposed to NDI and IRI, the US government did not publicize its frustration with the Aliyev regime’s reform efforts in these years. Furthermore, the Clinton Administration abstained from

questioning the legitimacy of the elections. Hence, it acknowledged the Aliyev Government's legitimate right to govern the country. Instead of focusing on human rights issues, the Clinton Administration cheered the stability that was brought by Aliyev.

Another issue was that, due to restrictions imposed by Section 907, the US could not provide democratization assistance to government institutions in areas such as institutional capacity-building and reform. As a result, the US government's activities in democratization area focused solely on the non-state sector, primarily the NGOs, media organizations, and opposition political parties. Government employees could not participate in USAID-sponsored training and education programs, which, according to USAID, "generates considerable resentment" (USAID, 2000, p. 7). The NGO community in Azerbaijan established its own political agendas which stressed the importance of economic and political reform at the expense of energy considerations. David Kramer, who was associate director of the Russian and Eurasian Program at the Carnegie Endowment for International Peace at the time, summarized the frustration this way: "Having failed sufficiently to emphasize political and economic reform in the region, the United States has compromised its core principles for the sake of a questionable geopolitical strategy" (Kramer, 1999).

Conclusion

In this chapter, I analyzed the first period of US policy in Azerbaijan that runs from 1991 to 2001. I demonstrated that, in the 1991-1994 period, the United States was busy trying to manage Russia's transition and denuclearization of several peripheral post-Soviet countries and did not have a defined set of interests in Azerbaijan. The dearth of political interests, and the resulting lack of political initiative on part of the White House enabled private

interests to exert disproportionate levels of influence in Congress. Later, I showed that, in contrast to this short early period, the second period, which captures the time from late 1994 to 9/11, was characterized by an unprecedented level of policy activism on part of the US government which made Azerbaijan (and Kazakhstan) the new center-stages (in addition to Russia) of its policy in the post-Soviet region. I argue that the main driver of that activism was the energy issues. Hyperbolic oil estimates in the Caspian Sea region and more importantly, policy advocacy of oil corporations in the US, managed to change US perception of Azerbaijan from a remote place in the post-Soviet space to a holder of a very crucial political and economic stake in the new era. The Clinton Administration, in turn, mobilized its institutions, to build cooperative relations with, and establish its influence in, Azerbaijan. Finally, in regards to human rights issues, the US government followed a policy that had its roots in the Carter and Reagan years. On the one hand, the human rights abuses of the Azerbaijani regime were not allowed to factor into US support to energy projects. On the other hand, starting with 1997, the US Government provided funding to National Endowment for Democracy (NED) and its affiliated institutions, to promote low-intensity democracy in Azerbaijan.

CHAPTER III: 2002 – 2007

Introduction

In this chapter, I analyze the second period of US policy toward Azerbaijan that includes 2002 to 2007. I argue that the primary US policy objectives toward Azerbaijan, in these years, were to achieve energy security through the liberalization of Azerbaijani markets and to provide access to Azerbaijani oil by transnational capital. I demonstrate that the US security objectives in Azerbaijan revolved around ensuring the safe supply of energy from Azerbaijan to international markets and the protection of offshore facilities owned by transnational capital. Hence, I reject the rigid outlook of the realist argument which pays too much attention to the geopolitical rivalry between Russia and the US over the region.

Furthermore, I argue that neoliberalization of Azerbaijani markets emerged as a major policy objective for the United States after successful completion of the BTC pipeline and subsequent pouring of oil money to the Azerbaijani Government's coffers. The management of this money in line with neoliberal directives became a central element of US policy which meant a growing focus on reforms in non-oil sectors of Azerbaijani economy given that much of the government expenditures (read: oil money) was moving to that sector. I demonstrate difficulties that US policy faced pertaining to this objective especially after the completion of the BTC pipeline, which increased the hubris of the Azerbaijani regime and made it much less open to the advice of the US and transnational capital.

Finally, I demonstrate an intriguing dynamic of US policy in Azerbaijan, a dynamic not observed in most other countries. Within a focused discussion on US efforts on democratization and human rights, I document a division of perceptions and policy objectives between the US government, mainly the executive branch, and the US-supported NGO community in Azerbaijan. Specifically, in contrast to the executive branch's preoccupation with stabilization of political regime in Azerbaijan (which derived from ongoing cooperation in energy and security issues), the NGO community grew highly critical of the Aliyev regime and attempted to instigate a Color Revolution both in the 2003 and 2005 elections. These attempts ultimately failed due to a number of reasons, most importantly lack of support from the executive branch which was unwilling to provide adequate political and financial support to revolutionary groups in Azerbaijan.

The chapter follows a chronological format. It is divided into three sections: 1) from 2002 to the 2003 elections; 2) from the 2003 elections to the 2005 elections; and 3) from the 2005 elections to 2007. First, I explain that, informed by actual and predicted high-level US energy dependency, the US policy toward Azerbaijan was formulated at this time, as was outlined in 2001 NEDP report, to ensure the free flow of oil from Azerbaijan to the international market. This led to U.S. support for the construction of the BTC pipeline, and for securing the offshore energy facilities. It was for this reason that the Bush Administration supported stabilization of the Aliyev regime in power, essentially ensuring the safe transfer of power from father to son Aliyev in 2003.

Then I focus on the second period, which saw the construction of the BTC pipeline on the one hand, and intensification of the neoliberal reform initiatives on the other. This led to internal battles within the regime where the US sided with the neoliberal wing against

the Soviet-era old guard. I demonstrate a parallel development whereby the US-supported NGO community tried to instigate a Color Revolution in 2005 which ended in failure.

The final section looks at the post-2005 period which witnessed a growing emphasis on neoliberal reforms on part of the US government, and similarly diminishing receptivity on part of the Aliyev regime.

Period 1: 2002 – 2003 Elections

US Energy Policy

US energy policy in Azerbaijan entered a new phase by 2002. In this period (2002-2007), the sides managed to start and complete the construction of the BTC oil pipeline and the South Caucasus gas Pipeline and started Phase II negotiations for the Caspian energy development. The Bush Administration provided active support to these projects, involving political, economic, and military instruments. In what follows, I will first discuss US involvement in materialization of these projects. Later, I will explain how the predictions of high-level energy dependence of the US played an important role in increasing the significance of the Azerbaijani energy sector for the Bush Administration.

BTC, SCP and Phase II

Following the Clinton Administration, the Bush Administration continued to give priority to Azerbaijani energy security, and especially to the realization of the BTC project starting in 2001. The 2001 Report of the National Energy Policy Development (NEDP) Group²⁰ recommended that the US Government “support the BTC oil pipeline as it

²⁰ The Group was established by President Bush on January 29, 2001 in order to “develop a national energy policy designed to help the private sector, and, as necessary and appropriate, State and local governments, promote dependable, affordable, and environmentally sound production and distribution of energy for the future” (GAO, 2003). Also called as “Cheney Energy Task Force”, the Group held at least 10 closed-door meetings with energy industry executives within 3.5 months.

demonstrates its commercial viability” (NEDP, 2001, Ch.8, p. 13). When the BTC faced difficulties in terms of financial and corporate support, it was again the US that helped the project overcome the hurdles. In 2001, shortly after President George W. Bush took office, American oil giant Chevron and Italian ENI joined the BTC Company. The significance of this event was that Chevron and ENI became the first non-AIOC members joining the BTC Pipeline Co²¹, therefore providing a huge boost for the project that was facing question marks regarding its viability and profitability, especially after ExxonMobil and Devon (both AIOC members) declined to participate in BTC, considering it too risky and expensive (Trafalgar, 2001; Shaffer, 2011). Furthermore, the US provided direct loans to the project through financing. EXIM Bank provided \$160 million in project finance, OPIC provided additional \$142 million in political risk insurance. The European Bank for Reconstruction and Development (EBRD) and the World Bank’s International Finance Corporation (IFC) also provided \$250 million each to the project (Hildyard, 2007; NEP Inventory, 2005).

In August 2002, the nine members of the BTC consortium approved the construction of the pipeline in a signing ceremony in London attended by officials from Azerbaijan, Turkey and Georgia (Lelyveld, 2002). The construction was launched the next month in a ceremony held in Baku, Azerbaijan. Attending the ceremony, the US Secretary of Energy Spencer Abraham read a statement by President George W. Bush in which Bush hailed the pipeline as “a central component of a new East-West energy corridor” that “will strengthen international energy security” (Presidential Statement, 2002). The construction

²¹ The BTC Pipeline Co. was created in 2002 by the BTW Owners. It was tasked with construction and operation of the BTC pipeline (Chevron, 2002).

of the pipeline began in April 2003, and ended in May 2006, with a one year delay. The total cost was \$3.9 billion.

In 1999, British Petroleum (BP) found a giant natural gas and condensate field in the Caspian offshore 70 km South-East of Baku. The Shah Deniz (SD) field was hailed as the one of the world's biggest natural gas fields, containing as much as 40 trillion cubic feet of gas in place. Between 2001 and 2002, the governments of Azerbaijan, Georgia and Turkey signed IGAs and HGAs to sell Azerbaijani gas to Georgia and Turkey. The US Government also supported the idea of building a gas pipeline along the East-West corridor, next to the BTC. The 2001 NEDP Report recommended the US "to support the efforts of private investors and regional governments to develop the Shah Deniz gas pipeline as a way to help Turkey and Georgia diversify their natural gas supplies and help Azerbaijan export its gas via a pipeline that will continue diversification of secure energy supply routes" (NEDP, 2001, Ch. 8, p. 14). The South Caucasus Pipeline Company agreed to build the pipeline in 2003. The construction started in 2004 and ended in 2006. The pipeline's capacity is 8.8 billion cubic meters per day. Given the much higher capacity of the SD field, BP and State Oil Company of Azerbaijan (SOCAR), two of the main partners in the project, started discussions to further develop the field in 2008. The Full Field Development (FFD), or Phase 2 (SD2) would have added another 16 billion cubic meters of gas to the existing capacity of the field. This development also brought the idea to build a new pipeline to send Azerbaijani gas to Europe via Turkey.

Another important part of the East-West energy corridor project was to connect Kazakhstan's oil to the BTC system and hence ship it to Western markets. The idea was endorsed and promoted by both the Clinton and Bush administrations. The 2001 NEDP

Report recommended the US “to continue working with relevant companies and countries to establish the commercial conditions that will allow oil companies operating in Kazakhstan the option of exporting their oil via the BTC pipeline” (NEDP, 2001, Ch. 8, p. 13).

Security: Beginning of Assistance

The 9/11 terrorist attacks and subsequent US-led War on Terror (WoT), enabled the conditions for what some called “the honeymoon in US-Azerbaijani relations” during these years (Cornell, 2015, p. 410). The most important factor leading to the honeymoon was of course the US government’s decision to waive the infamous Section 907, and henceforth, to start military cooperation with Azerbaijan. A careful analysis of the US security policy in this so-called honeymoon period reveal several dynamics. One, the actual level of US engagement was much more modest than what was speculated in some scholarly and think-tank circles. The level of US military assistance was small, both in terms of its size and scope. Its size was much smaller than concurrent US aid to Georgia, Uzbekistan, or Kazakhstan. In terms of its scope, the assistance was limited to twin goals related to energy security: ensuring free flow of oil from Azerbaijan to Western markets and protecting offshore facilities owned by transnational capital. Hence, the security assistance was limited in scope to the maritime domain, excluding any sort of military aid to the army or to counter-insurgency training. Secondly, cooperation in military sector reform could not move forward due to the reluctance on the part of the Azerbaijani government. Three, although there were discussions of enhanced cooperation in various issues such as Iran, NATO and the War on Terror (WoT), the actual military cooperation

remained limited to the protection of energy infrastructure. Hence, US security cooperation with Azerbaijan can be understood as a proxy for the latter's energy security policy.

The government of Azerbaijan was one of the first in the world to condemn the 9/11 terrorist attacks immediately on the same day and to offer its full-fledged support for the fight against international terrorism (Aliyev, 2001). The US welcomed the offer and one week after the attacks, while Section 907 was still in place, the Bush Administration authorized three million USD from The Export Control and Related Border Security (EXBS) as assistance to Azerbaijan as part of the Emergency Response Fund supplemental appropriation (Department of State, 2002).

Right around the same time in 2001, a new discussion emerged in Congress when some members proposed to authorize the President to waive Section 907. On September 26, Senator Brownback, a long-time opponent of Section 907, proposed a bill to amend the Freedom Support Act to authorize the President to waive the restrictions of assistance toward Azerbaijan. Brownback, one of the masterminds of the Silk Road Strategy Act of 1999, indeed had fought for the same waiver authority in 1999. That time, the amendment to the Foreign Operations Appropriations Bill was vetoed by a close vote. In his defense of the bill, Brownback claimed that "Unlike past efforts to repeal or waive Section 907 sanctions on Azerbaijan, today our debate is about more than regional stability in Central Asia – our debate now centers on United States national security interests" (Brownback, 2001). The waiver was based on the premise that the US needed Azerbaijan in its war against international terrorism as the latter possessed invaluable assets for the US. His vision was indeed grandiose: Azerbaijan could provide its airspace in order to get quick access to the Afghan theater without dealing with Russia or Iran; Azerbaijan's military

hospitals may help deal with casualties in the campaign; the US was “likely to use military bases in Azerbaijan as a staging area”, and even to “train their personnel in counterintelligence to help us in the gathering of information as to what is taking place, what is moving in the region” (Brownback, 2001).

However, Brownback’s vision was countered by another set of US policy goals in the region pertaining to the Nagorno-Karabakh conflict, the most important being to retain the military balance between Azerbaijan and Armenia in order to prevent escalation of the conflict. The final version of the amendment reflected these conflicting objectives: “The President may waive section 907 of the FREEDOM Support Act if he determines and certifies to the Committees on Appropriations that to do so— ... will not undermine or hamper ongoing efforts to negotiate a peaceful settlement between Armenia and Azerbaijan or be used for offensive purposes against Armenia”. The law also stressed that “the President shall send a report to the appropriate congressional committees specifying in detail ... the status of the military balance between Azerbaijan and Armenia and the impact of United States assistance on that balance; and (C) the status of negotiations for a peaceful settlement between Armenia and Azerbaijan and the impact of United States assistance on those negotiations” (P.L. 107-115, 2002, stat. 2128-2129).

What this meant was that the US military assistance could not pass a certain threshold, defined as creating a disparity between the US aid to Armenia and to Azerbaijan. Throughout this period, Congress usually intervened, through the mechanism created by the provisions in the waiver, to check on the excesses of the Bush Administration’s aid budgets for Azerbaijan, and did not allow the Executive’s pressure to end the parity and favor Azerbaijan. Furthermore, the US also did not sell military arms and ammunition to

the government of Azerbaijan that could be used in a war against Armenia. As I will explain in the next section, these restrictions (still in place after the waiver) laid the groundwork for problems in security cooperation during the years after 2007.

Table 1. US Military Assistance to Central Asia and South Caucasus (Source: Department of State)

	FMF	IMET	FMS
Azerbaijan	47,197	9,765	36,529
Armenia	47,197	7,760	33,393
Kazakhstan	48,934	15,271	27,948
Uzbekistan	60,217	6,491	54,673
Georgia	221,914	20,793	274,786

Despite the limitations explained above, this period was the high-point of US friendly relations with Azerbaijan. Only within this period, were Azerbaijani Presidents invited to the White House twice (one for father Aliyev in 2003, and one, which would be the only time, for son Ilham in 2006). When father Aliyev was hosted in the White House in 2003, the Bush Administration talked of Azerbaijan as “a key partner in our efforts to combat terrorism, strengthen global energy security, and foster a just and lasting settlement to the Nagorno-Karabakh conflict” (The White House, 2003).

Protecting Critical Infrastructure

US security cooperation with Azerbaijan deepened during this period. The Aliyev Government expressed its support to the US in the immediate aftermath of the 9/11 attacks. Similarly, the Bush Administration’s War on Terror (WoT) met a warm welcome in Azerbaijan. Even before the lifting of Section 907, the Azerbaijani Government opened airspace and ground facilities to American jets on their way to Afghanistan. The US wanted to return the favor and strengthen the Azerbaijani support for the WoT by removing Section

907. In the words of Ambassador Wilson “We have long wanted to do things in U.S.-Azerbaijan relations that Section 907 effectively prevents” (Wall, 2001).

The waiving of Section 907 allowed the US to start providing military aid. It is important to demonstrate the characteristic of this aid in order to understand the extent and scope of US assistance. The US assistance was geared toward counterterrorism and the protection of offshore energy facilities in the Caspian Sea. Even before the 9/11 attacks and the waiver of the sanctions, the State Department raised its voice against Iranian belligerence in the Caspian, when in 2001, an Iranian gunboat chased two Azerbaijani survey vessels operated by BP out of the Alov oil field located 150 km south of Baku. The Deputy Secretary of State Richard Armitage condemned Iran’s actions as “provocative” and claimed that “We will not stand idly by and watch them pressure their neighbors” (Oil and Gas Journal, 2002). The US Ambassador to Azerbaijan, Ross Wilson, made clear “our determination to support Azerbaijan in dealing with Iran” (RFE/RL, 2002). The tensions subsided quickly within the next few weeks. Following the incident, BP and SOCAR abandoned the development of the field, until the dispute resolved.

The first US-Azerbaijan bilateral defense consultations in March 2002 outlined the primary areas of cooperation as follows: maritime security, airspace management, and NATO interoperability. From the very beginning of US assistance in 2002, the protection of critical infrastructure in the Caspian Sea became a top priority for US policymakers. The military programs were subsequently designed to pursue this objective: “USG programs are being coordinated to support development of an interagency crisis management capability that will facilitate a comprehensive response to acts of terrorism, threats to pipeline security”. The DoD’s CTR programs were expanded “to strengthen Azerbaijan’s

capability to interdict WMD trafficking through the Caspian Sea” (Department of State, 2004).

Explaining US support: Dynamics of Oil Dependency

What accounts for the high levels of US attention, as outlined in the NEDP report, to Azerbaijani energy issues? I argue that, if hyperbolic oil estimates were instrumental during the 1990s, the current and predicted US dependency on foreign energy was the main factor guiding the US policy in this period. The main principles of US energy policy toward Azerbaijan were formulated during the years of the mid to late-1990s. This was a period when US petroleum consumption was growing due to the economic boom of the 1990s. Furthermore, US domestic petroleum production was diminishing every year. These two dynamics meant that the US had to import more of its oil from foreign countries, not least from the Persian Gulf. US energy security²² was facing serious roadblocks in the future. The projections of US dependency on imported oil were pointing to a dimmer picture. The U.S. Energy Information Administration (EIA) future estimates were predicting ever more US petroleum imports, hence dependency, due to decreasing domestic production and increasing consumption. Moreover, the tight oil markets and concomitant high prices during the 1990s made the US more vulnerable to external supply shocks and subsequent price hikes. These price hikes had historically created economic recessions, most famously during the 1970s, when OPEC issued an oil embargo against the US.

²² Traditionally, energy security is defined as “having access to sufficient supplies at a reasonable price” (O’Sullivan, 2013, p. 31). Reliability of, and accessibility to supplies, and affordability of resources are key considerations. However, the security of supply cannot be provided by the markets, hence the US state has to get involved in establishing suitable political landscape for energy exploration and exportation. This required, for the US, not only maintaining cozy relations with authoritarian regimes in the Middle East, but even moving troops in order to secure the supply routes in international sea lanes, such as those in the Persian Gulf.

The US energy policy in Azerbaijan was formulated under these conditions, with a mindset that with growing dependency on foreign oil, the US would need to diversify its oil supplies ever more, and to bring in every bit of extra oil in the world to the global markets in order to prevent oil price shocks in the future. Clinton's NSS document reflected this mindset: All three NSS documents in 1996, 1997 and 1998 declared that "Over the longer term, the United States' dependence on access to foreign oil sources will be increasingly important as our resources are depleted" (NSS, 1996, p. 30). Whether the Azerbaijani oil was projected to reach US markets or not was not all that important, because even if the Azerbaijani oil would not reach the US, the growing US dependency on imported oil would make it necessary for the US to import more from other suppliers. This would, in turn, increase the importance of Azerbaijani oil for other Western markets.

The 2001 NEDP report demonstrates perfectly the prevailing understanding of oil markets within the US government at the time. The report claims that "[o]ur projected growing dependence on oil imports is a serious long-term challenge. U.S. economic security ... will remain closely tied to global oil market developments" (Ch. 1, p. 13). Although the report advises transforming the domestic energy sector to be more conservative, it argues that "conservation alone is not the answer. Even with more conservation, the U.S. will need more energy supplies" (Ch. 1, p. 4). It repeats the bleak projections of the EIA, and calls for serious action in order to overcome the challenges, among which is to provide support for Caspian energy projects. In fact, despite setting the proven reserves in the Caspian at 20 billion barrels, the NEDP report also stressed that "exports from the Western Hemisphere, the Caspian, and Africa are important factors that can lessen the impact of a supply disruption on the U.S. and world economies" (NEDP,

2001, ch. 8, p. 7). This is also in line with Under Secretary for EBAA Stuart Eizenstat's claim that "Caspian production can have important implications for world energy supplies on the margins", meaning that it can help to diversify away from the Middle East, and to stabilize the global energy prices (Eizenstat, 1997).²³

The 1-million-barrel-per-day Azerbaijani oil production was important not because it could supply the US markets, but because that production, which constituted 1.5 percent of 85 million barrels per day global consumption, could play an important role in creating spare oil capacity in the margins, and thus, help to stabilize global oil prices and to prevent price hikes. The US oil production was at its lowest point since 1949, at 5 mb/day, and it was estimated to drop below 5 mb/day by 2025 (EIA, 2006). More importantly, the world energy outlook was troublesome for consumer nations of North America, Europe and East Asia. Both International Energy Agency (IEA) and industry experts were predicting growing import dependency on the part of the United States, Europe and China in coming years. In all three regions, domestic production was struggling, while consumption was increasing. Finally, OPEC's role in supplying global oil was expected to improve due to declining oil production everywhere in non-OPEC regions except for the Former Soviet Union (FSU). The call on OPEC (the amount of crude oil OPEC would need to produce to balance global supply and demand without causing inventories to change) was expected to double during the next thirty years (Sieminski, 2005).

²³ This bleak outlook was constantly being cited by the Congressmen in order to justify the repealing of Section 907 as well. As Rep. Peter King, R.N.Y., a supporter of lifting Section 907, argued: "With the energy crunch in place, it would be insane to keep these restrictions" (Pomper 2001a: 1173).

Economic Reforms and Azerbaijan: 2002-2007

The ongoing US effort to deepen energy security was directly tied to neoliberalization of Azerbaijani markets. Throughout the 1990s, the US Government's policy objectives pertaining to neoliberal economic reforms in Azerbaijan were focused mainly on the investments of US corporations in the Azerbaijani oil sector. The Clinton Administration was mainly concerned with protecting US investments and establishing necessary legal foundations to serve this purpose. To that end, the United States and Azerbaijan signed the Bilateral Investment Treaty in August 1997, during the visit of President Heydar Aliyev to the White House. The treaty entered into force in August 2001 after Senate ratification. The treaty's main objective was to "assist Azerbaijan in its efforts to develop its economy by creating conditions more favorable for U.S. private investment and thereby strengthening the development of its private sector" (Clinton, 2000). As I described in the previous chapter, although economic reforms in areas such as privatization, trade liberalization, anti-corruption measures, and macroeconomic stability came into the focus of economic relations in this period, neither the US, nor the IFI community, managed to receive much progress from Azerbaijan in areas other than macroeconomic stability.

At the beginning of the second period (2002-2007), it was clear that the US government was going to be more assertive on neoliberal economic reforms, mainly because by the end of this period, oil revenues were scheduled to flow into the state coffers of Azerbaijan. The U.S. was anxious for the Azerbaijani government to pursue the 'right' management of these revenues. A State Department Report dated 2004 shows that the US government's

“[E]conomic reform programs will focus on strengthening the banking sector, improving financial management practices, and encouraging regulatory reform in the energy sector. The IMF has identified management and expenditure of the State Oil Fund as a priority. USG assistance programs will be increasingly focused on supporting these priority areas as Azerbaijan looks to spend its anticipated oil wealth” (State Department, 2004).

As I will demonstrate later, by 2007, economic liberalization will become “essential” to US interests in Azerbaijan, after the successful completion of the BTC pipeline in 2006 and starting Phase II of the Caspian energy development after 2005. In the early 2000s, the US government was aware of the many economic areas that required serious reform, especially in regard to the non-oil sector, which, unlike the oil sector, remained a minefield for the operations of transnational capital. A State Department report²⁴ dated 2003 claimed that “Corruption has remained a major problem, discouraging investment in the non-energy sector and requiring frequent advocacy on behalf of U.S. companies” (State Department, 2003). Furthermore, the progress in the Azerbaijani Government’s Second Privatization Program (started in 2000 under the auspices of the IMF), remained very slow, as the former was very sluggish in privatizing large scale SOEs. In 2002, the US Envoy to Azerbaijan Ross Wilson listed transnational capital’s grievances with the Azerbaijani Government under four categories: 1) registration and licensing; it is too difficult for companies to get registered, 2) tax system; the tax inspectors are “draining the money out of the country’s most successful businesses”, 3) Customs; “customs rules are not applied fairly”, and 4) the rule of law; “if the companies have problems in those areas ... there's nowhere to go really

²⁴ This was the 2002 Country Assessment Report regarding the US Government Assistance to and Cooperative Activities with Eurasia. The State Department’s Investment Climate Statements started to be released in 2005.

effectively to get your problems addressed, because the court system is weak and there's a reality or a perception of unfairness" (Wall, 2002).

Revocation of Section 907 and US Economic Reform Aid

After the Bush Administration managed to revoke Section 907 in 2002, a new window of opportunity opened for the US to promote neoliberal economic reforms in Azerbaijan. From 2002 on, the US executive branch was allowed, by the Congress, to provide governmental aid pertaining to economic reforms. USAID started its first programs in late 2002, focusing on "strengthening and deepening the banking and financial sector, improving financial management practices, and supporting the development of a cadre of financial-sector professionals through support to specialized training institutions"; the National Bank and Ministry of Finance were established as target institutions due to their 'progressive and reform-minded' character (State Department, 2003). The Treasury Department followed suit when it sent four Office of Technical Assistance (OTA) assessment teams to Baku. The OTA teams identified the implementation of a 'Budget System law' as a primary objective and placed one resident advisor within the Azerbaijani Government.

The US Trade and Development Agency (USTDA) was another agency that placed a long-term resident advisor within the Azerbaijani Government in 2002, this time to help in the WTO accession process. A State Department report identified the main goal of this initiative as "to tackle long-term policy problems and enhance U.S. competitiveness" (2003). In 2004, the USTDA launched new assistance programs involving management of the State Oil Fund (SOFAZ), modernization and restructuring of the State Oil Company (SOCAR), telecommunications-sector regulatory reforms, and

tourism-sector development. The same year, another long-term resident arrived from the Justice Department to assist GOAJ in “developing a comprehensive anti-terrorism, terrorist financing regime” and “implementing a new anti-corruption law” (State Department, 2005).

Careful analysis of US reform assistance programs in this period reveals several important dynamics. One, the US and the IFIs worked together in pursuing neoliberal reform in Azerbaijan. A State Department reform in 2003 claimed that “[D]onor coordination with the World Bank, IMF and EBRD on economic assistance to Azerbaijan has been excellent” (2003). The reform objectives of these two groups of actors overlapped and complemented each other almost completely. All of them pushed for macroeconomic stability measures, privatization of large-scale SOEs, and improvement of investor protection, trade liberalization and anti-corruption policies.

The second dynamic was the high-level receptiveness of the Azerbaijani Government to ‘advice’ from the US and IFI structures. I have already mentioned the receptiveness of the GOAJ, especially the National Bank, Ministry of Finance, and Ministry of Economic Development to the US advisors within the government. It is important to mention that the Azerbaijani government did not have a culture of resident foreign advisors. The Americans were the first in this regard, outclassing even the Russians. The receptiveness did not remain limited to advisors: The Azerbaijani government initiated tangible policies toward neoliberal reforms. Following US and IMF advice, the GOAJ created, in 2003, the National Fund for Support for Entrepreneurship to

support small and medium-sized enterprises²⁵ (SME). The same year, an Entrepreneurs' Council, consisting of domestic and foreign companies and reporting to the President, first convened. An important development was the establishment of an anti-corruption unit within the Prosecutor General's Office and the creation of the Anti-Corruption Commission. This particular legislation was regarded as an important victory for the Western institutions and the United States, as it was perceived as a decisive step toward the establishment of a neoliberal legal framework.

What accounted for the GOAJ's receptiveness to neoliberal reforms and its transnational orientation during this period? The most important factors were the economic crisis facing Azerbaijan, which generated a need for foreign aid and for Western political and economic support for the costs of the BTC pipeline. Throughout the 1990s and early 2000s, the GOAJ was in dire need of foreign currency to maintain political legitimacy. By 2003, the GDP was still recovering from the devastating collapse of the early 1990s and had still not reached the pre-1991 levels²⁶. The poverty levels were hovering around 60 percent and official unemployment was 30 percent, with 1 million Azerbaijani males searching for jobs in Russia, Iran and Turkey. Azerbaijan's yearly oil production was around 200 thousand barrels, one-fifth of the BTC pipeline's capacity. With oil prices hovering around 30 USD per barrel, the government was not making nearly enough money to distribute rents to the populace and hold its hegemonic political position in return. The government's need for currency demonstrated itself in its bid for IMF credits. GOAJ made 3 loan agreements with the IMF between 1995 and 2003, totaling over 500 million in USD.

²⁵ The development of SMEs was a specific focus of USAID projects since late 1990s.

²⁶ Azerbaijan's 2003 GDP was 7.3 billion USD, in contrast to 1990's 8.8 billion USD.

Therefore, under such dire conditions, the GOAJ had to remain receptive to IFI's requests in order to receive much needed funding. A Wikileaks cable dated 2006 shows the awareness on part of the US State Department about this issue: "our ability to maintain pressure on the GOAJ to continue reforms, control inflation, and diversify economy will decrease as GOAJ revenues increase", a US Embassy official stated in 2006. Hence, the early-to-mid 2000s were ripe moments for the US to promote neoliberal reforms.

Secondly, the BTC project required immense political and economic aid to start construction. The GOAJ did not have the economic will to finance the project, which was expected to cost \$4 billion, and asked multiple international institutions to provide assistance. Among them²⁷ were World Bank's IFC, OPIC, EX-IM Bank, EBRD, Japan Bank for International Cooperation (JBIC) and Britain's Export Credits Guarantee (ECG), whose commitment to the project was acquired only by 2004. In addition to the soundness of the project, the creditworthiness of the BTC project depended on Azerbaijan's pursuit of neoliberal economic reforms promoted by these international institutions. As an EBRD report clarified, the Bank followed "good governance indicators in the assessment and design of projects, and uses those indicators to track and report on progress" (2004, p. 35).

The Aliyev dynasty stood in the center of US policy at this time. The dynasty was best equipped to provide security and opportunity for foreign energy corporations, which defined the overall US strategy. In the personality-driven political environment of

²⁷ Export Credit Agencies support for the project was approved in February 2004, with Japan's JBIC guaranteeing \$580 million and NEXI \$120 million. Other ECAs involved included: Britain's ECG (US\$106 million); France's COFACE (\$100 million); Italy's SACE (\$50 million); Germany's Hermes (\$85 million); and the USA's Ex-Im (\$160 million). An additional \$142 million was provided by the US OPIC in political risk insurance. Further economic support came in the form of loans from the EBRD (\$250 million) and the World Bank's International Finance Corporation (\$250 million).

Azerbaijan, most of the critical energy deals made by transnational corporations were tied to the stability of the dynasty in power. The US policy, which was tied to energy, was also dependent on the stability of the Aliyev regime.

Although it abstained from arming the regime, the Bush Administration was very careful to help maintain regime stability in Azerbaijan through other means. Heydar Aliyev's presidency had emerged as the bedrock of political stability in Azerbaijan. Through his iron fist, H. Aliyev had managed to thwart rival factions within his government, silence opposition and end political quarrels among various clans. He had opened his country's oil resources to Western corporations and had become the champion of the latter's interests. Terry Adams, the President of Azerbaijan International Oil Consortium (AIOC), had this to say about him in 1999:

“Mr. President, with your leadership Azerbaijan became now very stable country. Azerbaijan has already found the international and geopolitical status. All this was achieved due to your leadership. All this has taken place due to the oil strategy developed by you for this country. You have attracted many large, strong companies of the world to Azerbaijan, and they have put investments to Azerbaijan and revived economy of your country” (Azertag, 2004).

Although Aliyev's re-election in 1998 had stirred much controversy within the international community due to serious irregularities (OSCE, 1998), the Clinton Administration had abstained from openly criticizing Aliyev and settled with 'not openly congratulating' him after the elections. Coming to 2002, it was becoming certain that Azerbaijan was on the brink of a political change, as father Aliyev's health was seriously deteriorating. By early 2003, it was certain that the Heydar Aliyev era was coming to an

end in Azerbaijan. The question of succession was at the center of political debates, not only in Baku, but also in certain circles in Washington.

Among the potential successors were the leaders of the main opposition parties, Isa Gambar and Ali Karimli, the last Soviet appointed President Ayaz Mutallibov, and former Aliyev insider Rasul Guliyev who was in exile in the US at the time. However, none of these candidates was as strong and promising as Ilham Aliyev, the son of Heydar Aliyev. Ilham had been the vice President of SOCAR since 1994. He was one of the important figures who represented Azerbaijan in talks with oil corporations during the 1990s. He was the candidate supported by the oil corporations due to his familiar face and promising potential as the follower of his father's policies on energy issues. Indeed, when news broke of the planned succession, an unnamed Western executive in Baku was quoted by the French news agency AFP as gloating, "We're about to crack open the champagne in the office" (BBC, 2003).

In contrast, BP and other members of the AIOC had a history of antagonistic relations with the main opposition parties through 2003. A detailed study of the Azerbaijani opposition leaders' view of oil corporations by Daniel Heradstveit (2002) revealed the existence of harsh sentiment by opposition leaders against big oil corporations. Majority of the opposition members in the study claimed that "the oil industry is exclusively concerned about money and for that reason does nothing to promote democracy and human rights" (p. 264). Furthermore, 16 out of 20 opposition leaders asserted that the activities of Western oil corporations increase corruption in Azerbaijan. One interviewee stated that "[u]nless the oil companies rethink their policy ... they risk meeting the same fate as they did in the Iranian revolution, that is, being nationalized" (Heradstveit, 2002, p. 275).

The US government was one of the first in the West to celebrate Ilham Aliyev, when Ilham succeeded his father in an election widely considered by the international community as ‘neither free nor fair’. The aftermath of elections saw widespread opposition protests against obvious election fraud that was documented by many domestic and international organizations. The police brutally suppressed the opposition protests in which at least 5 people died and more than 100 were injured. (HRW, 2003) The US nevertheless rushed to congratulate Ilham for his election, and also justified his Presidency in its statements and reports. A State Department report on Budget Justifications in 2004 claimed that “There is little doubt among the general public and most international observers that Ilham Aliyev was the genuine winner”. It went further to claim that “Overall, the election represented an advance in democratization of the political process over previous elections in Azerbaijan” (Department of State, 2004). The Bush Administration was enthusiastic about working with the new President. A cable dating back to 2004 reveals the then Deputy Assistant Secretary of State for European and Eurasian Affairs Lynn Pascoe telling his counterparts from the EU’s COEST (the Working Party on Eastern Europe and Central Asia) that “the US was trying to strengthen Ilham [Aliyev] and assist him with reform efforts because, while far from perfect, he is the most progressive figure available from a pool of unimpressive candidates” (Wikileaks, 2004).

There were two priorities of the Bush Administration in Azerbaijan: cooperation in Caspian energy security and cooperation in the War on Terror. The BTC Company was established in 2002, and the construction of the pipeline had started in April 2003. The BTC pipeline was the main cornerstone of the US policy to diversify global energy sources and to connect Caspian oil to Western markets. At a time when opposition leaders were

highly critical of the role oil companies played in Azerbaijan's political scene, it would be too risky for the US government to support a change of leadership. Furthermore, the Aliyev regime had been a fervent supporter of the War on Terror and indeed, was one of the only two Muslim-majority countries (the other being Kazakhstan) to support the US invasion of Iraq in 2003. Azerbaijan's support was highly valuable to the Bush Administration, given the widespread opposition to the war within the international community.

Azerbaijan, US Democracy Promotion and the Color Revolutions

The Bush Administration helped to stabilize the Aliyev regime's hold on power throughout this period. The Administration's support for the regime was especially instrumental in managing the monarchical transfer of power from Heydar Aliyev, the father, to his son, Ilham in 2003. The Aliyev regime also received substantial support from transnational oil corporations which were deeply worried about the fate of their giant oil contracts in case of a change of regime. Coupled with the Aliyev regime's fervent support of the War on Terror (WoT) and the invasion of Iraq, it was a strategically meaningful decision to stabilize the Aliyev regime's hold on power in Azerbaijan.

However, this discussion tells us only half of the story of US 'democracy promotion' in Azerbaijan during this period. The other side of the story involves US promotion of low-intensity democracy through the NED and affiliated institutions, a strategy that went hand in hand with US promotion of neoliberal economic reforms. But how can these two clashing narratives be at play within the same story? Let me explain.

Azerbaijan is an interesting case where for a certain period of time the objectives of the US government and the US-supported NGO networks did not overlap. In the previous chapter, I discussed how the views of the NED-led institutions of the Aliyev

regime differed from those of the US government throughout the 1990s. Those differences multiplied in the early 2000s, when, despite the Bush Administration's apparent preference for stability and continuity, the NGO community promoted regime change in Azerbaijan. In what follows, I will explain how, before the 2003 and 2005 elections, the US-supported NGO community followed the template that they followed in the Color Revolutions elsewhere. Later, I will discuss how these efforts bore no fruit due to lack of support from the US executive branch and also due to imperfect economic, political and military conditions in Azerbaijan.

After it was clear that Heydar Aliyev would not be able to lead the country any more by mid-2003, the 2003 Presidential Elections were destined to be highly contested. Although Heydar Aliyev appointed his son, Ilham, as the apparent heir to his throne, the latter's low level popularity, along with the existence of powerful opposition candidates, meant that the monarchical transfer of power was anything but smooth. The US-supported NGO community was determined to make things even harder for the Aliyev regime.

Although the opposition was powerful as a bloc, it was heavily divided within itself. There were at least three powerful candidates²⁸ within the opposition ranks. It was obvious that none of these candidates could seriously challenge Ilham Aliyev, unless the rest of the opposition was united behind one challenger's candidacy. Throughout the summer of 2003, the NDI lobbied the opposition leaders to unify the opposition by selecting one candidate to oppose Aliyev. For that purpose, it invited all three opposition leaders to Washington for consultations. However, the trip was cancelled after the opposition failed to agree

²⁸ These were Etibar Mammadov (Azerbaijan National Independence Party), Ali Karimli (Azerbaijan Popular Front) and Isa Gambar (Musavat).

(Ismailzade, 2003). In August 2003, an NDI-organized meeting managed to bring together all four of the main opposition leaders (this time including Rasul Guliyev who joined the meeting from the US) in London to resolve their differences. However, the meetings bore no fruit as the opposition leaders could not come to an agreement once again (ICG, 2004). Still, Isa Gambar, the most popular and prospective opposition candidate, travelled to Washington, DC, in September 2003 to discuss his candidacy and the upcoming elections. While in DC, Gambar “held meetings with a number of US State Department officials, OSCE representatives, and international NGOs” (NDI, 2003b, p. 3).

In the wake of the elections, NDI also increased its cooperation with local NGO networks “in an effort to educate citizens around the country in election-related issues” (NDI, 2003a, p. 5). Among those NGOs were the Election Monitoring Center (EMC), the Organization for the Protection of Women’s Rights (OPWR), and For the Sake of Civil Society (FSCS). The FSCS trained 350 political party activists around the country in partisan pollwatching. EMC was the main domestic election-monitoring body which was prepared to conduct domestic monitoring efforts of 3,000 and 1,000 election-day polling station monitors respectively. NDI also helped the OPWR to train and ready over 150 women to engage with their various political parties in the upcoming campaigns (NDI, 2003a). The NDI also worked with the four main opposition parties to form and develop policies, programs, and platforms” which were “used in the current campaigns, either jointly by coalitions of parties or separately as individual parties” (NDI, 2003a, p. 5).

However, the Aliyev Government dealt a huge blow to the NDI’s efforts when it did not invite the latter to monitor elections in 2003. The NDI’s previous election reports on the 1998 and the 2000 elections had caught the ire of the regime. More importantly, the

GOAJ made changes to the election law and prohibited domestic NGOs that received foreign funding from monitoring elections. This provision effectively prohibited all local NGOs in Azerbaijan from participating in and monitoring the elections. The NDI-supported NGOs such as FSCS, EMC and OPWR could not participate in elections. Following this, the NDI published a harsh statement criticizing the GOAJ actions stating that the GOAJ “should not in any manner arbitrarily or unreasonably restrict domestic nongovernmental organizations from election monitoring activities” and that the prohibitive law “should be repealed and no unreasonable or arbitrary restriction should be applied to domestic election observers” (NDI, 2003c, p. 3). Nevertheless, these NGOs managed to register their 1500 observers individually.

The NDI also sponsored a visit to Azerbaijan by Serbian election educators who were members of the Otpor youth movement that helped to topple Milosevic in 2000. The Otpor members had scheduled a meeting with OPWR activists. However, the security personnel prevented the meeting from taking place, beating OPWR activists and forced the Otpor members to leave the country (HRW, 2003).

After the elections, NDI published a very critical report of the elections in which the institution claimed that the “2003 presidential election process in Azerbaijan did not meet minimum international standards and Azerbaijan’s commitments to organize democratic elections” (NDI, 2003d, p. 1). The report also criticized the GOAJ for failing to provide an official invitation to the institution to observe the elections. “The Azeri government refused to issue such an invitation to the Institute, despite numerous appeals on NDI’s behalf by *respected U.S. political leaders*” [emphasis mine] (NDI, 2003d, p. 3).

Another important institution that submitted a harsh critique of the GOAJ's conduct of elections was the Institute of Democracy in Eastern Europe²⁹ (IDEE). In 2003, at the request of the US Government, IDEE joined the OSCE/ODIHR's observer mission with its 188 election observers. Originally, IDEE had not planned to provide a post-election report as it was part of the OSCE mission. However, after OSCE's Preliminary Report (which was published a day after the elections) stated that "The voting was generally well administered in most polling stations" (OSCE, 2003, p. 1), the IDEE issued a *Votum Separatum*, a dissenting opinion, where the group not only lambasted the conduct of the elections, but also criticized OSCE's mild report. The IDEE mission declared that "since none of the criteria for evaluating an electoral process were met ... the presidential elections of October 15, 2003 in the Republic of Azerbaijan cannot be qualified as what in the practice of civilized nations is called 'elections'" (idee.org).

After the Central Election Committee (CEC) declared Ilham Aliyev the winner with 76 percent of votes (the main opposition candidate Gambar received only 13 percent of votes), the opposition parties declared the results illegitimate and went to the streets to demonstrate against government-committed voter fraud. The protests were the biggest ones in Azerbaijani political history. The government relied on heavily armed anti-riot police and military forces to brutally suppress the protests and crush dissent. At least 5 people died and more than 200 were injured. The government crackdown on protests was heavily criticized by human rights organizations and some in Congress. For example, in a post-

²⁹ IDEE is the successor of the Committee in Support of Solidarity, an organization built in 1981 to support Poland's Solidarity movement. According to information on its website, "Begun in 1985, IDEE provided critical assistance to the democratic movements in Eastern Europe that brought about an end to communist rule" (idee.org).

election critique, Sen. John McCain stated that his plea to Ilham Aliyev regarding free and fair conduct of the elections went "largely unheeded," and "he called for the Administration to condition U.S. ties with Azerbaijan on the government's commitment to pluralism and rejection of political violence, and to step up democratization aid to beleaguered civil society groups" (Nichol, 2003, p. 6).

However, as I mentioned previously, the official response of the Bush Administration clearly told a different story. US officials such as Defense Secretary Donald Rumsfeld (who visited Azerbaijan 5 weeks after the elections) and State Department official Richard Armitage abstained from criticizing the Aliyev Government for election conduct and declared their readiness to work with the Aliyev regime. Clearly, the objectives of the Bush Administration and the NGO community were at odds.³⁰

2003 Elections – 2005 Elections

Energy Security

The US military assistance to the Azerbaijani government gained traction after 2003. The most important US security program initiated during this period was the Caspian Guard. Launched in the fall of 2003, it was "a framework program designed to coordinate activities in Azerbaijan and Kazakhstan with those of U.S. Central Command and other U.S government agencies to enhance Caspian security" (Jones, 2006). The US planned to spend \$100 million on the program. Regarding the US objectives in the program, US Army Colonel Mike Anderson, Chief of the Europe Plans and Policies Division at US European

³⁰ In her book, "The Taming of Democracy Assistance", Sarah Sunn Bush (2015) claims that the efforts of democracy assistance programs "sometimes worked at cross-purposes to official American government policy" (p. 148). For example, throughout the 1980s, NED and IDEE worked closely with Fighting Solidary, a radical student group, contrary to the State Department's official policy of working with moderate groups and unions in Poland (Bush, 2015).

Command (EUCOM), explained that “It’s good old US interests, its rather selfish. Certainly we've chosen to help two littoral states, Azerbaijan and Kazakhstan, but always underlying that is our own self-interest”. Anderson continued to explain the details of US interests as follows: "There are gas and oil platforms out in the Caspian that are in Azeri water, presently those are not defended. So we've been equipping and training Azeri Special Forces with the ability to go out and take down one of their own gas and oil platforms if it was seized by terrorists” (quoted in Kucera, 2005). Indeed, the DoD was obsessed with the terrorist threat against the pipelines and offshore energy facilities in the Caspian during these years. The EUCOM continuously ran multiple doomsday scenarios in the Caspian with Azerbaijani and Kazakh officers. In one of them, the BTC pipeline was exploded. In another one, terrorists attacked a Russian-run natural gas pipeline in the Caspian which resulted in power failures in Britain. According to General Charles Wald, then Deputy Commander of EUCOM, the main idea of the Caspian Guard was to “train Azerbaijan's and Kazakhstan's security forces to bolster maritime security by targeting smuggling and piracy. They would also keep a close eye on oil facilities” (Cummins, 2006).

As part of the program, the US built up the maritime surveillance command-and-control capabilities of Azerbaijan (it provided at least three motor boats, up-to-date radar equipment, and repaired and modernized some of the old Azerbaijani boats) and provided training to its naval special forces. However, the initiative did not live long, and was eventually replaced by a more modest program within the CTR framework: The Caspian Sea Maritime Proliferation Prevention Program (CSMPP). This program’s main objectives were similar to the Caspian Guard: “to promote maritime safety and security and maritime domain awareness in the Caspian Sea” (Department of Defense, 2007). Between 2005 and

2009, the US Government provided a total of \$51 million assistance through the CSMPP program.

US assistance in the form of FMF, IMET and Non-proliferation, Anti-terrorism, Demining, and Related Programs (NADR) also peaked during this period. While the share of security related programs within the total amount of US assistance was almost non-existent in the years prior to 2002, during this period it became the most important element in US aid, comprising 40 percent of all US aid to Azerbaijan. In 2006, the USG provided \$40.41 million in security, regional stability, and law enforcement programs out of \$89 million total aid (Department of State, 2006). Another important development during this period was the increased level of military integration of the Azerbaijani forces into the US-led military institutions. After the Bush Administration initiated the Afghanistan operation, the government of Azerbaijan sent 45 soldiers to join the NATO-led International Security Assistance Force (ISAF) in November 2001. As one of the only three Muslim nations with Albania and Kazakhstan, Azerbaijan also deployed troops to Iraq in August 2003 when US forces invaded Iraq. In fact, an important part of US-provided “military training reinforced Azerbaijan’s capability to contribute forces and personnel to international stability and support operations” in Kosovo, Afghanistan, and Iraq (Department of State, 2007). Azerbaijan also signed its first Individual Partnership Action Plan³¹ (IPAP) with NATO in 2005 (Priego, 2008). The US also provided air control equipment in order to establish a NATO-compatible airfield. The US funded Western- standard upgrades to navigational

³¹ Established in 2002 Prague Summit of NATO, IPAPs “are open to countries that have the political will and ability to deepen their relationship with NATO. They are designed to bring together all the various cooperation mechanisms through which a partner country interacts with the Alliance, sharpening the focus of activities to better support their domestic reform efforts” (NATO, 2014).

and safety-of-flight infrastructure at the Nasosnaya base as part of Azerbaijan's IPAP program. When General Tom Hobbins, commander of U.S. Air Forces in Europe and other personnel visited the base in 2006, the base was proposed as a Cooperative Security Location (CSL) or supplemental/logistics point. The group discussed the modernization of the runway to place it within NATO standards for potential use by the US (Global Security, 2010).

Economic Reform

Ilham Aliyev came to power promising overarching neoliberal reforms to both Western governments and transnational capital. The hope was that Ilham, as a young and pro-Western reformer, would curb the influence of Soviet-era bureaucrats and open the way for substantial penetration of Azerbaijani markets by international capital. The anti-corruption legislations outlined above were destined to hurt many government insiders, who had leveraged substantial economic interests due to their political positions within the Aliyev regime. Father Aliyev had used the previous privatization programs to reward his close cronies in return for their political support and subservience.

By the early 2000s, a small number of government insiders had emerged as pro-Western reformers, who had gained the support of the international business community in their endeavors. The most famous member of this clique was Farhad Aliyev (not related to Heydar Aliyev). F. Aliyev was a government insider, a faithful member of Heydar Aliyev's New Azerbaijan Party (NAP) since the early 1990s. Originally a businessman, he headed various private companies throughout the 1990s until his appointment as Deputy Minister of Trade in 1997. He was later appointed as the Minister of State Property in 1991 and most importantly, the Minister of Economic Development (MED) in 2001. The latter was

established as the most important economic organ within the government as it united several other institutions under its authority: Ministries of Economy, Trade and State Property, Committee against Monopolization and for Assistance to Entrepreneurship, and State Agency for Foreign Investments.

Beginning with his tenure as the Deputy Minister of Trade in 1997, Farhad Aliyev was distinguished by his fervor for economic reform efforts pertaining to liberalization of trade, securing transparency in the privatization process of SOEs, and attracting foreign companies to the privatization process in Azerbaijan. In his post as the head of the MED, Farhad Aliyev focused on strengthening anti-monopolization measures, and development of foreign economic relations, in particular broadening cooperation with international finance institutions. It was particularly Farhad Aliyev who ardently supported and pushed the IMF reforms that were highly unpopular. In 2001, at the recommendation of the IMF, Azerbaijan cut welfare benefits to pensioners, handicapped and other vulnerable citizens by a total of \$200 million a year. In 2005, again following IMF pressure, SOCAR doubled wholesale prices on gasoline from 45 USD to 90 USD, in order to generate more revenue for the state budget (Ismailzade, 2002). Both measures aimed to balance the state budget and decrease annual budget deficits over the long term. Farhad Aliyev led the GOAJ's efforts in the WTO accession process as well. It was under his leadership that the country started accession negotiations with the WTO in 2003. The WTO process was destined to be highly controversial, as the organization demanded that the government reduce customs tariffs, which were hovering between 20 to 30 percent, to zero.

Such trade liberalization reforms were expected to deal a huge blow to monopolies, which were established by regime cronies in exchange for their allegiance to

Heydar Aliyev. President Aliyev allowed these cronies, who usually held important political positions in the government, to establish their monopolies in certain economic sectors by preventing others from importing these goods and by abusing their bureaucratic positions to harass and discredit their competitors in the market. Therefore, liberalization of trade would deal a huge blow to the businesses of these cronies, as it would have prevented them from monopolizing markets to prevent competition. In addition to pursuing WTO accession, Farhad Aliyev became a fervent critic of monopolies, and abuse of power by government officials. In autumn of 2004, he launched an anti-monopoly campaign to improve the business climate, naming customs impediments to imports as a main tool relied on by monopolies to preserve their business domains (Ismayilov, 2005). He also submitted corresponding draft legislation to the Cabinet of Ministers.

Farhad Aliyev's activism in the aforementioned domains drew harsh criticism from the 'old guard' who did not like the pro-Western orientation of the reforms and the insiders whose interests would be hurt as a result. In response to the government's initiation of the IMF-demanded structural adjustment reforms, Artur Rasizade, the Prime Minister, and one of the most influential members of the 'old guard' stated that "'I have to look at [the IMF's recommendation to raise prices] and see how it will benefit Azerbaijan ... Raising prices just to please the IMF is not acceptable for me'" (Ismailzade, 2002). The most important crony whose business interests were targeted was Kemaladdin Heydarov, the head of State Customs Committee (SCC). As the head of perhaps the most strategic economic post in the country, Heydarov had amassed substantial wealth for himself and his family. He had also started to build his own business empire called Gilan Holding, which functions in various sectors such as construction and real estate, construction

materials, food processing, viticulture and winemaking, agriculture, cotton and textiles, wholesale and retail trade, banking and insurance, hospitality and tourism (Azerireport, 2014).

Farhad Aliyev's attack against monopolies led to an internal battle within the regime's NAP between a small group of pro-Farhad reformers, and a more powerful and numerous group of cronies and members of the old guard who were afraid of losing their privileges because of neoliberal reforms. It is crucial to consider that Farhad Aliyev himself was deeply connected to the regime's crony system. His brother, Rafiq Aliyev, was the owner of the Azpetrol company, which owned 90 percent of all gas stations in Azerbaijan. In this sense, Farhad Aliyev's position resembled the pro-Western oligarchs elsewhere in the post-Soviet world, such as Yulia Timoshenko in Ukraine, Bidzine Ivanishvili in Georgia, and Mikhail Khodorkovsky in Russia.

Dismissal and Arrest of Farhad Aliyev

President Ilham Aliyev fired Farhad Aliyev from his post in the MED on 17th of October 2005. News of dismissal of Farhad was followed by the arrest of him and his brother, Rafiq Aliyev, the same day on charges of preparing a coup against the government. The purge of undesirable government insiders did not remain limited to the Aliyev brothers. Minister of Health Ali Insanov, former Minister of Finance Fikrat Yusifov and former Minister of Trade Nicat Guliyev were also arrested. The arrest of the Aliyev brothers came three weeks before the fateful Parliamentary Elections (RFE/TL, 2005). The events created shockwaves across the political spectrum not only in Azerbaijan, but in the United States as well. Why was this event so crucial? Why were the Aliyev Brothers accused by 'plotting a coup' on the eve of a parliamentary elections, when they were

themselves part of the governing elite and have had close connections to the regime? Perhaps more importantly, why did this event catch the ire of American officials, who unceasingly lobbied for the release of the Aliyev brothers?

The US Response

During his tenure as a Minister, Farhad Aliyev built cooperative relations with important American institutions and organizations. He was the leading political figure managing Azerbaijan's economic relations with the West and the United States. None of these contacts became as controversial as the former Secretary of State and then-Director of the NDI Madeleine Albright's meeting with Farhad Aliyev in July 2005, four months before the 2005 elections. The Azerbaijani media spun the meeting as a preparation for a colorful revolution in Azerbaijan. Indeed, Wikileaks cables demonstrate that the Ilham Aliyev Administration firmly believed this argument. In his meeting with Assistant Secretary of State for Democracy, Human Rights and Labor (DRL) David Kramer, Ilham Aliyev claimed that:

NDI had a "history" of plotting revolution in 2005; that "instructions with maps and plans" were given for NDI to "make a revolution to overthrow me." Then-Minister of Economic Development Farhad Aliyev was "encouraged" by NDI Director Madeleine Albright "to do what he did. I know what was said," Aliyev stated (Wikileaks, 2008).

The Bush Administration continued its advocacy on behalf of Farhad Aliyev after the latter's arrest. Farhad was recognized as a political prisoner by the Bush Administration, whose State Department followed the court proceedings with attention and raised serious questions about irregularities around the Aliyev brothers' arrest, conviction and trial. In a secret cable sent to the Embassy in Baku in 2007, the State Department

requested a 'demarche' from the mission: "The Department is seriously concerned about ... report on the conduct of the opening stages of the Farhad Aliyev trial... Ambassador is requested to approach the GOAJ, *at the highest appropriate level* (emphasis mine), to highlight the importance of these issues to the U.S.-Azerbaijan bilateral relationship and to the intensified dialogue on democracy and human rights between our governments" (Wikileaks, 2007).

The cables also demonstrate that US Ambassador to Azerbaijan Anne Derse held regular meetings with the lawyers of Farhad Aliyev throughout 2006 on the progress of the trial. In 2007, Representative Alcee Hastings (D-FL) sponsored a resolution (H.Con.Res. 183 -110th) "Calling on the Government of the Republic of Azerbaijan to immediately release Farhad Aliyev and Rafiq Aliyev". The resolution died in the Congress. Nevertheless, it managed to cause quite a stir, and consecutive US officials raised the pending legislation in order to urge the Aliyev regime to take positive action. Members of Congress also raised Farhad's case in their meetings with Ilham Aliyev. In a Congressional hearing on Human Rights and Democratization in Azerbaijan, Representative Thaddeus McCotter (R-Mich) described Farhad Aliyev as a "well regarded reformer who advocated more integration with the West" and supported the resolution, complaining that "I am very disappointed there has been no movement whatsoever to address the issues raised in the Resolution" (p. 47-48). Furthermore, on October 25, 2006, Senator John McCain (R-AZ) sent a letter to Azerbaijan's ambassador to Washington that expressed concern about the delay in granting Farhad Aliyev a public hearing. McCain urged the Azerbaijani government "to follow the letter and spirit" of international agreements it has signed that

call for the right to due process and to political opposition, and for the humane treatment of prisoners (Ismayilov, 2006).

Why was the US so involved in the fate of Farhad and Rafiq Aliyev brothers? What was at stake? President Ilham Aliyev “could not understand why the cases [of the Aliyev brothers] had drawn so much attention” in the US (Wikileaks, 2006). Specifically, why was the US so interested on the fate of the Farhadians, but not other bureaucrats who were arrested at the time? The answer to these questions lies in the dynamics of US promotion of neoliberal economic model in Azerbaijan and the particular place that the brothers held within these dynamics.

The Fall of Farhad Aliyev: End of Neoliberal Reforms

The arrest of the Aliyev brothers occurred in a very critical juncture for both the Azerbaijani regime and for US policy toward Azerbaijan. It dealt a huge blow to the pro-Western neoliberal reformers within the regime, a blow so powerful that from that point on, the reformers could have never exerted influence in the regime’s decision-making on important economic and political matters. The arrest and subsequent dismissal of the reformist clique and independent big businesses marked the decisive victory of the ‘old guard’ elite against the reformers. The country’s political and economic orientation was turned away from the US-promoted neoliberal model to the one that is characterized by crony capitalism, neopatrimonialism, and state capitalism³².

These events were also directly related to democratization of Azerbaijan, and US promotion of low-intensity democracy. Aside from being powerful neoliberal reformers,

³² To be precise, the Aliyev regime had never been “neoliberal”. Rather the reformist wing within the regime, as well as economic and political reasons listed above used to act as a powerful structure of incentives and constraints, as well as a driving force from within the regime toward neoliberalization.

the Aliyev brothers, similar to their counterparts in Ukraine and Georgia, were powerful financiers and prospective political leaders of the US-supported human rights community in Azerbaijan.

For US policy, these events in late 2005 signaled the defeat of pro-US reformers and the victory of the 'old guard'. Ilham Aliyev, failed to carry out his pre-election promises to Westerners and domestic audiences to initiate market reforms. It was expected that Ilham Aliyev would need to battle with the old guard in order to pursue reform, as the latter was going to be very resistant to the change of affairs. The question was whether Ilham would undertake that fight. Neoliberal economic reform policies promoted by the US were designed to deal a huge blow to the interests of the old guard³³, as well as pro-regime oligarchs in Azerbaijan. Liberalization of trade and improvement of investment climate would have forced them to compete with local as well as international companies, and would have weakened their hegemonic positions. What is more important is to understand that Ilham Aliyev and the First Family were not outside of the reforms' sphere of influence. I will discuss in more details the business ventures of the First Family in the next chapter, but the First Family was planning to carve out a special economic area for itself from the coming oil boom as much as any other oligarch in Azerbaijan. It is in this context that the opposition to American reform efforts from within the Azerbaijani Government has to be understood.

³³ The bureaucratic old guard consisted of Ramiz Mehdiyev (Chief of Presidential Administration), Zakir Garalov (Prosecutor General) and Ramil Usubov (Minister of Internal Affairs), and was the main target of reforms toward greater transparency and establishment of the principles of the rule of law in bureaucratic affairs. The oligarchs, mainly Kamaladdin Heydarov (Chairman of Customs Committee) and Ziya Mammadov (Minister of Transportation) were destined to lose their monopolistic control over certain sectors of economy upon which they built their business empires (Guliyev, 2012).

Furthermore, the purge of neoliberal reformers demonstrated that the government-to-government aid programs of USAID were not working in Azerbaijan. They were not enough to steer the direction of the Aliyev regime toward market liberalization. Hence, a reformulation of US aid programs was required. Instead of targeting government agencies, which were proven, time and time again, to be very resistant to reform and change, the new programs had to focus on strengthening civil society organizations, not only those funded by NED, but also the newly-emerging local student organizations, in promoting democratic and economic change in Azerbaijan.

Finally, the purge against the Farhad and Rafiq Aliyev brothers was not limited to their dismissal and arrest, but also targeted their own companies and every international business venture that had established itself in Azerbaijan with the help of Farhad Aliyev. Soon after Farhad Aliyev had been incarcerated in spring of 2006, the company group AzPetrol and Dutch Fondel Metals Participation- both owned by Farhad Aliyev's brother Rafiq Aliyev – were also investigated and eventually re-nationalized. Among the international companies that suffered from the anti-Farhadian purges, the Turkish Barmek was the most important one. Barmek was an electric distribution company that won the rights to manage Baku's regional distribution in 2001. Although German Siemens was the original winner of the tender, the company could not agree with the government on the terms. Although Barmek was certainly favored by the Aliyev Government in the deal, essentially it was an independent Turkish company that did not belong to the ruling elite; a rare occurrence in Azerbaijan's non-oil sector. Shortly after the Farhad affair, a government crackdown started against Barmek. Its properties were confiscated, and some executives were arrested. In 2006, the government terminated its contract with Barmek.

The event also marked the end of Azerbaijan's privatization endeavor in the energy sector. The crackdown did not remain limited to Barmek. Several other companies that were privatized while Farhad was in office were also confiscated and taken over by the government: Azeri Cable, Baku Electric Stamp, Baku Steel Mills, and the NJT (plastic products manufacturing). The purge of Farhad-associated businesses effectively cleansed the country's non-oil business sector of non-regime elements. The government re-nationalized the power sector and effectively reversed the privatization trend started by Heydar Aliyev in 1995. It also allowed the regime to allocate the oil money among its cronies, without risking the growth of non-regime economic actors who could threaten its grip on power and wealth.

2005: Failed Revolution in Azerbaijan

Had the opposition succeeded in toppling the Aliyev Government in 2003, this revolution would have preceded the Georgian Rose Revolution, which happened a month later. However, aside from the activism of NED and its affiliated organizations, none of the other conditions were met. To begin with, the US government clearly was not eager to fulfill its role, which could have involved putting heavy pressure on the incumbent government before the elections and issuing harsh criticisms afterwards. Second, the opposition was weak and divided. The initiatives to unite them ended up in failure. Third, the NGO community lacked an important source: a powerful youth movement, such as Otpor, Kmara or Pora, that could have filled the streets and boosted the protests. Fourth, the government remained undivided from within: there was no powerful bureaucrat or oligarch to break up with the government and lead the opposition movement. And fifth, the

government had complete control over the military establishment which helped it to crush the protests.

Although the opposition and the NGO community were frustrated by the apparent failure, the successful electoral revolutions in Georgia (2003), Ukraine (2004) and Kyrgyzstan³⁴ (2005) increased hopes for a similar scenario in 2005,³⁵ when parliamentary elections were held in November 2005. This time, the opposition was ready to solve their differences and unite around a single cause. Indeed, the most powerful three opposition parties (APF, ADR, and Musavat) created an electoral bloc called “Freedom Bloc”. Inspired by the Orange Revolution in Ukraine, the Bloc adopted the orange color as their symbol of protest (ESIWEB, 2011). The opposition was heavily criticized by both the NGO community and the State Department itself for failing to unite in 2003 elections. Hence, the united stand was logically regarded as an important signal to the West, showing the maturity of the opposition.

The opposition bloc visited the United States before the elections and conducted high-level meetings with civil society representatives and Congress members. The opposition newspapers in Azerbaijan put much emphasis on these meetings and even claimed that “the US will support Georgian and Ukrainian scenarios in Azerbaijan” (Yeni Musavat, 2005).

³⁴ The Kyrgyz Tulip Revolution happened in March-April 2005, preceding the 2005 elections in Azerbaijan.

³⁵ By 2005, the frustration of the US-supported NGO community with Ilham Aliyev reached a peak level. It was clear that Ilham Aliyev was not the ‘reformist’ leader that the community thought he was. Soros Foundation’s 2004 report claimed that Aliyev “made few moves to burnish his reformist credentials (OSI, 2005, p. 31).

Contrary to 2003, this time the opposition parties managed to establish several youth movements from their ranks to help them in their struggle. Four groups are important to analyze: Yeni Fikir (New Thinking), YOX! (NO!), Dalga (Wave), and Magam (It's Time). Both Yeni Fikir and YOX (NO!) were established in 2004 by the young followers of the opposition parties, Popular Front Party and Musavat, respectively. The groups openly supported the Freedom Bloc in elections and campaigned for the bloc throughout the pre-election period. Moreover, members of these groups openly declared Kmara, Otpor and Pora as role models for their movement (Abbasov, 2005). In his 2009 interview with Olena Nikolayenko of Stanford University, Razi Nurullayev, the leader of the YOKH movement stated that “[The] Yokh logo was developed in the United States. We liked the image of the person who shouted “No!” to non-democracy and invited people to join his victorious struggle” (p. 24).

Magam had no affiliation with opposition parties. Nevertheless, the movement modeled itself on the revolutionary movements in Ukraine and Georgia, and it picked orange as its rallying symbol. Dalga was another movement with no official affiliation with the opposition parties. It was established in April 2005 by university students at Azerbaijan State Economic University (ASEU). Dalga's activities were not necessarily election-related and were instead concerned with widespread corruption, especially in education, development of civil society and promoting legal awareness among citizens and students. Both of these movements were fairly small by the end of 2005, having no more than 200 members each.

Furthermore, the NED managed to fund several media programs both in Baku and in the regions of Azerbaijan, mostly focusing on the election campaign. Internews, an NGO

specializing on the media, increased its production of original programming for private TV channels, most importantly the ANS, which is widely regarded as the most independent TV channel in Azerbaijan. According to a State Department report, USAID supported 9 independent TV stations around the country in this period (State Department, 2006).

However, it is also important to note that the financial assistance by the State Department to the revolutionary goal was very modest in comparison to assistance provided to Georgia or Ukraine before the elections. During Shevardnadze's tenure in Georgia, the US provided over a 1 billion USD in Freedom Support Act (FSA) funding to the country. In 2003 alone, the US assistance was 141.6 million USD, in contrast to Azerbaijan's 90 million³⁶. In Ukraine, the US Government provided 13.6 million USD "election-related assistance" to Ukraine in 2005. As Mitchell (2012) observes, "\$13.8 million is more money than a government would spend if it just had a passing interest in election fairness in a given country, even in a big country like Ukraine" (p. 88).

The US Government and the 2005 Elections

Did the US government try to topple the Ilham Aliyev regime in 2005? According to many policymakers in Azerbaijan, including Ilham Aliyev himself, it did. According to official US statements, the US government never had such an intention in Azerbaijan. I found no conclusive evidence to substantiate either claim. Instead, there is evidence pointing to the existence of a revolutionary sentiment within the NGO community and in some policy circles, in contrast to overwhelming support to the continuity of the Aliyev regime within the executive branch. The Bush Administration had good reasons to support

³⁶ This corresponds to 28.5 USD/person vs. 11.5 USD/person in assistance to Georgia and Azerbaijan, respectively.

Aliyev's stability. It was the Cheney-led NEDP report that recommended President Bush should support the BTC pipeline and support regional governments to develop energy projects. As the BTC pipeline was becoming operational in 2006, a change of political regime would have put a strain on the prospects of the project. Furthermore, although reluctant to support a war against Iran, the Aliyev regime was still a secular ally of the US bordering Iran. More importantly, the US cooperative relations with Uzbekistan had collapsed in July 2005, when the Uzbek government ordered US forces to evacuate the K2 base in Uzbekistan after US criticism of government's massacre in Andijan in May. Azerbaijan was one of the alternative locations to replace the load of the K2. Hence, there were no public notices to the Aliyev regime prior to the 2005 elections emanating from the White House.

However, the NGO community raised their criticisms via powerful channels. The NDI director Madeleine Albright's July visit to Azerbaijan was a critical attempt to put pressure on the government before the elections. Albright met with the three main opposition parties and participated in roundtable discussions with NGO and media representatives. In her public statements, Albright raised the concerns of the opposition parties and the community regarding the restrictions they faced: "There has been a very consistent message, and the message is the necessity for the [Central] Electoral Commission to be a truly independent commission that can help in making clear that the elections are free and fair and open, and a desire for there to be greater diversity in political participation" (Blua, 2005). Albright also had a private meeting with Ilham Aliyev during her visit. Although the contents of the meeting has not been made public, it is clear, from his remarks to US officials in government cables, that Aliyev was seriously irritated by

Albright's visit and her remarks, and indeed, perceived it as part of a conscious strategy to topple him³⁷.

Following Albright's visit, GOAJ launched an unprecedented crackdown against the very opposition movements and civil society organizations that NED and Albright supported. In August 2005, GOAJ authorities arrested Ruslan Bashirli (chairman), Ramin Tagiyev and Said Nuri (deputies) of the Yeni Fikir movement. Both Bashirli and Tagiyev's family members were harassed, attacked and thrown out of their jobs. Bashirli and his deputies were charged with creating a terrorist organization with the purpose of toppling the government. Their attendance at an IDEE conference was provided as proof of crime by the government. GOAJ also accused the NED of "giving instructions and money to Bashirli to support a revolution" (HRW, 2005, p. 19). US Embassy officials closely followed³⁸ the trials of Bashirli and others and provided advocacy throughout the trials.

The 2005 Elections: A Failed Revolution

The elections ended as a spectacular failure for the opposition. The 2005 elections were the worst in terms of democratic standards in modern Azerbaijani history³⁹. According to the OSCE conclusion, which was read by Alcee Hastings (D-FL), US Congressperson, the elections failed to meet several international standards. The opposition

³⁷ As some observers (Blua, 2005; Labarique, 2005; Mir-Ismail, 2005) claimed, the resemblances of Albright's visit to James Baker's visit to Georgia in 2003 were uncanny. Both took place during a critical period prior to the elections, and included a series of meetings with the opposition and the NGO community, public criticism of the regime's handling of the election process and closed door meetings with the government officials.

³⁸ The US Embassy cables clearly indicate that the Embassy officers personally attended most of the trials. In some cases, when the trial was closed to public, they issued serious concerns to GOAJ officials behind closed doors.

³⁹ After 2005, this particular phrase lost its meaning entirely, since every election broke a new record.

ended up losing two seats (from 10 to 8). What's more, the State Department expressed positive remarks about the conduct of the elections, claiming that the elections "were an improvement over previous elections in some areas" (Ereli, 2005). After the elections, the Constitutional Court cancelled the results in six constituencies and decided to run a reelection in May 2006. The Bush Administration welcomed the move and called them "positive steps" (McCormack, 2005). However, a careful examination of the constituencies reveals that, in most of the cancelled ballots, either the opposition or independent candidates had won. The ballot of the chairman of the main opposition party, Ali Karimli of the APF, along with the ballot of another APF⁴⁰ activist Gulamhuseyn Alibeyli, were cancelled. The regime's YAP⁴¹ had won in only two of six constituencies. The US embrace of the results and the following court decision frustrated the opposition. Writing in NED's Journal of Democracy, Leila Aliyeva (2006), an opposition activist and scholar, claimed that "the Azerbaijani opposition blamed the United States for having a double standard and failing to be serious about assertively promoting democracy in Azerbaijan" (p. 157).

2005 Elections – 2007

Energy: Phase II

After the successful completion of the BTC pipeline project, the energy politics of the Caspian Sea Basin entered into a new phase. Connecting Kazakh oil to the BTC system, and the development of the SD2 have become the main tenets of what is called "Phase II"

⁴⁰ The APF represented secular nationalist groups to which the late president Abulfaz Elchibey also belonged. The APF movement emerged in 1980s as a student organization defending the end of Soviet rule, better relations with the West, and unification with Southern Azerbaijanis in Iran.

⁴¹ YAP was established by the late Heydar Aliyev as the main political party of his regime. YAP's status can be compared to the United Russia party in Russia.

of Caspian energy development (Shaffer, 2010). The concrete ingredients of Phase II included 1) building a trans-Caspian oil transport system, preferably a pipeline, between Kazakhstan and Azerbaijan to connect Kazakh oil to the BTC system, 2) full development of the Shah Deniz gas field, 3) building a major gas pipeline, through Europe to sell Azerbaijani gas to Europe, and 4) connecting Turkmenistan's gas to this pipeline system via a Trans-Caspian Gas Pipeline. However, these projects were destined to be very difficult and depended on immense US political and financial support, similar to what it provided for the BTC. The proposed trans-Caspian pipeline projects would require the parties to deal not only with Caspian Sea demarcation issues, particularly on exploration rights of multiple energy fields located between Azerbaijan and Turkmenistan's sectors, but also with the legal issues concerning the status of the Caspian Sea. This is all in addition to "regular" hurdles associated with bringing governments and international energy companies together to cooperate and agree on the projects.

The developments were rather slow in the Phase II projects as the governments of Azerbaijan and Kazakhstan could not come to an agreement on the terms of the transportation system. The disagreements became apparent in 2005 when Kazakhstan's President Nursultan Nazarbayev decided not to sign the draft IGA with Azerbaijan on the transport of Kazakhstan's oil via the BTC pipeline (06BAKU368_a, 2006). However, the two sides signed the Intergovernmental Agreement (IGA) to facilitate a link by Kazakhstan's North Caspian oil fields (particularly, Kashagan) and the BTC pipeline in June 2006. Nevertheless, the subsequent Host Government Agreement (HGA) that involved critical issues such as oil volumes, tariffs and control of shipping fleets could not be overcome ever since (Trend, 2007).

The Wikileaks cables demonstrate that the US government was constantly urged, after the completion of the BTC, by both BP and the Azerbaijani government to increase its involvement in these issues. In his meeting in April 2006 with State Department Director of Policy Planning Stephen Krasner and Deputy Assistant Secretary of State for European and Eurasian Affairs Matthew Bryza, Azerbaijani President Ilham Aliyev lamented his meetings with European officials in Brussels, and asked for “strong US political support” in order to “move beyond theoretical discussion to practical measures to diversify Europe’s energy supplies” (06BAKU540_a, 2006). The cables also show that State Department officials such as Director of Policy Planning Stephen Krasner agreed with Aliyev, and were aware that without strong US political involvement the projects were not going to materialize. As a demonstration of this understanding, Secretary of State Condoleezza Rice and Azerbaijani Foreign Minister Mammadyarov signed an MOU on Energy Security Cooperation in the Caspian Region on March 2007. The MOU was aimed at “realization of the Turkey-Greece-Italy gas pipeline, and potentially the Nabucco and other pipelines, with Azerbaijani gas, to help Europe bolster its energy security by diversifying its natural gas supplies” (Media Note, 2007). Furthermore, the 2007 EU-US Summit Declaration also touched on the importance of the Caspian energy sources for the security of energy supplies of the EU and called on both the US and the EU to “achieve greater diversification of energy types, sources, and routes of European energy supplies, in particular encourage new infrastructure for utilizing the oil and gas reserves of the Caspian region” (Summit Declaration, 2007, p. 33).

Economic Reforms: Growing GOAJ ‘Arrogance’ and Resistance to Neoliberal Reforms

By 2006, the Azerbaijani economy was entering into the biggest booming period of its history. With the opening of the BTC, the GOAJ was expected to make 200 billion USD in the next 20 years from selling oil to international markets. As I described above, US economic policy was designed around the goal of managing this economic boom. However, already by 2006, the GOAJ was moving in a direction that confirmed the worst fears of officials in the Bush Administration. Along with increasing revenues feeding into state coffers, the GOAJ was becoming more and more unresponsive to US and IFI advice on economic policy. Ambassador Derse had this to say in late 2007: “Azerbaijan's new wealth has also given President Aliyev and his Cabinet a new-found sense of confidence that is being reflected in a growing reluctance to embrace outsiders' advice, including some Western policy prescriptions” (Wikileaks, 2007). By 2006, GOAJ broke off negotiations with IFIs either because the lending conditions proved too stringent or the conditions of the financing did not meet the government’s satisfaction. AzerEnergy (an SOE) pulled out from loan negotiations with EBRD, because the former was uncomfortable with the EBRD conditionalities imposed on the loan. In 2006, the Ministry of Finance cancelled an EBRD loan for a power generation station. Speaking to Ambassador Derse, an EBRD representative mentioned that “GOAJ really only wanted to support the "perception of engagement with the IFIs" while really disengaging from their programs” (Wikileaks 2006).

The international business community in Azerbaijan was growing increasingly frustrated with the deteriorating business climate in the country. An Azerbaijan-American

Chamber of Commerce (AMCHAM) White Paper in 2005 reflected these frustrations. The report claimed that “systemic corruption has severely inhibited foreign investment economic development” (p. 9). The report identified ‘monopolization’ as the biggest problem: “Business interests well-connected to senior government officials often limit access to various local markets by influencing government agencies essential to a business’ success” (AMCHAM, 2005, p. 12). Moreover, it showed how the investment climate had gotten worse over the years: “tax administration has become less investor friendly” (AMCHAM, 2005, p. 14). The Bush Administration provided utmost attention to the AMCHAM recommendations: Key first steps in promoting a better business climate and greater investment in the non-energy sectors would include implementation of the recommendations included in the AmCham White Paper.

After the 2005 elections, the reformist wing of the GOAJ was eliminated from bureaucratic positions, along with the independent businesses. After clearing the government of reformist circles, Ilham Aliyev began to fill important positions with his personal friends, most of whom were also oligarchs. Farhad Aliyev was replaced by Heydar Babayev, a long-term personal friend whose company “ABU Holding” had ventures in banking, oil, insurance, lodging and leasing sectors. The stark contrast between Farhad Aliyev and his replacement, Babayev, demonstrates the impact of change. One US State Department cable claimed that “Heydar Babayev is the most resistant to the International Monetary Fund⁴² and its past efforts to reform the economy, and especially its attempts to privatize the state-owned International Bank of Azerbaijan. Babayev also has criticized the

⁴² In 2005, the Azerbaijani Government refused to get a new loan from the IMF, citing unfavorable credit conditions. Since then, the IMF-Azerbaijan relations were relegated to the Article VI Consultation level. As a result, IMF closed its Baku office in 2009 (Jafarova, 2014).

role of the European Bank of Reconstruction and Development for its investments in mid-tier banks, such as Bank of Baku and UniBank” (Wikileaks, 2007). Ambassador Reno Harnish states that “Babayev's dislike for the IMF may be connected to his personal business and financial sector interests ... The IMF's financial and economic prescriptions would adversely affect ABU's preferential position and its many businesses” (Wikileaks, 2007). Moreover, President Aliyev was known to receive advice mostly from Babayev, rather than other ministers, representatives of business sectors, or international organizations.

In addition to Babayev, other GOAJ old guards were also becoming more resistant to IFI and US advice on economic reform. An important personality in this regard was Ramiz Mehdiyev, who was widely regarded as the mastermind of Azerbaijan’s foreign and domestic policy. Mehdiyev was an old Soviet apparatchik and was regarded as the most powerful political figure in Azerbaijan. Throughout the 1970s and 1980s, he headed the Azerbaijan Communist Party’s (ACP) Ideology and Propaganda Department, before becoming deputy to the Supreme Soviet of Azerbaijan SSR. Brought by Heydar Aliyev to power, Mehdiyev had headed the Presidential Administration since 1993. Mehdiyev was known to have close relations with Russia, including significant business ventures. Due to his resistance to Western economic and political reform proposals and his strong influence in shaping GOAJ policies, Mehdiyev had long topped the US State Department list of unwanted elements within the Azerbaijani Government. In various US cables, Mehdiyev was accused of “look[ing] more towards Russia for economic advice than the West and IFIs”, “promoting the notion that USG will not help [Azerbaijan] on Nagorno-Karabakh”,

“not appreciat[ing] the constructive role the free media plays in democracies”, and making “oblique comments” on USG policies” (Wikileaks, 2007, 2008).

Yet, no group was more frustrated by the GOAJ economic policies than transnational business interests. I have noted above the AMCHAM’s criticisms of GOAJ policies. The meetings with the US officials demonstrate the details of their grievances which can be grouped under three categories: monopolist behavior of GOAJ-connected businesses, increasing level of harassment against Western businesses, and favoritism toward Russian companies over Western ones. Beginning in late 2005, GOAJ-connected cronies started to be more assertive in establishing their hegemonic position in business and especially the growing public procurement sector. The latter was expected to be a \$13.3 billion cake for which transnational capital would have to compete with the GOAJ interests more so than with each other. “[A] complete lack of a transparent tendering process for major GOAJ procurements” makes it “extremely difficult for U.S. companies to compete on an even playing field” in Azerbaijan. All of the big-ticket deals ... are made well before the State Procurement Agency issues its tender" (Wikileaks, 2008).

GOAJ monopolies prevented various US companies from establishing their presence in Azerbaijan. For example, ConocoPhillips, a US energy company, was interested in trans-Caspian shipping. However, the sector was under complete control of CASPAR, the state-shipping monopoly. McDermott, another US engineering and construction company, was demanding a ‘duty-free’ trade zone in the Caspian to build its yard for Caspian free trade. However, both GOAJ unwillingness and legal and political issues surrounding the Caspian Sea prevented this project from materializing. Bechtel, another US multinational, was interested in the construction of a large road project that

would connect Baku and Georgia. Despite heavy lobbying by US Ambassadors, the project was awarded to a Turkish company. The 2011 Investment Climate Statement of State Department illustrates these concerns succinctly:

Politically connected businesses benefit from government regulatory and other decisions to achieve effective control over lucrative sectors of the economy, and U.S. companies have been among those impacted. Powerful state-owned enterprises, such as the Azerbaijan State Caspian Shipping Company (CASPAR) and Azerbaijan Airlines (AZAL), have regulatory authority that they can exploit to block new entrants into the market – a clear conflict of interest. Major businesses are run by senior government officials or other politically-connected individuals who wield inordinate influence on the market economy; these monopolistic actors often exercise their political connections and economic power in a manner that discriminates against or unfairly burdens foreign investors or foreign-owned investments (State Department, 2012).

US companies were also unhappy about increasing GOAJ harassment. Among them was Coca Cola. Established in 1994, Coca Cola Azerbaijan had been one of the top foreign investors (\$140 million by 2015) in Azerbaijan's non-oil economic sector. The harassment the company started to receive from the GOAJ authorities revealed the extent of decline in investment climate. In a meeting with Special Representative for Economic and Business Affairs Frank Mermoud, the company's finance director revealed that the GOAJ authorities required the company to pay 100,000 USD in bribes, in addition to the normal fees and payments, in order to be allowed to expand its production facility. Furthermore, the company was forced to buy resin, a necessary commodity to produce bottles, from a newly established GOAJ monopoly.

Finally, both the Western multinationals and US Embassy in Baku were complaining about the newly emerging favoritism toward Russian companies in the Azerbaijani business sector in the post-2005 era. Already in 2006, a Chevron executive

was asserting that “Russian businesses are taking over chunks of the non-energy industry” (Wikileaks, 2006). Barmek, for example, was replaced by UES, a Russian electric company. Furthermore, important bureaucrats, such as Ramiz Mehdiyev, was ‘accused’ of maintaining extensive business interests in Russia, including political and LUKoil connections, and “look[ing] more towards Russia for economic advice than the West and the IFIs”. Hence, these developments led transitional capital and the US Embassy in Baku to conclude that “that anti-reform elements appear to be gaining the upper hand within GOAJ economic decision-making circles” (Wikileaks, 2006).

One of the implications of this change for US policy was that the GOAJ was starting to lose the support of the business community as a powerful lobbying group in Washington. Instead, transnational businesses were becoming more and more critical of GOAJ behavior with increasing favoritism toward GOAJ-insiders and declining opportunities in the oil sector for transnational firms. The Stage II of Caspian energy development required intensive cooperation among Caspian countries to build a free trade zone within the region and intensive construction of new facilities and trans-Caspian pipelines to compensate for dwindling investments and business opportunities in the Caspian after the completion of the BTC pipeline. However, political counter-revolution moved the environment in the opposite direction.

Democratization: GOAJ Counter-Revolution

Despite its agreement to hold rerun elections in May 2006, the GOAJ response to the events of 2005 was more aligned with Russia and other CIS countries where similar attempts had been fruitless. In November 2006, GOAJ closed down ANS TV, and Bizim Yol and Azadliq newspapers. ANS TV was the most independent private network in

Azerbaijan. ANS also cooperated with Internews in producing original programming before the elections. Azadliq and Bizim Yol were two of the biggest opposition newspapers. Azadliq was directly connected to the opposition Popular Front party. The State Department raised its voice against the government crackdown against independent media outlets in both private and public meetings. In a meeting with Foreign Minister Elmar Mammadyarov, US Ambassador Anne Derse requested GOAJ to reserve actions and claimed that “the world is convinced that Azerbaijan has launched an assault against media freedom and democracy” (Wikileaks, 2006). Despite numerous calls to GOAJ, the latter did not change its course of action and suspended ANS TV.

Later that same month, in a meeting among US, German, UK and OSCE ambassadors, the parties agreed “on the need for tangible action to be taken in response to recent events” and “urge the State Department to make a strong statement at the November 30 OSCE Permanent Council meeting” (Wikileaks, 2006). Such a remark did not materialize. A month later, in December 2006, in the visit of Assistant Secretary of State Barry Lowenkron to Baku, the Bush Administration launched “a new, structured dialogue on democratic reform ... to develop a shared vision of Azerbaijan’s democratic reform goals and how the US can best support them” (Wikileaks, 2006). Although GOAJ agrees to the program, Aliyev complains that his government “is unfairly held to a higher standard than others in the region” (Wikileaks, 2006). Nevertheless, by 2007, it was getting increasingly clear, stated in a US Embassy cable, that “democracy and human rights is the main area in which US -- and more broadly, the West's -- expectations and Azerbaijani performance consistently and disappointingly differ” (Wikileaks, 2007).

Conclusion

In this chapter, I analyzed the second period of US policy toward Azerbaijan that runs from 2002 to 2007. I argued that the primary US policy objectives toward Azerbaijan in this period were to achieve energy security through the liberalization of Azerbaijani markets to provide access to Azerbaijani oil by transnational capital. I demonstrated that the US security objectives in Azerbaijan revolved around ensuring safe supply of energy from Azerbaijan to international markets and protection of offshore facilities owned by transnational capital. Hence, I rejected the rigid outlook of the realist argument which pays too much attention to geopolitical rivalry between Russia and the US over the region.

Furthermore, I argued that neoliberalization of Azerbaijani markets emerged as a major policy objective for the United States after successful completion of the BTC pipeline and subsequent pouring of oil money to the Azerbaijani Government's coffers. The management of this money in line with neoliberal directives became a central element of US policy which meant a growing focus on reforms in non-oil sectors of Azerbaijani economy given much of the government expenditures (read: oil money) was moving to that sector. I demonstrated difficulties that US policy faced pertaining to this objective especially after the completion of the BTC pipeline, which increased the hubris of the Azerbaijani regime and made it much less open to the advice of the US and transnational capital.

Finally, I demonstrated an intriguing dynamic of US policy in Azerbaijan, a dynamic not observed in most other countries. Within a focused discussion on US efforts on democratization and human rights, I documented a division of perceptions and policy

objectives between the US government, mainly the executive branch, and the US-supported NGO community in Azerbaijan.

CHAPTER IV: 2008-2015

Introduction

In this chapter, I analyze the third and final period of US policy toward Azerbaijan from 2008 to 2015. I argue that in this period, the main US objective has become the neoliberalization of Azerbaijani markets, especially the non-oil sectors of the economy, in order to open investment opportunities for foreign capital. I demonstrate that the US engagement with the Azerbaijani energy issues was heavily reduced due to three interrelated reasons emanating from geoeconomic factors: the bust in Azerbaijani energy resources, lack of progress in gas projects due to lack of interest on the part of the EU, and changing energy dynamics emanating from the unconventional oil and shale gas boom in the US.

These changes in energy dynamics had reverberating impacts on the security, economy and human rights policies of the US. Regarding security, the US disengagement from the Caspian energy issues reduced US interest in the security of Caspian energy as well, leaving the Northern Distribution Network (NDN) as the only pillar of security cooperation between the two countries. The lack of US interest in Azerbaijan's security was demonstrated when the former did not increase its military assistance in the aftermath of the Russian invasion of Georgia in August 2008. The US insistence on the Turkish-Armenian Rapprochement, and the separation of this process from the Nagorno-Karabakh issue further aggravated the situation.

On the economic front, with the bust of Azerbaijani energy, many US companies left the country due to lack of new investment opportunities in the Caspian. Without a focus

on energy, US economic interest moved explicitly to the non-oil sector that was heavily dominated by the regime-backed cronies. The transnational business community grew critical of the Azerbaijani government due to the closure of the economy to foreign investors after the oil money started to flow in after the construction of the BTC pipeline. Following the US-funded NGO and media networks' exposure of the Aliyev government's corruption, lack of reforms in the domain of the economy was made more visible. The US attention to the non-oil sector has made the regime's corruption much more visible and has brought the issue of corruption into the center of US policy.

The reduced US interests in Caspian energy has made the stabilization of the Aliyev regime less important, and has simultaneously elevated the promotion of democratization and human rights. As a result, human rights discourses have emerged at the center of the US-Azerbaijan relations. Although the collapse of bilateral relations in 2014 was attributed to the deteriorating human rights environment in Azerbaijan, this chapter, and this dissertation in general, have demonstrated the contingency of human rights considerations for US policy.

In what follows, I will first look at the energy issues, and will demonstrate how the US engagement in the Caspian declined following the completion of the BTC pipeline in 2006. I will then proceed to explain a three-legged conglomerate geoeconomic mechanism that accounts for this disengagement. I will then turn to security, and will show how shifting dynamics of this geoeconomic mechanism were implicated in US security policy.

In the third section, I will look at the economic reform policies. I will show that with declining US interests in other areas, economic reform issues emerged as the central element in the US agenda, an agenda that involved US-funded NGO networks and media

organizations in Azerbaijan. In the final section, I will analyze the human rights issues and reveal the contingency of the collapse of bilateral relations on human rights grounds by demonstrating the dynamics of a vicious cycle of mutual accusations that emerged following US disengagement in other policy areas.

Energy Issues

As I described in the previous chapter, after the completion of the BTC pipeline, the main objectives of the US Caspian policy became the development of the Phase II projects, whose main components were to build a major gas pipeline to connect Azerbaijani gas to Europe and to build trans-Caspian oil and gas pipelines to connect the Kazakh and Turkmen energy to the Western markets via Azerbaijan. However, it was not clear how eager the US was to promote these goals in the Phase II of the Caspian Sea energy development. Instead of a renewed activism to promote these projects, the US policy disengaged from Caspian energy issues during this period.

In this second period, the US reversed the course of its engagement with the politics of Azerbaijani energy. The result was a long period of impasse in Caspian energy diplomacy, during which Russia managed to make some inroads into regional energy politics. The lack of US eagerness was demonstrated when the important diplomatic positions related to the Caspian energy fell out of favor with the White House. For example, the much-appraised post for Special Advisor for Caspian Basin Energy Diplomacy was not filled by anybody after the-then Ambassador Steven Mann left in 2005 as a Deputy Principal Assistant Secretary of State for South and Central Asian Affairs. Already in 2004, Mann was tasked, in addition to his responsibilities regarding energy diplomacy, to be special negotiator for Nagorno-Karabakh and Eurasian conflicts in 2004 (Media Note,

2004). In May 2007, Russia signed a landmark deal with Turkmenistan and Kazakhstan where “the three countries agreed to build a natural gas pipeline along the Caspian Sea Coast to carry gas from Turkmenistan to Europe via Kazakhstan and Russia and to upgrade the Prikaspiiski natural gas pipeline” (Roy, 2007).

The Bush Administration’s failure to appoint a new diplomat for the Special Advisor post received criticism from some US Congressmen. On October 2007, the Senate Foreign Relations Committee chairmen Joe Biden and Richard Lugar⁴³ wrote a letter to Secretary Rice, urging her “to consider appointment of a special representative dedicated to energy in the Caspian Sea Basin and Central Asia”, citing the importance of the region and the inroads made by Russia. In order to end the impasse and provide new traction to its preferred projects, the State Department created a new post for the Coordinator of Eurasian Energy Diplomacy in January 2008, and appointed Ambassador Mann to the post. Mann’s main job this time was to recover the losses dealt to the US in Turkmenistan (Kucera, 2008). In addition to this, in February 2008, Secretary of State Rice announced that her department would appoint a special envoy for energy issues, especially those pertaining to Central Asia and Caspian Sea. In March, the Bush Administration announced Boyden Gray as a Special Envoy for Eurasian Energy.

However, these appointments could not accelerate the already slowing pace of US diplomatic engagement in the region. No breakthrough happened in either the Gas Corridor or the Kazakh oil negotiations in 2008. In addition to already existing issues with the Eastern Caspian, Azerbaijan, in this period, was in a bitter disagreement with Turkey over

⁴³ After his visit to Kazakhstan, Turkmenistan, Azerbaijan and Ukraine in January 2008, Senator Lugar repeated his call.

the terms of the SD2 gas transit. There was a 16-month long stasis around the marketing of SD2 gas between Azerbaijan and Turkey from 2007 to 2008. The sides could not agree on either the amount of Azerbaijani gas to be sold to Turkey or the price of it. Also, neither Gray, nor Mann could convince Turkmen leader Gurbanguly Berdimukhammedov⁴⁴ to join the Southern Gas Corridor. The Russian invasion of Georgia in August 2008 was another blow to the US policy in the region during this period. In fact, the existing level of US engagement in the region was so unsatisfactory that Aliyev and other leaders in the region expressed their enthusiasm for the newly-arriving Obama Administration, hoping that it would provide a new boost to US energy policy in the region. Little did they know that the US Government was preparing to totally disengage from the Caspian energy politics under the new Administration.

US Energy Policy Under Obama Administration

Already during his election campaign, Barack Obama promised to “harness homegrown alternative fuels and spur the production of fuel-efficient hybrid cars, and break our dependence on the world’s most dangerous regions” (On the issues, 2008). However, the audience had heard similar promises from many other prospective presidents, all of whom ended up engaging in the politics of Middle East and other tumultuous regions in pursuit of energy security. In fact, the most “promising” energy strategy by successive US administrations had been to diversify oil supplies away from the Middle East, the policy

⁴⁴ Berdimukhammedov came to power in 2006 after the death of Turkmenistan’s first president Saparmurat Niyazov (Turkmenbashi), replacing the ex-communist tyrant that ruled the country for over two decades. Niyazov had opposed Western investments in its country, particularly in the natural gas sector and had closed Turkmenistan’s economy to foreign investors. Hence, when Berdimukhammedov replaced him after his eventual death, the hope, on the part of the West, was that the new leader would finally reverse course. However, not only did Berdimukhammedov not initiate any changes, he also went on to create his own cultist totalitarian leadership, not unlike the one of his predecessor.

that was articulated and followed by both the Clinton and Bush Administrations⁴⁵. However, Obama has proven himself to be different than his predecessors, not least because he was at the right place⁴⁶ in history. Already in February 2009, the Congress passed the Recovery Act which included “more than \$70 billion in direct spending and tax credits for clean-energy and transportation programs” (Clean Energy Trends, 2009). In October 2009, the Obama Administration announced the largest single energy grid modernization investment in US history, totaling \$3.4 billion in investments on Smart Grid and research on clean energy. Finally, in the May 2010 NSS document, President Obama did not make a single mention of either diversity of the regions from which energy resources come, or stabilization of energy rich regions. In fact, what Obama understood by diversification was the diversification away from oil itself and developing alternative supplies, such as wind, solar, or safe nuclear energy (NSS, 2010).

The reverberations of this strategic shift were felt quickly in the region, and especially in Azerbaijan. Already less than six months into the Obama Administration, the Ambassador position in Baku was vacant after Anne Derse left the post in June 2009. Obama would not appoint anybody to the post for the next 11 months. Furthermore, Steven Mann resigned from his position as the Coordinator for Eurasian Energy Policy in March to join ExxonMobil. Instead of appointing someone, the State Department decided to embed this position in the existing one for Eurasian Energy Envoy.

⁴⁵ In his 2006 NSS document, Bush claimed that “The key to ensuring our energy security is diversity in the regions from which energy resources come and in the types of energy resources on which we rely” (p. 28).

⁴⁶ As I will explain later in this chapter, Obama’s Presidency coincided with the unconventional oil and gas revolution which created a boom in oil and gas production in the US.

When the Russian gas supply crisis happened in 2009, the attention was again brought to dangers of European dependence on Russian gas. However, instead of prioritizing Eurasian gas supplies, the EU countries focused on building pipelines from Russia that would bypass both Ukraine and Belarus. The Nord Stream, Nord Stream-II, and South Stream projects were prioritized in this respect. Further attention was brought to reforming European internal gas markets in order to create a single gas market and to increase the resilience of the energy systems of the Central and Eastern European gas markets (Noel, 2013). Furthermore, the EU's gas demand took a serious hit during the Financial Crisis in 2008. The EU's gas demand had already peaked in 2005 and was declining. The financial crisis accelerated this decline after 2008. Finally, the shale gas boom that happened in the US after 2008 had profound implications for the EU markets. Growing US domestic production turned the US into a net natural gas exporter. This meant that the Liquefied Natural Gas (LNG) that had been imported to the US previously was no longer required in the US. Coupled with increasing US exports, this spare global capacity started to supply EU markets. The prospect of LNG supplies from the US and of shale gas production within the EU shifted the focus away from expensive pipeline projects involving the Caspian countries (Hulbert & Goldthau, 2013).

If the driver of the engagement was actually a geopolitical rivalry, and if the goal was to reduce, if not totally eliminate, Russian influence in the region, the growing Russian influence and activism in the South Caucasus and Central Asia region should have triggered a new wave of US engagement and interest. In contrast, the US failed to muster an adequate challenge to Russian initiatives in the Caspian Sea region, and particularly in Azerbaijan. In 2009, Azerbaijan's SOCAR and Russian Gazprom signed an agreement on

Azerbaijani gas exports to Russia. Although the amount of gas in the deal was not big enough to nullify the SGC (500 million cubic meters per year), the agreement had historic and strategic importance since it came right after the Russian gas dispute with Ukraine in early 2009 (which left the Eastern and Central Europe without access to natural gas for two weeks during a freezing winter), and a year after the former's invasion of Georgia in August 2008. Also, Azerbaijan started to sell natural gas to Russia for the first time.⁴⁷ (Socor, 2009).

Therefore, if the pre-2009 US and EU engagement on the SGC projects was weak due to structural neglect on part of the former and internal division of the latter, the post-2009 period was characterized by even further evolution toward disengagement on the part of both the US and the EU.

The priorities of US energy policy in the Caspian changed considerably. For example, the US shifted its goal for Turkmen gas: rather than connecting it with Europe through Azerbaijan, the new preferred pipeline for the transport of Turkmen gas was the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. Named as the "Peace pipeline" by the Obama Administration, TAPI was envisioned as the core element of US strategy to provide economic stability to Afghanistan after the withdrawal of US troops, and as a way of securing peace between arch-enemies of India and Pakistan (Blake, 2011). TAPI was part of a broader reorientation of US policy in Central Asia and the Caspian that was best illustrated by the New Silk Road Initiative. In contrast to the emphasis on East-West connections in the previous Silk Road Strategy Act of 1999 (H.R. 1152, 1999), the

⁴⁷ Notice also that the United States did not have an Ambassador in Azerbaijan during this time.

new initiative focused on the North-South axis and promoted the connecting of regional energy markets, trade relations, border operations, and businesses among Central Asia, Pakistan, India and Afghanistan (U.S. Support, 2011).

Although the US did not abandon the Southern Gas Corridor and other projects in the Caspian, the level of activism dropped significantly along with the aforementioned policy shifts. The US relegated the Trans-Caspian and SGC projects to the proverbial back burner and limited its policy engagement with these projects to the ambassadorial level (Blank, 2009, 2013; Cornell, Starr & Tsereteli, 2015). The number of visits by high level American officials to Azerbaijan decreased significantly, and when they arrived they were concerned with other issues, most prominently the Northern Distribution Network (NDN)⁴⁸ and human rights/democratization issues. In 2011, the State Department abolished the position of Special Envoy for Eurasian Energy and transferred its competences to the newly created Bureau of Energy Resources. Thus, the US no longer had a separate officer in the region working on energy diplomacy⁴⁹ (Media Note, 2011). During this period, the US and the EU did not convene regular meetings to discuss their strategies regarding the SGC, nor

⁴⁹ Predictably, the abolition of the Envoy post drew harsh criticism from Senate Lugar. In a Congressional hearing on Caspian Energy in 2012, Lugar devoted a substantial amount of space discussing the Envoy position. He claimed that the “decision to discontinue the dedicated position of U.S. Special Envoy for Eurasian Energy Security ... is particularly disappointing and threatens to undermine U.S. engagement” (p. 5). Summarizing the work done by previous envoys, Lugar asserted that “The State Department should restore the dedicated Special Envoy position to ensure that U.S. energy diplomacy can reach the senior levels of government in the Caspian region and within the U.S. bureaucracy” (p. 5). Not so surprisingly, Lugar’s observation about the US policy in the Caspian region overlapped with this author: “following completion of the first stage of the Southern Corridor, U.S. energy diplomacy in the follow-on stages lost priority. While a few talented U.S. diplomats kept the project moving forward with suppliers in the Caspian and consumer nations in Europe, a diminishment of high-level attention was incongruous with the key U.S. national interests at stake and ignored the reality that energy decisions in the Caspian region are made at the most senior levels of government” (p. 7).

did they draft a document that crystallized the common elements of their policies and practices (CST, 2015).

It is no coincidence that Azerbaijan and Turkmenistan could not come to agreement to build a Trans-Caspian gas pipeline to connect Turkmen gas to the SGC. Also, although an IGA and numerous MOUs were signed among Azerbaijan, Kazakhstan, and various international energy companies, the projected trans-Caspian oil pipeline between Azerbaijan and Kazakhstan is still in the feasibility stage. The tanker transport that started in 2008 could not go over modest capacities and was interrupted multiple times due to production problems in Kazakhstan's Kashagan field (Trend, 2009; Watkins & Leblond, 2009). Most importantly, the Azerbaijani government has taken the utmost responsibility and initiative, with some help from Turkey, to develop the SGC and connect the SD2 gas to Europe. The cornerstone of the SGC, Trans-Anatolian gas pipeline⁵⁰ (TANAP) became the central piece of the SGC in 2012. TANAP was proposed and indeed has become an alternative to the Western favorite Nabucco, and eliminated feasibility of the latter almost entirely. Instead of great powers, TANAP was realized by the regional countries, particularly Azerbaijan and Turkey, by following their own interests ⁵¹and policy initiatives (Cain, Ibrahimov & Bilgin, 2012; Blank, 2013, ch. 3).

⁵⁰ TANAP will carry 16 billion cubic meters of gas per year. Deliveries are expected to begin in 2017. TANAP is led by Azerbaijan's SOCAR (58%) and Turkey's BOTAS (30%), with BP (12%) being the only Western energy partner in the project. TANAP will connect to Trans-Adriatic Pipeline (TAP) which will run from Greece to Albania and to Italy.

⁵¹ Indeed, a Rethink Institute report on TANAP claims that geoeconomic, rather than geopolitical considerations had determining impact in sealing the fate of Nabucco and giving life to TANAP: "European, US and Russian power probably did not ultimately determine Nabucco's fate. Realist power politics had little role to play. Instead regional political and commercial considerations associated with the smaller TANAP project sealed Nabucco's fate. TANAP emerged as the preferred pipeline to Europe from the Caspian, because of its local political and economic appeal" (Cain, Ibrahimov & Bilgin, 2013, p. 1).

Throughout this dissertation, I demonstrated that there have been two distinctive phases of US energy policy in Azerbaijan. The period from the mid-1990s to the completion of the BTC featured high-level US policy engagement, which could be observed in the intensive US diplomacy in the Caspian region, high-level US attention to political issues concerning Azerbaijan, and concomitant activism in the Congress. The second period, which corresponds to Phase II of the Caspian energy development, on the other hand, featured a reversal in US policy activism on all fronts. The question arises as “What explains this US disengagement from Azerbaijani energy issues?” What factors explain the changing dynamics of US energy policy in Azerbaijan, the shifts in pace and content of US engagement? In what follows, I will demonstrate that combination of three interrelated geoeconomic factors related to regional and global energy issues explain this shift in US energy policy in the Caspian Sea region.

Bust of Azerbaijani Energy

Despite predictions of a Caspian oil boom extravaganza in 1990s, the actual realities of oil and natural gas exploration in the Caspian, and particularly in Azerbaijan, proved to be very different and very frustrating for the actors involved. The Caspian Sea Basin is one of the toughest geographic areas for oil and gas exploration in the world. The geology of the offshore areas made it necessary to use advanced technology in order to access to the resources. The companies had to dig very deep, up to 5000 – 5500 meters to reach oil and gas (Jaffe, 1998; Jaffe & Djerejian, 2002). Furthermore, there was a severe shortage of drilling rigs in the Caspian. Because the Caspian is landlocked, there were only a limited number of supply routes, primarily the Volga River, and it took much longer to bring in necessary equipment. These factors meant that significant production was highly

unlikely in the short- to- medium term, and any production would be much more expensive than most of the other oil-rich areas, particularly the Persian Gulf, Western Africa, or the Mexican Gulf. It also meant that, unless big resource wells were found in reasonably convenient geographical areas, energy exploration in the Caspian was not going to be a lucrative business for the energy companies.

In Azerbaijan, the worst fears of the companies have come true except for two projects, Azeri-Chirag-Guneshli (ACG) and Shah Deniz (SD). All the others were proven to be unviable and uneconomical after years of drilling. Exxon, for example, had signed five contracts for oil exploration in Azerbaijan's Caspian Sea Sector: The Oguz Field - on August 1, 1997 (50%), the Nakhchivan Field - on the same day (50%), Araz-Alov-Sharg - on July 21, 1997 (15%), Zafar-Mashal - on April 1999 (30%), and Lerik-Deniz - on the same day (30%).The company pulled out of the Oguz, Nakhchivan, and Zafar-Mashal fields in 2002 after years of exploration failed to find sufficient oil in all three wells. The company abandoned its PSAs the following year. For Nakhchivan, a company spokesperson claimed that “We have reached a total depth of 6,746 metres (22,136 feet), a record for Caspian drilling... and the well will now be plugged and abandoned” (The Economic Times, 2002). Exxon had to pay considerable indemnities to Socar (its partner in the projects) for the early cancellation. The company could not pursue drilling in the Alov field either, this time due to disagreements between Azerbaijan and Iran over the delimitation of the Caspian Seabed. Finally, it ceased all its operations and left the country in 2006 (Exxon Mobil, 2006).

The same fate befell Chevron. The company signed a PSA with the Azerbaijani government to explore a much-acclaimed Absheron offshore block. The signing ceremony

which was held in Washington in 1997, was presided over by the Vice President Al Gore, Azerbaijani President Heydar Aliyev and Chevron executives (Chevron Press, 1997) The \$3 billion deal was Chevron's only exploration project in Azerbaijan and involved France's TotalFinaElf and SOCAR, too. Despite high expectations at the time, the partners failed to find enough oil or gas in the field, and had to abandon the project in 2003 (Chevron, 2003). None of these hiccups was as big as the one caused by the Karabakh field. Signed in 1995, the Karabakh PSA was the second biggest contract in Azerbaijan after the ACG. The partners to the PSA established a joint consortium in 1996, called Caspian International Petroleum Company (CIPCO). American Pennzoil (30%) was the operator of the project, other partners being Russian LUKoil (12.5%), Azerbaijan's SOCAR (7.5%), Italian Agip (5%), and LUKAgip NV (45%). The first drilling in 1997 found natural gas, to which Pennzoil reacted by saying that "[w]hile we were expecting to find crude oil, so far we have only found natural gas" (Oil Drilling, 1997). In 1999, the CIPCO announced that it was closing down the project as the project had failed to develop a sufficient amount of resources for commercial exploration. The consortium maintained that the exploration of the project would be unprofitable even if the oil prices recovered from their slump at the time. Pennzoil left Azerbaijan in 1999 (CIPCO, 1999).

As most international oil companies, particularly the American ones, left the country, the Azerbaijani government lost important leverage vis-à-vis the White House and Congress. Since the mid-1990s, these companies had been drivers of US energy policy in the region. Oil corporations had used their influence in Congress to lobby against the Section 907 of the FSA which barred any US government assistance to Azerbaijan. Section 907 was interfering with the efforts of the oil companies to develop oil. It was also an

irritant on US-Azerbaijani relations. In late the 1990s, oil companies financed private individuals and certain institutions, such as the US-Azerbaijan Business Council, to put pressure on the Congress to repeal Section 907. In 907, the efforts of House Representative Bob Livingston, Republican from Louisiana, and Rep. Charlie Wilson, R-Texas, both representing oil-rich states, bore fruit when they managed to lift restrictions on USTDA, EXIM and OPIC. In 1999, Senator Sam Brownback, Republican from Kansas tried, rather unsuccessfully, to add the repeal of Section 907 to the Silk Road Strategy Act. However, Brownback's efforts produced a result when he managed to introduce an amendment to Section 907 in 2001, which allowed the President to waive the ban. President Bush issued the waiver in January 2002 (King and Pomper, 2004; Rasizade, 2002). In addition to their role in the articulation and circulation of hyperbolic oil estimates, the companies also provided impetus to US energy policy in crucial periods. None represents this better than Chevron's joining to BTC Co., which helped to disperse dark clouds looming over the BTC pipeline in 2001, and convinced the US Administration of the economic viability of the project.

Also, the failure to find oil meant that the ACG field would be the only profitable major oil field in Azerbaijan. The proven reserves in ACG was 6.3 billion barrels, which constituted 90% of all Azerbaijani oil, hence 7 billion barrels of total proven reserves in Azerbaijan. This meant that after the completion of the BTC pipeline, there would be no need to invest in a new oil pipeline project, including expansion of one of the existing pipelines from Azerbaijan. The existing three routes, Baku-Supsa, Baku-Novorossysisk, and Baku-Tbilisi-Ceyhan would absorb all Azerbaijani oil production. In fact, although it was commercially viable for construction, the BTC pipeline would need extra oil coming

from Kazakhstan, particularly from Kashagan oil field, in order to remain profitable after 2020 when Azerbaijan's oil production will decline substantially⁵² (Rasizade, 2005). The BTC has a capacity of 1.2 million barrels per day. Azerbaijan's actual oil production has remained below the estimates and peaked in 2010 with just over 1 mb/day, and has been declining since. Therefore, it became crucial for Azerbaijan and the BTC Co. to connect Kazakh oil to the BTC pipeline in order to maintain the viability of the pipeline. Both the industrial partners (especially BP and SOCAR) and the US have made it their goal to expand the BTC pipeline after 2005.

Moreover, the discovery of the Shah Deniz gas field in 1999 created the necessity to find a suitable outlet for its reserves. As I will explain shortly, neither the US nor the American energy companies were much interested in exploration and exportation of natural gas from this field. However, the eagerness of the Azerbaijani government to sell its gas to European customers created an opportunity for the US to further expand the East-West energy corridor, of which Turkmenistan also had to be a part of. The above discussion shows the contingency of the trajectory of Azerbaijan's energy development. That is, the companies could have found the anticipated 20 billion barrels of oil without discovering any natural gas. This, in turn, would have made it necessary for the US to formulate a different set of policies and priorities in Azerbaijan. Instead, after 2005, the so-called Phase II of the Azerbaijani, and in fact overall Caspian energy development, focused more on the development and export of natural gas from the region to Europe and less on the development of new oil projects (Shaffer, 2005).

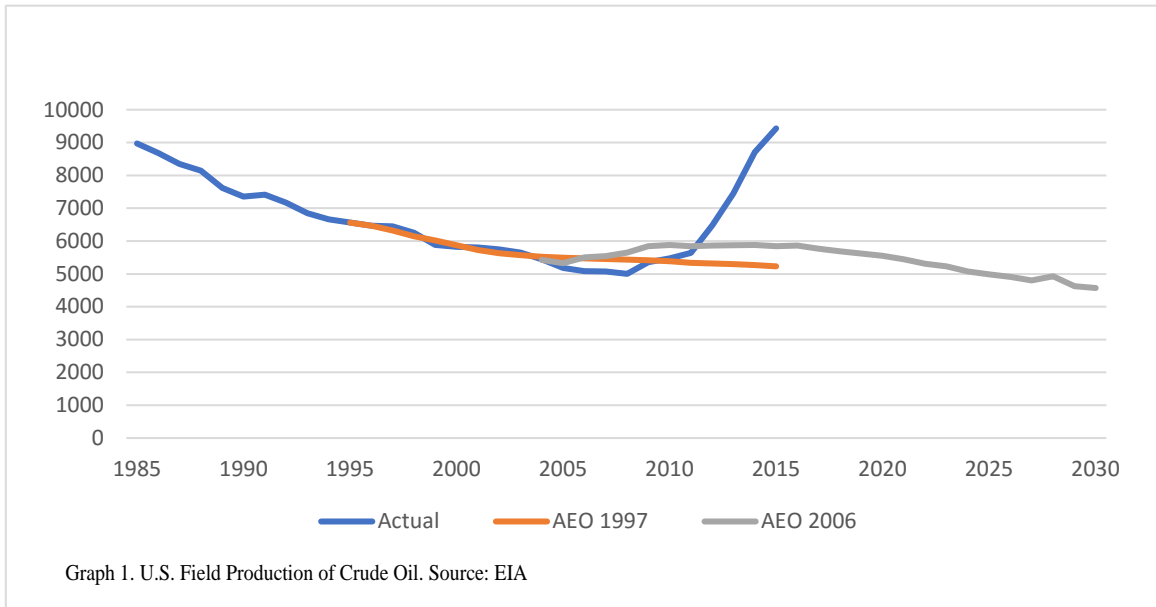
⁵² Azerbaijan's oil production decreased to 872 thousand barrels per day in 2015. It is estimated to decrease to 792 tb/day in 2020. Azerbaijan's oil production supplies the Baku-Supsa (145,000 b/day) and Baku-Novorossysk (100,000 b/day) pipelines in addition to the BTC.

Unconventional Oil Boom in the US

As I explained in previous chapters, US policy toward Azerbaijan was formulated in the 1990s, at a time of not only high US and Western dependency on imported oil, but also expectation of even higher dependency in the future due to declining US production and growing demand. Azerbaijani oil came into the picture in this context, providing capacity “at the margins”, hence, preventing supply shocks to the US and the West. Even in 2008, when the oil prices rocketed up to \$147/barrel, the scholars and industry experts were predicting US oil production to be in a long-term decline (Yergin, 2013). However, the unconventional oil and gas revolution in the US changed this dynamic dramatically. First discovered in natural gas exploration, the hydraulic fracturing and horizontal drilling technologies began to be applied to oil production. The result was an astonishing surge in oil output in the US. Between 2008 and 2015, domestic oil production increased from a mere 5 mb/day to 9.4 mb/day in the US. The increase alone was greater than Iran’s or Iraq’s daily production, 3.37 mb/day each, and was almost equal to total Chinese production of 4.5 mb/day (EIA, 2015). As the Graph 1 demonstrates, the sudden surge in US production was a total deviation from previous production estimates.

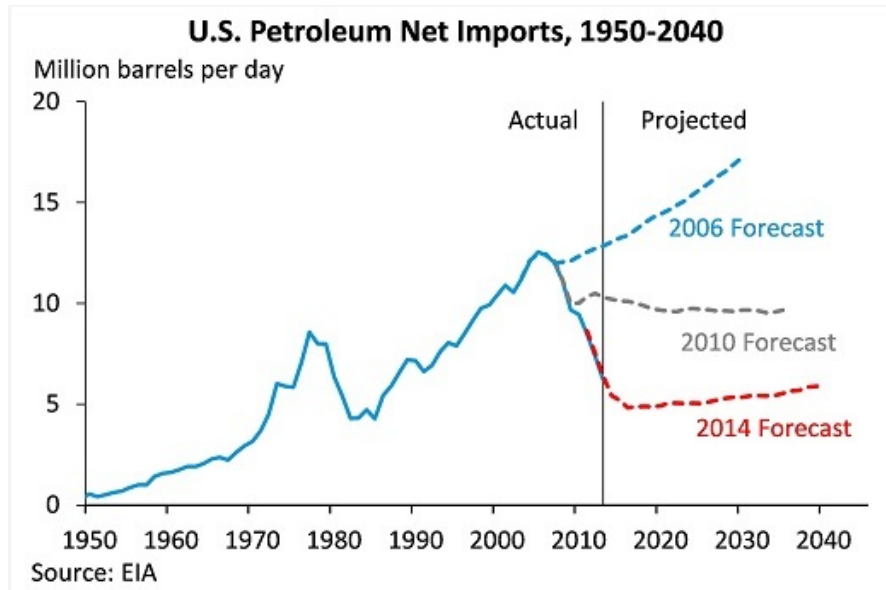
US import of crude oil also declined from 9.7 mb/day in 2008 to 7.3 mb/day in 2015. If the NEDP Report projected the US to import 2/3 of its oil from abroad by 2020, in 2015, the share of imports in total US oil consumption dropped to 43 percent. As is shown in Graph 2, along with the decline in actual imports, the forecasts of the EIA for future imports also shifted radically.

Graph 1. U.S. Field Production of Crude Oil. Source: EIA

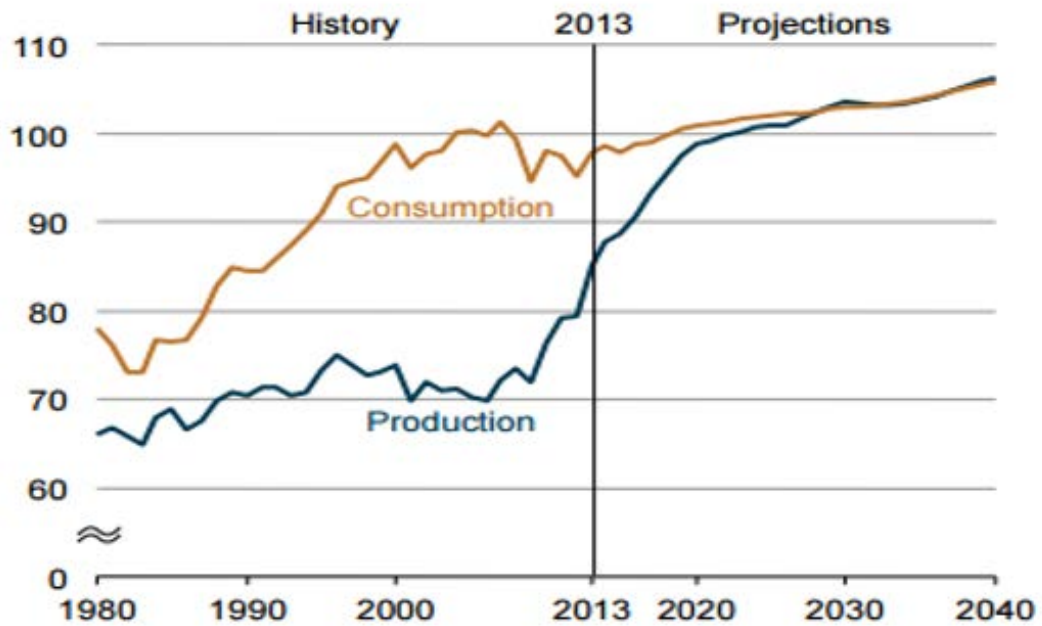


Moreover, the new projections were putting future shares of imports at even fewer percentage points. Aside from the oil production boom, the gas production, expansion of renewables, and more efficient energy consumption also played an important role in changing the dynamics of US energy dependency. Graph 3 better demonstrates this dynamic. Ever since the mid-1980s, the gap between US energy consumption and production was widening and the energy dependence of the US on imports was growing. Prompted by a decrease in consumption, and a dramatic increase in production (both oil, natural gas, and the renewables), the gap started to close down. EIA projects the US to be totally *energy* independent by 2030.

Graph 2. U.S. Petroleum Net Imports, 1950 – 2040. Source: EIA



Graph 3. Total energy production and consumption in the Reference case, 1980-2040 (quadrillion Btu). Source: EIA



This new dynamic generated mixed opinions from scholars. Some thought the US could become energy independent in the near future, and could actually lessen, if not totally end, its military presence in the Persian Gulf and the Middle East. However, this is overly optimistic and is dismissive of the US role in protecting the major sea lines of communications for its allies. As Kalicki and Goldwyn (2013) argue “[e]ven if [the US] imported no oil, the strategic nature of the commodity would require the United States to remain deeply concerned about global supply and freedom of navigation” (p. 3). Instead, the dynamics of the unconventional oil and gas boom in the US mean that the US does not have to be concerned about 1 mb/day of Azerbaijani oil production “in the margins”. Since it is too expensive to do, the tight oil production in the US is profitable in the high-price environment, more than \$50 per barrel. In a low price environment, even if the US unconventional oil production were to decrease, cheap imports would offset the losses the US incurs from untapped reserves.

The unconventional oil and gas revolution also prompted the establishment of new policy initiatives by the US State Department in this period. The Global Shale Gas Initiative⁵³ (GSGI) was launched in April 2010 in order to “to bring federal and state governments’ technical expertise ... and diplomatic capabilities to bear in helping selected countries understand their shale gas potential and the responsibilities of governments” (GSGI, 2010). The second new program was The Energy Governance and Capacity Initiative (EGCI), which was also tasked “to provide a wide range of technical and capacity building assistance to the host governments of select countries that are on the verge of

⁵³ The name of this program was later changed to “Unconventional Gas Technical Engagement Program (UGTEP)”.

becoming the world's next generation of oil and gas producers" (ECGI, 2010). These programs were designed to provide political and technical support to host governments in their endeavor to start shale gas production. Another objective of the programs was "establishing long-term working relationships between sector experts that complement the U.S. Government's diplomatic efforts" (ECGI, 2010). In other words, the US was in a mission to sell shale gas to other countries around the world, and to help US companies to earn new business contracts in the process. Between 2010 and 2012, in her capacity as the Secretary of State, Hillary Clinton made multiple visits to certain Eastern European countries, especially Poland, Romania, and Bulgaria, to promote this novel US energy policy objective. She utilized the diplomatic tools provided by the newly-organized Bureau of Energy Resources (BER) to push back against bans on fracking, and to convince the political leaders of the viability of shale gas production (Blake, 2014). The implication of this new policy for Azerbaijan and especially for the Southern Gas Corridor was that now there was another policy mechanism through which the US could help the Eastern and Central European countries to decrease their dependency on Russian gas.

Parameters of Natural Gas

When as the operator of the CIPCO consortium, Pennzoil discovered natural gas in the Karabakh field in 1997, the President of Pennzoil reacted by saying that "[w]hile we were expecting to find crude oil, so far we have only found natural gas". He was certainly surprised, but more importantly he was not happy to discover natural gas, most simply because he and his company were there for oil. Pennzoil was not the only American oil company with similar intentions. Chevron, Exxon, and Mobil were also interested in oil, huge amounts of oil indeed, instead of natural gas in Azerbaijan. That is why these

American companies joined consortiums to explore wells that were believed to contain recoverable oil reserves, and abandoned the ones with natural gas prospects. Shah Deniz field was one of those natural gas fields. The PSA on the exploration and development of Shah Deniz field was signed by SOCAR, BP, Elf, LUKoil, Statoil and TPAO, without any American participation. American companies were not interested in transportation of natural gas either. The South Caucasus Pipeline Company⁵⁴ (SCGP) (the consortium that eventually built SCG pipeline from Baku to Erzurum, Turkey) was also devoid of any American company participation. In fact, the American companies were leaving Azerbaijan in the early 2000s, as their oil wells were proven to be either dry or commercially unviable.

The US government's approach toward natural gas exploration in Azerbaijan was no different. The policymakers were interested in the prospect of huge oil reserves in the Caspian. Their speeches and the official US documents of the late 1990s reflected this mindset. The considerations of "diversification" or "lessening dependency on the Middle East" were usually articulated in direct relation to oil. The natural gas reserves, and their exploration and exportation were important as far as their role in diversifying neighboring or European countries' natural gas supplies⁵⁵. The 2001 NEDP report, for example, was urging the US government to support the development of the SD field in order "to help

⁵⁴ The SCGP is led by BP (28.8%) and SOCAR (16.7%). The other shareholders are Turkish Petroleum (19%), Petronas (15.5%), Lukoil (10%), and Naftiran Intertrade (10%).

⁵⁵ Cheney in 2008: "The United States strongly believes that, together with the nations of Europe, including Turkey, we must work with Azerbaijan and other countries in the Caucasus and Central Asia on additional routes for energy exports that ensure the free flow of resources" (Reuters, 2008). Clinton in 2012: "The United States supports Azerbaijan's goal of establishing a southern corridor for natural gas exports to Europe, a crucial link that will solidify Azerbaijan's ties to the Euro-Atlantic community" (State Department, 2012).

Turkey and Georgia diversify their natural gas supplies”⁵⁶ (NEDP, 2001, ch. 8, p. 13). Hence, Azerbaijani natural gas was not envisioned as an important part of a global energy puzzle, especially as a puzzle that concerns the US energy security. Furthermore, US officials did not participate in signing ceremonies of IGAs and HGAs between Azerbaijan, Georgia and Turkey in 2001 and 2002, as opposed to their witnessing the BTC ceremonies only a few years before.

Therefore, when the US did not extend its political support for the development of SGC projects (whether it was Nabucco, Nabucco West, or TANAP), it was not much of a ‘break’ in US energy policy in Azerbaijan (in the context of US support to the BTC). Rather it was a continuation of US policy in regards to natural gas in the region: that the natural gas did not constitute a US national interest and was rather a derivative of something else, primarily European energy security, and in the context of the latter, specifically the EU’s dependence on Russian natural gas. The US role in the realization of the SGC (particularly, in the negotiations between the EU and Azerbaijan over the SGC pipelines) was limited to being a ‘facilitator’, not a direct stakeholder in the BTC pipeline negotiations. Hence, it was the EU which was a direct stakeholder⁵⁷ in the SGC, and the former had to play

⁵⁶ Note that in 2001, the Shah Deniz was estimated to contain only 600 billion cubic meters of natural gas, which was planned to supply Azerbaijan, Georgia and Turkey at most. Further drilling between 2004 and 2006 discovered new viable layers in the field and it was verified that the field contained twice as much gas, which brought the prospect of gas supplies from Azerbaijan to the European Union. For more on the trajectory and prospects of Shah Deniz in the EU see, Mavrakis, Thomaidis and Ntroukas, 2006; Ratner, Belkin, Nichol and Woehrel, 2013.

⁵⁷ In regards to the Azerbaijani gas resources, their transportation to Europe was a matter of bilateral negotiations between the Azerbaijani government and the governments of the EU. The agreements would bind Azerbaijan and the EU countries over a long-term consumer-supplier relationship. In contrast to oil, this contracted natural gas could not be sold to other markets, even those within the EU, due to the terms of natural gas deals.

political brinksmanship in the region in order to realize natural gas pipelines from Azerbaijan (and preferably from Turkmenistan, too). Instead, the EU was divided internally⁵⁸ in regards to not only picking the right gas pipeline to support, but also in terms of alternative strategies to deal with the natural gas issue altogether.

Political indeterminacy within the EU meant that, in addition to talking to Turkmenistan about the trans-Caspian routes, the US had to also persuade the Europeans to buy the Caspian gas during these years. The US could not play the role it played for the BTC pipeline. Instead, the EU had to be involved in both the trans-Caspian negotiations with Turkmenistan and in building a major gas pipeline to Europe from the Caspian. The 2006 MOU between the EU and Azerbaijan on a strategic partnership in the field of energy seemed to be a step in the right direction. The document maintained that “the possible transit of natural gas from the Caspian region into the EU remain high in the agenda”, and that “development of all means of transportation from the Caspian region” has a vital role in enhancing European energy security (MOU, 2006, p. 4). However, a US Embassy cable dating to the same time period calls into question the importance the EU assigned to this MOU. The cable shows that in a meeting with US Ambassador Anne Derse, the Finnish Ambassador to Azerbaijan Terhi Hakala “downplayed the substantive importance of the Memorandum of Understanding on EU-Azerbaijani energy cooperation”. Hakala goes on

⁵⁸ The Eastern and Central European countries could not create a united political front against Russian gas imports and Russia was finding easy inroads into these markets throughout the 2000s. For example, in 2007, Bulgaria and Greece, two of the most important potential consumers of Azerbaijani gas, agreed to buy Russian gas via the new South Stream pipeline. The pipeline would pass through Black Sea to Bulgaria, Serbia, Hungary, Slovenia, and to Austria. A second section of the pipeline would move from Bulgaria to Greece and to Italy. South Stream was a Russian alternative to Nabucco, as it was designed to supply all EU countries that were potential buyers of Caspian gas (Smolchenko, 2007). Germany was also making separate gas deals (Nord Stream pipeline) with Russia around the same time. Hence, it was questionable whether the EU as a union or even individual countries were politically motivated to buy Azerbaijani gas instead of the Russian alternative.

to characterize the MOU as “mostly political” and argues that “it had no political results”. The agreement, Hakala claims, “is largely intended as a political signal by the EU that it is engaged on the issue of Caspian energy” (06BAKU1433_a, 2006). Aliyev also constantly complained to the American officials about the lack of EU engagement on gas transit issues. In one cable, he described a meeting with some EU officials. Frustrated with the latter’s inattention, he utters that “it appeared that Azerbaijan wanted to provide Europe with its gas more than Europe wanted it” (07BAKU852_a, 2007).

Security Issues

One of the fundamental arguments of this dissertation is that the US security engagement with Azerbaijan, including the most important issues of military assistance and the NK peace process, has been a proxy for US energy interests in Azerbaijan, most importantly, oil. I reject the rigid view of Great Gamers who reduced the US engagement to the latter’s battle with Russia over geopolitical control of the post-Soviet region. Hence, the US was primarily concerned with the security of energy transportation lines and offshore facilities, which emanated from high-level US and Western dependence on imported oil, to which Azerbaijan could contribute on the margins to stabilize markets and prevent price hikes. I also demonstrated that, US military assistance to Azerbaijan remained limited to the sphere of energy security, particularly to the protection of offshore energy infrastructure and pipelines. An important dynamic in this relationship was the inability of the US government to provide military assistance, be it arms and equipment sales or training, to the internal security services of the Azerbaijani government. This dynamic severely limited the scope and range of US assistance even during the so-called “Honeymoon” period. A set of US Embassy cables dating to 2007 and 2008 demonstrates

the limitations of US assistance even toward the protection of pipeline infrastructure within Azerbaijan. In the 2007 cable named as “AZERBAIJAN'S CRITICAL ENERGY INFRASTRUCTURE VULNERABLE TO TERRORISM”, the US Charge d'Affairs Donald Lu explained that Azerbaijan's onshore Sangachal energy terminal was vulnerable to terrorism. However, the protection of onshore pipelines and structures was under the responsibility of the Special State Protection Service (SSPS), “which is also responsible for the security of the president of Azerbaijan and high-ranking government officials” (07BAKU855_a, 2007). A separate cable dated 2008 shows that the US did not provide direct assistance to SSPS, and instead offered technical assistance to be paid by Azerbaijan. The cable lays out a visit to Azerbaijan by an interagency team representing the Global Critical Energy Infrastructure Program (GCEIP). After determining that the onshore and offshore facilities were vulnerable to security threats, the team “offered a coordinated technical assistance program to improve the security of such infrastructure, to be paid for by Azerbaijan (emphasis mine)” (08BAKU625_a, 2008).

Concomitant to declining US interest in energy in Azerbaijan, the US government's investment in maintaining friendly and cooperative relations with Azerbaijan started to decrease at this period. At least four instances of US behavior demonstrate this dynamic. The first instance occurred after the Russian invasion of Georgia in the August of 2008. The “five-day war” was a “full scale invasion” by the Russian military forces of Georgia, a NATO-candidate country and an ally of the United States (King, 2008, p. 2). The “little war”, as some called it, “shook the world”, but more so than anywhere else, it had reverberations in the Caucasus region, and within the Caucasus, it was Azerbaijan, a long-time ally of the US, in contrast to Armenia which had long stationed Russian forces within

its territory, that worried about its security in the face of a potential Russian offensive. As Armus (2009) shows, “neither Washington nor the Atlantic Alliance did much to come to [Georgia’s] assistance” (p. 5). There emerged a true opportunity for the US to demonstrate its willingness to provide security guarantees to two of its most important allies in the Caucasus. This would have been consistent with the views of those who had long argued that there had been a Great Game in the region between the US and Russia over strategic control of the region. Instead, the American response was lackluster: “President Bush - instead of committing American prestige and energy to stop [the Russo-Georgian war]— abandoned the diplomatic field to President Sarkozy” (Armus, 2009, p. ix). Neither did we observe a renewed US attention to the Caspian energy issues after the Russian invasion of Ukraine in 2013, despite the new US sanctions against the Russian regime. If geopolitical reasons were behind US policy activism in the late 1990s and early 2000s, Russia’s aggressive moves in Ukraine and Georgia, and the latter’s economic gains in Azerbaijan should have rekindled the US interest in Azerbaijan, instead of US retreat from prior commitments.

Watching its northern neighbor getting torn apart by its other northern neighbor, the Azerbaijani government requested clear-cut security guarantees from the United States. Azerbaijan’s Deputy Foreign Minister Araz Azimov raised the issue for the first time in a NATO meeting in November 19: “Russia's invasion of North Atlantic Treaty Organization (NATO) aspirant Georgia means, that Azerbaijan needs security guarantees from NATO in exchange for its partnership with the Alliance” (Azerbaijan, 2009). The US Embassy Cables show that the Azerbaijani government’s request for US and NATO security guarantees dates much earlier, and that it had been a recurring theme in bilateral relations

since the Russian invasion of Georgia. The Cable called “AZERBAIJANI PRESIDENT REPEATS REQUEST FOR A SECURITY GUARANTEE”, shows that President Aliyev raised this issue in a visit by EUCOM Commander Craddock to Azerbaijan in May 2009. In response to Craddock’s demands on Afghanistan, Aliyev says that Azerbaijan “is the only one exposed, and exposed to both Russia and Iran. We rely only on our own capabilities for security. We need a security guarantee” (09BAKU430_a, 2009). General Craddock noted his support, and “pledged to take this message back to Washington” (09BAKU430_a, 2009).

The United States abstained from providing such a security guarantee. Instead, Azerbaijan signed a Strategic Partnership and Mutual Support Agreement which pledged that “both Turkey and Azerbaijan will support each other “using all possibilities” in the case of a military attack or “aggression” against either of the countries” (Abbasov, 2011). A deeper look at US policy in the region reveals that the US was even more disinterested in Azerbaijani security.

The Turkish-Armenian Rapprochement and Azerbaijan

The most important regional initiative of the US government in this period was directed not toward strengthening the security of its traditional allies Azerbaijan and Georgia, rather it was directed toward normalization of relations between Turkey and Armenia, i.e. the Turkish-Armenian Rapprochement⁵⁹. The most important element of this

⁵⁹ In October 2009, the year-long US diplomacy bore its fruit when Armenia and Turkey signed a landmark agreement in Zurich to establish bilateral ties and open borders. Secretary of State Clinton’s “deft diplomacy” was decisive in bringing the two sides together to solve one of the most intractable issues in the region (WPost, 2009). The Rapprochement had several strategic benefits to the US Administration. One, by connecting Armenia to Turkey, hence the West, it would enable Armenia to ease its political and economic domination by Russia. Two, it would open new and cheaper corridors for energy transport from the South Caucasus. Finally, as the resolution of the Armenian Genocide issue was part of the negotiation, the Administration wanted to get this constantly reoccurring domestic issue off its back (Socor, 2011).

Rapprochement process was the US willingness to sacrifice⁶⁰ its bilateral relationship with Azerbaijan for its realization. The US Embassy cables clearly demonstrate that US officials knew that the Rapprochement was likely to have a negative impact on US security cooperation with Azerbaijan. In a 2009 SECRET Cable called “AZERBAIJAN: WHAT FOLLOWS THE RAPPROCHEMENT?”, US Ambassador Anne Derse explained that “President Aliyev has made no secret to the United States of his dissatisfaction with the trend toward reconciliation between the two countries... Azerbaijan's likely policy shifts in the aftermath of normalization without concurrent progress on NK would affect U.S. Eurasian energy policy goals, would possibly affect Azerbaijan's attitudes toward cooperation with NATO, could tilt Azerbaijan's traditionally balanced foreign policy more in favor of Russia, and over time could change the internal GOAJ dynamic on NK for the worse” (09BAKU252_a, 2009).

The Azerbaijani government considered US support for the Rapprochement as a betrayal of its security cooperation with the US. The most important component of the Rapprochement was the opening of borders between Armenia and Turkey by the latter after 15 years of closure. Turkey had closed its borders in 1994 as a protest against Armenian aggression in Azerbaijan and as a sign of support to the latter. For the Azerbaijani side, the border was an important leverage in negotiations with Armenia. However, the Rapprochement envisioned opening of borders without any improvement in the NK peace process, effectively separating both the Rapprochement and the border issue from the NK.

⁶⁰ According to Ambassador Anne Derse, as she explained to her Azerbaijani interlocutors, the US Government believed the Rapprochement would give more room to Serj Sargsyan to make compromises on the NK issue, but only after the successful implementation of the Rapprochement. The US Government always perceived the NK and the Rapprochement as two separate issues.

For Azerbaijan, this was a blow to its strategic position. It was clear that the State Department was aware of the level of irritation the Rapprochement would create in the Azerbaijani side and it continued its support to the policy regardless.

Indeed, Derse's worries about Azerbaijan's "likely policy shifts" proved to be right. The Wikileaks cables reveal the "skittishness of the Foreign Ministry in April 2009 over approval of the REGIONAL RESPONSE 09 military exercise" (Kucera, 2010). The situation was further aggravated in April 2010 when the Azerbaijani government cancelled Regional Response 2010, a US-Azerbaijani bilateral military exercise at the last minute without any explanation⁶¹ (Socor, 2010). The Clinton State Department proceeded with its wholehearted support for the Rapprochement in 2010. One might think the Clinton State Department might have planned to achieve a lasting peace in the whole region with the Turkish- Armenian Rapprochement. However, the assessment of the US intelligence community actually pointed in a completely opposite direction. In his February 2010 report to Congress called "Annual Threat Assessment of the US Intelligence Community for the Senate Select Committee on Intelligence", the Director of National Intelligence, Dennis Blair, (2010) warned that "Although there has been progress in the past year toward Turkey-Armenia rapprochement, this has affected the delicate relationship between Armenia and Azerbaijan, and increases the risk of a renewed conflict over Nagorno-Karabakh" (p. 38). Therefore, by 2010, two critical developments were observed in US policy behavior. On the one hand, the US did not increase its military assistance to Azerbaijan after the Russian invasion of Georgia in 2008 and rising Russian

⁶¹ The Azerbaijani Government cancelled the same exercise in 2011, in the same manner. After 2011, the US and Azerbaijan did not schedule any more bilateral military exercises in Azerbaijan.

interventionism in the Caucasus. On the other hand, the State Department zealously pursued the Rapprochement, despite clear warnings from the intelligence community that the Rapprochement⁶² could escalate the security situation between Azerbaijan and Armenia.

Although some analysts blamed the Obama Administration for the Rapprochement policy, the special emphasis on the Obama Administration is misplaced. That is, the argument that the US policy fell victim to the latter's policy initiatives is unwarranted. For example, the reconciliation of the Turkish- Armenian relations has been a long-time US objective and the history of US policy goes back to at least the first term of the George W. Bush Administration. In at least two different time periods (2003 and 2007), the Bush Administration put pressure on the Turkish government to begin negotiations with Armenia regarding the opening of borders. The actual process of Rapprochement started in 2008, during the final year of the Bush Administration. In his book "Diplomatic History: The Turkey-Armenia Protocols", which provides the most comprehensive account of the Rapprochement process, David Phillips (2012) demonstrates that the separation of the Rapprochement from the Nagorno-Karabakh conflict was not the Obama Administration's invention. Rather, it had been a critical component of the negotiations ever since they began in early 2000s. It was Erdogan government's willingness to ease the conditions on negotiations (which involved, most importantly, separation of the NK issue from the negotiations) that paved the way for the beginning of bilateral contacts between Turkey and Armenia in 2008. Therefore, when the Obama Administration pushed for the

⁶² The Rapprochement ended up going nowhere and eventually faltered by 2010 when, after serious political and social pressure, Turkish government decided to link the NK issue with the Rapprochement

ratification of protocols starting with 2009, it was pursuing a US policy that went back to at least a decade before, and was exploiting the opportunity provided by the softening of Turkey's position.

Yet another break in security cooperation occurred in 2009 in the area of the International Narcotics and Law Enforcement Affairs (INL) program. The assistance programs funded by the INL "were canceled as the GOAJ failed to cooperate with the required Leahy vetting⁶³ process" (INCSR, 2010, p. 130). The INL programs in Azerbaijan focused on "criminal justice reform assistance provided to the Azeri police, procuracy, defense bar, and the judiciary" (State.gov). The programs restarted in 2010, after compliance by the Azerbaijani government with the Leahy Law.

In 2009, the Obama Administration initiated a "Reset" policy with Russia for the purpose of improving bilateral relations that were seriously damaged after the Russian invasion of Georgia. As part of the new policy, the Obama Administration renounced the Bush plan to build a missile shield in Eastern Europe that was viewed as a military threat by Russia. Russia, on the other hand, agreed to allow NATO forces to use its airspace for non-lethal cargo bound for Afghanistan and participated in Iran sanctions.

Some also speculated that the "Reset" involved the US relinquishment of its strategic engagement in the Russian near-abroad, including in Azerbaijan. However, this argument that the US security engagement in Azerbaijan was relegated due to the "Reset" policy is not correct. First of all, the "Reset" did not include any concession on the part of

⁶³ Per State Department, Leahy vetting is "a process through which the U.S. government vets U.S. assistance to foreign security forces, as well as Department of Defense training programs, to ensure that recipients have not committed gross human rights abuses. When the vetting process uncovers credible evidence that an individual or unit has committed a gross violation of human rights, U.S. assistance is withheld, consistent with U.S. law and policy" (Humanrights.gov).

the US toward Russia (Donaldson & Noguee, 2014). As Michael McFaul, Obama's chief White House advisor on Russia, made it clear, "We're not going to reassure or give or trade...anything with the Russians regarding NATO expansion or missile defense" (Weisman, White, & Cullison, 2009). The fact that Obama appointed McFaul as his chief advisor on Russia was itself telling, since McFaul was well known for his criticism of Putin's authoritarianism and his ardent support of democracy promotion in the former Soviet countries⁶⁴. More importantly, singling out the Obama Administration⁶⁵ as the launcher of US disengagement from the resolution of Nagorno-Karabakh does not bode well with the actual trajectory of US policy. For Cornell, Starr and Tsereteli themselves acknowledge that "since the failed Key West talks of 2001" the US "had relegated" resolving the Azerbaijan-Armenia conflict to the "proverbial back burner" (p. 25). The US gradually lost its commitment to the NK ever since the 2001 talks, and had not engaged with the issue at a high-level for a long time before 2009.

Finally, the accusation that the Obama Administration failed to grasp the imperial nature of Russian foreign policy in the FSU region is highly problematic. The documentary

⁶⁴ For views of McFaul on Russia, see McFaul, M., & Stoner-Weiss, K. (2008). "Myth of the Authoritarian Model-How Putin's Crackdown Holds Russia Back," *Foreign Affairs*, 87, 68. McFaul, M. (2005, September), and McFaul (2005), "American efforts at promoting regime change in the Soviet Union and then Russia: Lessons learned." Paper presented at the Annual Convention of the American Political Science Association, Washington (pp. 2-4)

⁶⁵ Perhaps because it is more convenient, there is a scholarly tendency to attribute policy shifts to changes of US administrations. For example, one argument is that the Clinton presidency was characterized by high level engagement, in contrast to Obama. However, characterizing the Clinton presidency as an era of high-level engagement is also factually problematic. During the first term of Clinton's tenure in White House the US did not have a foreign policy toward Azerbaijan. Frederick Starr himself acknowledged this in 1997, when, after describing Russian policy initiatives in the region he claimed that "the United States has failed thus far to produce an adequate response" (Starr, 1997, p. 24). Starr also lamented, back then, that "the United States has gone so far as to insist that there is no linkage between Russian efforts to destabilize the Caucasus region and the revision of the Conventional Foreign in Europe Treaty" (Starr, 1997, p. 27).

evidence shows that the US officials were actually “aware” of the very nature of the Russian policy that they are accused of ignoring. In a news conference in 2012, hours before her meeting with her Russian counterpart, the then-Secretary of State Hillary Clinton noted that “There is a move to re-Sovietize the region. It’s not going to be called that. It’s going to be called a customs union, it will be called Eurasian Union and all of that. But let’s make no mistake about it. We know what the goal is and we are trying to figure out effective ways to slow down or prevent it” (Clover, 2012). Already in 2009, at the initial stages of the “Reset”, Clinton assured her Western audience that “We are entering into our renewed relationship with our eyes open” and reiterated the support of her government for NATO accession of Georgia and Ukraine. Rejecting Russian undue influence in the region, she said “We do not recognize any sphere of influence on the part of Russia, or their having some kind of veto power over who can join the EU or who can join NATO” (Weir, 2009). Hence, the aforementioned accusation cannot be supported by the empirical evidence derived from the official speeches of the high-level policymakers.

The Northern Distribution Network (NDN) and Azerbaijan

What was the US interest pertaining to security issues in Azerbaijan during this period? The only real security interest the US Government had in this period was the Azerbaijani role in the Northern Distribution Network (NDN) that became important after the Obama Administration’s decision to surge the troops in the Afghan theater. The Azerbaijani government welcomed the idea and opened its territory for Afghanistan-bound nonlethal shipments. In fact, Azerbaijan was an important part of the NDN as 30 percent of all land cargo passed its territory on its way to Kazakhstan.

However, there were at least two issues with the Azerbaijani participation in the NDN. First, the US reduced all its security cooperation to the NDN and did not want to engage in any other areas, be it energy security or the Nagorno-Karabakh conflict. Secretary of Defense Robert Gates' 2010 visit⁶⁶ to Azerbaijan highlighted this reality. In contrast to his predecessor's visit in 2005 where the "the transportation of Caspian oil and the security of the Baku-Tbilisi-Ceyhan oil pipeline" and the Caspian Guard were at the top of the agenda, Gates settled with saying that "We already help them there with several tens of millions of dollars, boats, radars and capabilities", without elaborating on any new programs. Instead, he was mainly concerned with the idea that the Azerbaijani government might refuse to cooperate on the NDN due to US lack of attention to Azerbaijan, especially in Nagorno Karabakh. Azerbaijan's role in the NDN became especially important⁶⁷ after problems arose in Kyrgyzstan where the new government refused to allow the NATO forces to use its Manas Air Base. After reassuring Aliyev that the US lack of attention to Azerbaijan "is not the case⁶⁸", Gates stated that "It's important to touch base and let them know that, in fact, they do play an important role in this international coalition" (Banusiewicz, 2010).

⁶⁶ As a sign of "bad blood" in Baku, Aliyev did not invite Gates to presidential dinner table. Gates, in turn, declined to accept Ministry of Defense's invitation to a dinner during the visit.

⁶⁷ In an article for Foreign Policy journal, Thomas Goltz (2011), a veteran journalist on South Caucasus affairs, claimed that a US intelligence officer told him that "'We frankly don't care about human rights or democracy-building, or Israel and Turkey, or peace in Karabakh or Georgia, or even Azerbaijani energy. There is only one thing we really care about right now, and that is Afghanistan". Goltz went on to argue that "it is all too clear to Azerbaijani leaders that U.S. interests in their country are almost entirely limited to the Kabul quagmire" (Goltz, 2010, 'Bad Blood in Baku', Foreign Policy).

⁶⁸ Indeed, Secretary of State Clinton followed Gates in visiting Azerbaijan. Arriving a month later in June, Clinton stayed in Baku for a mere half-day. Clinton's agenda was dominated by two issues: the Afghan supply corridor and the Rapprochement (Socor, 2011). Note that both of these were short-term goals that appeared in the agenda of the Obama Administration recently.

Secondly, although the NDN was crucial for US interests in Central Asia, the US did not elevate it into a vital category pertaining to Azerbaijan. Instead of the US courting Azerbaijan to get the former's support, we observe in this critical juncture a continuous wave of requests directed at Azerbaijan without providing any incentive to the Azerbaijani government. Per US Embassy Cables, the White House puts pressure on Azerbaijan to go along with the Rapprochement and to stop causing troubles on its way. Furthermore, the US did not increase its financial assistance to Azerbaijan to demonstrate the importance it attached to Azerbaijan's role in NDN. In contrast, the budget requests of the State Department for 2010 included significant increases⁶⁹ in funding to Tajikistan and Kyrgyzstan due to their role in the Afghan surge. Aid to Tajikistan rose from 25.2 million USD to 46.5 million USD. Aid to Kyrgyzstan increased from 24.4 million USD to 41.5 million USD, whereas aid to Azerbaijan saw a slight increase, from 25.8 million USD to 28.1 million USD.

However, Azerbaijan's contributions to the NDN were not as strategically important for the US as its oil reserves in terms of the strategic partnership and alliance with the US. Several cases demonstrate this point. For example, in 2010, the Department of Defense wanted Azerbaijan to deploy a battalion-size (400-700 soldiers) contingent to Afghanistan in addition to the 90 soldiers it already had. This was a US-proposed "train and equip" (TEP) program. As part of the program, the US military was going to train an Azerbaijani battalion, but only to be sent to Afghanistan to join the ISAF mission there.

⁶⁹ These sudden increases in aid allocation overlapped with the general US approach to the Central Asia and the Caucasus region. Washington's aid to the region had spiked immediately after 9/11, only to drop later years. The same trend occurred during the Afghan surge. Hence, the US has made decisions based on short-term policy objectives, not long-term.

The US Embassy cables reveal that when Under Secretary of State for Political Affairs William Burns raised this request to Aliyev in 2010, Aliyev demands “half of those trained would be sent to Afghanistan, while the second half would remain in Azerbaijan”. However, Burns dismissed Aliyev’s request by stating that “the President's suggestion would create problems involving the U.S. funding of the training”, referring to restrictions on US military aid to Azerbaijan due to Section 907 (10BAKU134_a, 2010).

Another case was the controversy around the appointment of Matthew Bryza as the new US ambassador to Azerbaijan. In May 2010, President Obama finally appointed Bryza as his Ambassador in Azerbaijan after 11 months of inaction. Bryza was a well-known figure⁷⁰ in the region, especially for his role in Caspian energy politics, and the appointment was welcomed by both the Azerbaijani government and energy executives in the region (RFE/RL, 2010). When the Senate FRC confirmed Bryza’s appointment by 17-2 vote on September, Senators Boxer and Menendez, citing Bryza’s pro-Azerbaijan bias, put a hold on his nomination, effectively preventing the full Senate from voting on it. It is true that the Lobby was highly influential over certain members of the FRC, especially on Menendez and Boxer who were representing states with high Armenian population (Solash, 2010). Obama still sent Bryza to Azerbaijan by a recess appointment, but the Senate FRC, headed by John Kerry, never brought up the nomination of Bryza in 2011, hence the Senate failed to confirm Bryza’s nomination and Bryza left Azerbaijan in

⁷⁰ Bryza made his career in the Former Soviet Union. After joining Foreign Service in 1988, he served in Poland between 1989 and 1991, while covering the Solidarity Movement and reform of Poland’s security services. From 1991 to 1995 he served in European and Russian Affairs at the State Department. From 1995 to 1997, he was a special assistant to Ambassador Pickering in Moscow. From 1997 through 1998, Bryza was special advisor to Ambassador Richard Morningstar, coordinating U.S. government assistance programs on economic reforms in Caucasus and Central Asia. Starting from July, 1998 he served as the Deputy Special Advisor to the President and Secretary of State on Caspian Basin Energy Diplomacy, coordinating the U.S. government's inter-agency efforts to develop a network of oil and gas pipelines in the Caspian region.

December 2011 (Abbasov, 2012). After Bryza left Azerbaijan in January 2012, Obama appointed Richard Morningstar as the new Ambassador in April (RFE/RL, 2012). Morningstar was the point-man of Clinton Administration in Caspian energy diplomacy during the late 1990s. He was very experienced on energy issues. He had served as US Ambassador to the European Union between 1999 and 2001, and was Special Envoy for Eurasian energy before this appointment. Therefore, the assertion that the Armenian lobby had influenced US energy policy toward Azerbaijan through blocking Bryza's nomination cannot be substantiated. Following Bryza, The Obama Administration appointed another veteran energy diplomat, Richard Morningstar, to the post. However, the Bryza debacle⁷¹ demonstrated declining the clout of Azerbaijan in Washington, given the fact that both Menendez and Boxer belonged to President Obama's party.

Vladimir Socor claims US took a "taken for granted approach" to the Azerbaijani government at this period, meaning that the partnership of Azerbaijan in strategic issues was taken for granted (Socor, 2010). The Obama Administration's decision to not invite President Aliyev to April 2010 Nuclear Summit in Washington, D.C., despite the invitations to Armenia and Georgia was a significant indication of a US shift away from security partnership with Azerbaijan. National Security Council official Laura Holgate explained that Azerbaijan was not invited to the nuclear security summit because "we were

⁷¹ Some argued that the Lobby's influence in preventing Bryza's nomination was instrumental in influencing US energy policy as well. The argument is that the Lobby has managed to block US energy policy initiatives in Azerbaijan, and hence caused the US disengagement. These commentators point to the infamous case of Matthew Bryza's appointment. Moreover, the Lobby ardently opposed the realization of US-backed energy projects, especially those that benefitted Azerbaijan, throughout the 1990s and 2000s. Not only did influential bodies of the Lobby such as Armenian National Committee of America (ANCA) and Armenian Assembly of America (AAA) send countless mails and requests to the members of the Congress (ANCA Press release, 2003), but they also managed to push the Congress to introduce a resolution in the House to block the US assistance for the BTC pipeline

intending to get a representative collection of countries. We couldn't invite every single country that has any nuclear connectivity and so we were looking for countries that represented regional diversity where we had states that had weapons, states that don't have weapons, states with large nuclear programs, states with small nuclear programs” (Nichol, 2010). Therefore, in this period, the Azerbaijani role in the NDN did not buy it a special place in US policy considerations. This is mainly because the US and NATO had at least two other options to transport nonlethal cargo into and out of Afghanistan, one running from the Baltic countries through Russia, and the other one from Pakistan. Also, despite many expectations otherwise, Russia did not cause trouble for NATO shipments.

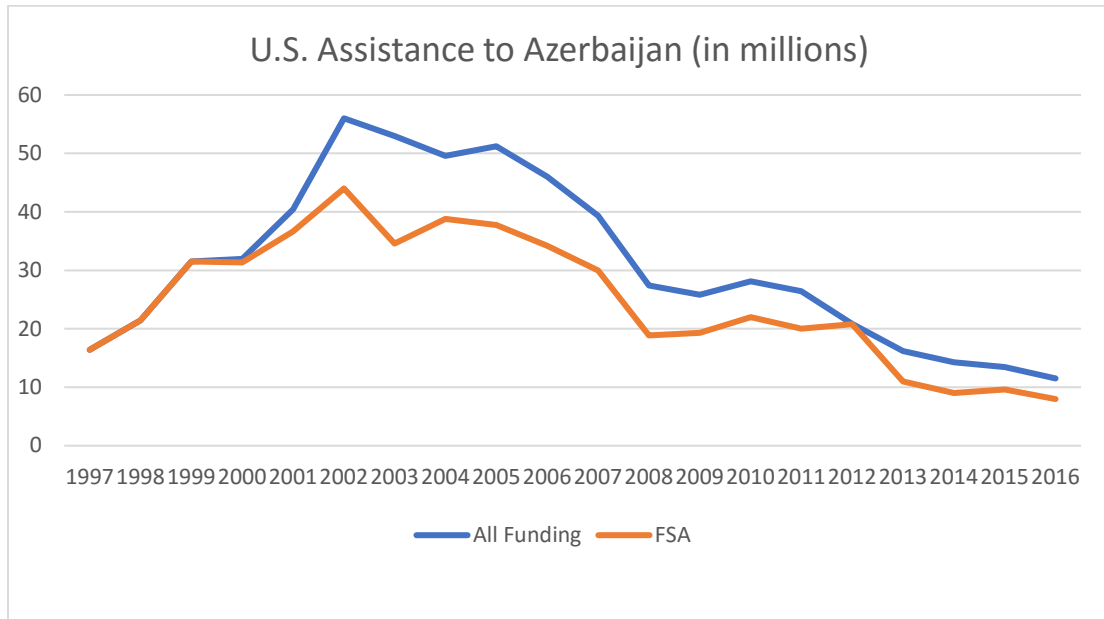
Protecting Critical Energy Infrastructure

Military assistance was an important component of US strategy to protect critical energy infrastructure against internal and external threats in oil-rich Third World countries. The overall levels of US military assistance to Azerbaijan plummeted in this period. As graphs 4 and 5 show, the most important components of US military aid; funding for FMF, IMET and NADR programs and as well overall US assistance to Azerbaijan declined substantially at this period.

One might think that with oil revenues filling the coffers of the Azerbaijani government, perhaps US assistance lost its importance for the Azerbaijani government as well. However, this argument is problematic because, for the Azerbaijani government, the US assistance, especially military assistance, remained very important, not for financial purposes, but for ‘symbolic’ and geopolitical purposes. That is, for GOAJ, US military aid meant ‘prestige’ in the region, especially in terms of regional politics where Georgia continuously received an exorbitant amount of US aid, while Armenia continued to receive

US aid despite hosting Russian military bases within its territory and being a member of the Russian-led Collective Security Treaty Organization (CSTO).

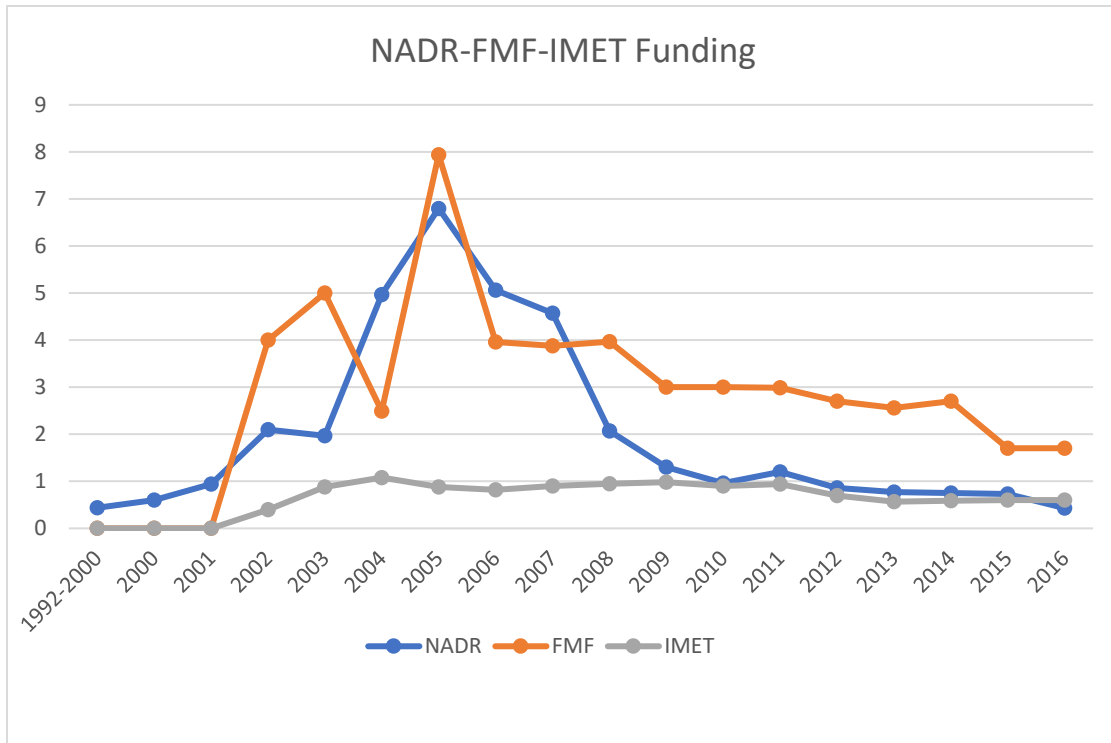
Graph 4. U.S. Assistance to Azerbaijan. Source: Department of State



Moreover, the Azerbaijani government sought to purchase military weapons from the US, given that it now had financial capacity to afford expensive American weaponry. The Foreign Military Sales (FMS) program has been the primary channel through which successive US governments sold American weapons to oil-rich allies in the Middle East. However, the Section 907 clauses prevented this strategic transaction from taking place. Between 2003 and 2015, total military sales agreements between the US and Azerbaijan averaged less than 4 million USD per year, a miniscule number given the 2 billion USD budget of Azerbaijani military in the early 2010s (DSCA Report, 2015). In addition, US aid was a means for GOAJ to balance against Russian pressure to become a member of the CSTO or the Eurasian Customs Union (ECU). Secondly, US military programs geared toward energy security also stopped in this period. The CSMPP program ran from 2005 to

2009, and provided a total of \$51 million funding. However, it was not renewed, nor was it replaced by a new program designed to protect critical energy infrastructure in the Caspian Sea (Department of Defense, 2010).

Graph 5. U.S. Military Assistance to Azerbaijan. Source: Department of State



This is important, especially in light of a very critical development in the Caspian Sea in 2009. The US Embassy cables demonstrate that the Iranian government decided to move its Alborz rig into disputed waters in the Caspian in the fall of 2009. Following the movement of the rig, the Government of Azerbaijan sent a request to the US Government for assistance. President Aliyev’s advisor for energy issues Ali Asadov explained to US officials that “You know our military capacity on our borders. We do not have enough capacity. We need military assistance” (09BAKU900_a, 2009). US Charge D’Affairs

Donald Lu shared this perception: “Azerbaijan has extremely limited maritime domain awareness (MDA) in the Caspian Sea... From the USG perspective, most immediately concerning is that the GOAJ lacks shore-based visibility on half of the ACG oil fields, the country’s largest, which feed 1 million-plus barrels per day of crude oil into the Baku-Tbilisi-Ceyhan (BTC) pipeline flowing to western markets”. Lu added that the current dispute “offers a timely opportunity to gain traction on Caspian maritime cooperation with the GOAJ”, and calls for assistance from EUCOM and USNAVEUR (U.S. Naval Forces Europe-Africa) (09BAKU877_a, 2009). However, US assistance in later years did not gain traction. Rather, in the very next year, Azerbaijan canceled the US-Azerbaijan bilateral military exercises in the Caspian Sea in protest of US support for the Rapprochement.

Security Sector Reform

Security Sector Reform (SSR) has been an integral part of US military assistance to Third World countries and of the NATO integration process. The program helps to raise allied militaries to NATO standards, improve their interoperability with NATO and US military forces. SSR was one of the areas that the US started to emphasize after the 2005 elections. US assistance went to “Law Enforcement Restructuring, Reform and Operations” as outlined in State Department reports. Indeed, the reform effort had become the main pillar of US security assistance to Azerbaijan beginning in the second half of the 2000s. The IPAP programs were designed to serve this goal. One of the pillars of this strategy was the NATO-IPAP programs. The IPAP programs emphasized interoperability with NATO structures, democratic control of armed forces and structural reorganization according to NATO standards. Azerbaijan signed three IPAP documents with NATO in 2005, 2008 and 2011. Despite common practice in other countries such as Armenia and

Georgia, Azerbaijan did not disclose the contents of any of its IPAP documents to the public. The government's failure to disclose IPAP documents is another component of rampant secrecy within the security apparatus in Azerbaijan where the power ministries do not want to be scrutinized either by public or by foreigners.

Another pillar of US strategy was the Azerbaijan's "National Security Concept" (NSC) document. Prepared in 2007, the NSC was the first ever for the country. Various US agencies, most importantly the State and Defense Departments provided utmost attention to this document's preparation and its contents and engaged in the drafting of the document. While abstaining from directly declaring the country's NATO aspirations, the document identified "integration with the European and Euro-Atlantic structures" as the second most important priority for the country (after the resolutions of the NK conflict) (NSC, 2007, p. 8-9).

However, a detailed scrutiny of the US efforts pertaining to security sector reform reveals severe problems faced by the US and NATO in Azerbaijan. NATO could not build interoperability with Azerbaijani military due to resistance in the Azerbaijani government and the army. Until the first IPAP document in 2005, the GOAJ limited interoperability to only its peacekeeping forces operating in Kosovo, Afghanistan and Iraq. When GOAJ signed the IPAP document, it extended the program only to battalion and brigade-sized units, excluding the army⁷². Furthermore, the IPAP documents failed to deliver tangible results. After the completion of the first IPAP in 2007, the second IPAP did not advance to "Intensified Dialogue", but rather continued the first IPAP. This was mainly because GOAJ

⁷² Georgian IPAP covers the entire army, the only one in South Caucasus.

failed to meet several important criteria of the IPAP document, such as civilian and democratic control of the army and improved human rights conditions (RFE/RL, 2008). Azerbaijan's third IPAP document was marred with similar issues, as the original version of the document was opposed by some NATO members due to GOAJ's noncompliance with important criteria. Finally, the GOAJ drifted away from NATO integration as a strategic objective. Already in 2007, NATO Special Representative for the South Caucasus Robert Simmons visited Azerbaijan "trying to persuade Baku to make a formal declaration of its intention to seek NATO membership" (RFE/RL, 2008). However, Simmons's diplomacy provided no result, as GOAJ balked from explicitly mentioning NATO integration in the NSC document. What's more, in 2011, after the Russian invasion of Georgia and failed rapprochement process, GOAJ joined the Non-Aligned Movement. A senior GOAJ official declared that "Azerbaijan will neither be a member of NATO nor the CSTO, while cooperating with both" (Kucera, 2013).

As I clarified earlier, one of the crucial factors that enabled the Color Revolutions to take place was the acquiescence of the security services in Ukraine and Georgia to the protestors. It is in this light, that the dynamics of US assistance to Azerbaijan becomes meaningful. In contrast to other oil exporting US allies, such as Saudi Arabia and Nigeria, in Azerbaijan, the US assistance to law-enforcement stressed restraint in dealing with protestors and protection of journalists. In various meetings with Azerbaijani security services authorities, the US officials made their points clear that the authorities have "responsibility to rigorously investigate cases of physical violence against journalists" and that "police should not behave violently when dispersing a crowd" (Wikileaks, 2007). To this purpose, the US wanted to place a resident police advisor within the Ministry of

Interior. The request was rejected by Ramil Usubov, the minister. Furthermore, NATO and the Azerbaijani government jointly established a NATO information office (EuroAtlantic Centre) in Baku in 2006, and NATO itself “has raised public awareness and debate by sponsoring monthly inserts on army and defense reforms in two popular local newspapers, Zerkalo (in Russian) and Ayna (in Azeri)” (ICG, 2010, p. 15). A group of local NGOs focusing on military issues established an online news website “dedicated to defence reforms” – milaz.info – which has quickly become a popular source of information (ICG, 2010, p. 15). However, starting in 2010, Milaz received sustained attacks from government authorities due to its reporting on corruption within the military and was forced to shut down. Overall, the US-promoted SSR efforts did not receive a warm welcome in Azerbaijan. The programs were either diluted, stalled or completely shut down.

A US Military Base in Azerbaijan?

Between December 2003 and April 2005, US Secretary of Defense Donald Rumsfeld made three official visits to Azerbaijan. Aside from the official statements regarding their purpose, which was “to boost the practical cooperation between the two countries in the military and security domains” (KUNA, 2003), a crucial agenda item of the visits was the possible use of Azeri bases for U.S. military operations (Graham, 2003). Why was the US pursuing a military base in Azerbaijan? On the one hand, the US Government was seeking a stop-and-go location in Azerbaijan for military aircraft bound for the Afghanistan mission. Indeed, the Nasosnaya base was proposed to serve this particular purpose at the time. More critically, speculation was rampant at the time about a potential US military attack against Iran, for which an Azerbaijani military base could be used as a launching pad. The secret nature of Rumsfeld’s 2005 visit, about which there was

almost no information provided to the public, led to speculation that the US official was coming to “get the final answer” (Talyshly, 2005).

However, the Azerbaijani Government was fervently against the idea of having US troops in Azerbaijan. To this end, the parliament passed a new law in 2004, effectively outlawing the stationing of any foreign troops within the country. Furthermore, right after Rumsfeld’s visit in April, Iran and Azerbaijan signed a non-aggression pact in May 2005 (Cornell, 2005; Talyshly, 2005). The Iran issue came to the agenda in Aliyev’s 2006 meeting with President Bush in the White House as well. Prior to his meeting with President Bush, President Aliyev told members of the Council on Foreign Relations that Azerbaijan “will not be engaged in any kind of a potential operation against Iran” (NPR, 2006). Therefore, as of 2007, the US had not established any permanent or temporary military base in Azerbaijan. The only official development regarding the military bases was Azerbaijan’s agreement to grant NATO permission to use Nasosnaya Air Base and Heydar Aliyev Airport as a stop-and-go location for Afghanistan-bound supplies. The agreement, NATO’s special envoy Robert Simmons asserted had nothing to do with Iran (Chossudovsky, 2007).

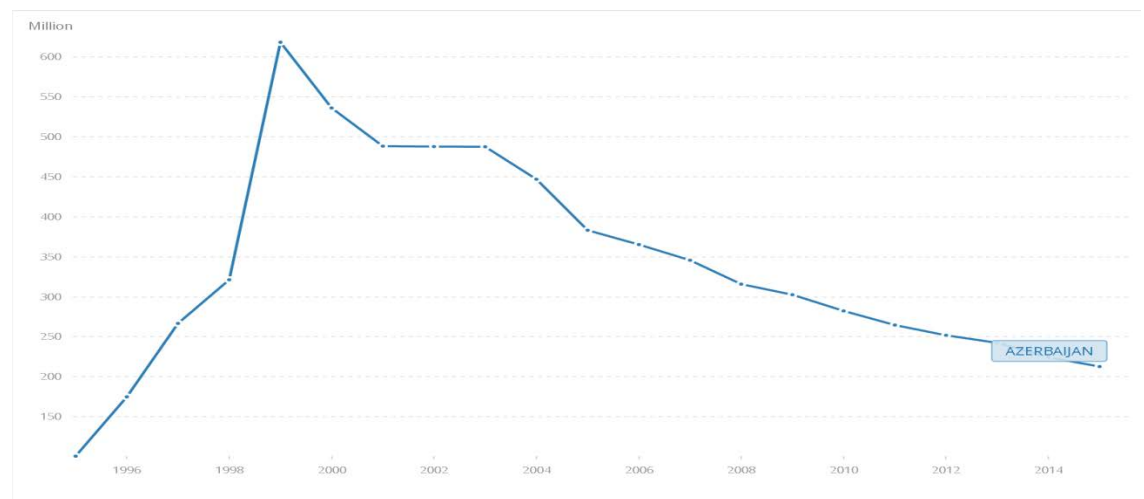
Nasosnaya Air Base was proposed several times as a potential logistics point for NATO operations. Although the Air Base was provided with navigational and safety-of-flight infrastructure, the modernization of the runway for takeoffs and landings could not proceed due to disagreement between the US and Azerbaijani governments regarding the finances. The US proposal of “cost-sharing” was rejected by the GOAJ. US cooperation with Azerbaijan on the Air Force base, and modernization further deteriorated when Azerbaijan’s Chief of Air Forces, Rail Rzayev, was assassinated in one of the most secure

neighborhoods of Baku. Rzayev was a leading figure in shifting Azerbaijan's alignment of its army modernization towards the US (Cetinkaya, 2009).

Neoliberal Integration: US Objectives

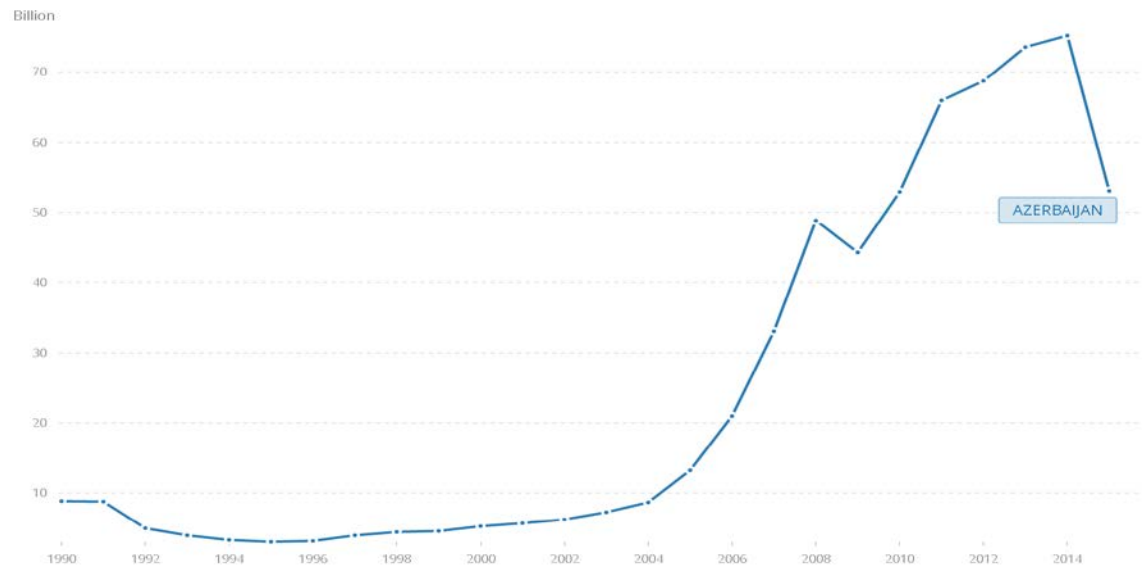
In chapter two, I explained that, throughout the 1990s, the International Financial Institutions (IFI) played a crucial role in spurring neoliberal reforms in Azerbaijani economy. IFIs, such as the IMF, provided much needed loans to Azerbaijan as part of structural adjustment programs and stand-by agreements. These aid programs continued throughout the first half of the 2000s. In addition to IMF loans, Azerbaijan received project assistance from the World Bank for the implementation of the BTC pipeline project. However, as I discussed in Chapter three, GOAJ's collaboration with the IFIs started to fade away after the oil money started to flow into state coffers. Figure 5 shows changes in Azerbaijan's annual use of IMF credit. A steep rise in drawings can be observed from 1995 to 1999, when the credits usage rate peaked at 618 million USD. Later on, it starts to decrease steadily. It's important to consider, also, the implication of IMF credit (for the rate of IMF credit, see Graph 6) for the Azerbaijani economy until 2005, when the GDP (for GDP, see Graph 7) still could not recover from 1990 levels at under 10 billion USD. Hence, while the 618 million USD in 1999 comprised 13.5 percent of Azerbaijani GDP, the 282 million in 2010 made up only 0.5 percent of Azerbaijani GDP. Hence, by 2009, the primary role of the US Treasury, IMF, World Bank, and EBRD was 'consultative'.

Graph 6. Azerbaijan’s Use of IMF Credit per year. Source: World Bank



As the oil money was flowing in and the GDP was skyrocketing in Azerbaijan, the main policy objective of the United States shifted to economic reforms, and specifically improving the investment climate. This policy served to increase US investment in Azerbaijan’s non-oil sector. However, both transnational capital and the US government were aware that the corruption was becoming worse with every passing day and that the government-supported monopolies were suffocating the foreign businesses in Azerbaijan. During his visit to Baku, Daniel Sullivan, Assistant Secretary of State for the Bureau of Economic, Energy and Business Affairs (EEB) told Aliyev that “The private sector is deeply concerned that corruption trends in Azerbaijan are moving in the wrong direction” (Wikileaks 2007). Indeed, the 2008 White Paper of AMCHAM Azerbaijan claimed that “the global business community continues to view Azerbaijan as a country of pervasive corruption” (p. 50).

Graph 7. Azerbaijan GDP. Source: World Bank



Devoid of powerful tools such as IFI loans, the US government and the transnational community focused on other means to push for neoliberal reforms. One of them was technical assistance. These programs were designed to improve legal conditions in Azerbaijan to make them suitable for foreign direct investment. The US mainly utilized interagency advisors in various Azerbaijani ministries to “assist the government of Azerbaijan in its financial regulatory oversight strategy formulation process, and establishing a Financial Investigative Unit⁷³ [FIU] in support of the new anti-money laundering law” (Wikileaks, 2009). In 2007, USAID started two programs to help improve the business climate. The Azerbaijan Trade and Investment Reform Support Program (TIRSP) “provided technical assistance and training to accelerate the accession of the Government of Azerbaijan to the WTO” (USAID, 2007). In 2009, USAID started the

⁷³ Azerbaijan adopted AML/CFT legislation in 2009. This legislation created a financial intelligence unit, the Financial Monitoring Service (FMS), under Azerbaijan's Central Bank, and imposed requirements on financial institutions to conduct customer due diligence and report suspicious transactions to the FMS.

Private Sector Enabling Environment program designed to “support the establishment of expert regulators and professional bodies that constantly improve laws, regulations, standards, and administrative practices that shape the sector” (USAID, 2009).

The reports issued by the IFIs were another means of influence. GOAJ paid close attention to its international reputation (Ismayilov, 2014), which could be exploited by the international business community to press for reforms. In fact, these efforts bore fruit in 2009, when Azerbaijan was selected as the “Top Reformer” by World Bank’s annual Doing Business Report⁷⁴, mainly because of improvements in “Starting a Business” indicator. However, both the IFIs and the USG were highly skeptical⁷⁵ of the real extent of improvements in the country’s business environment. An Embassy cable claims that “the GOAJ analyzes how these rankings are determined and selectively chooses to work on ‘low hanging fruit’ areas where improvement can be made without seriously confronting endemic corruption in the country” (Wikileaks, 2009). In a meeting with Embassy officials, EBRD Head of Azerbaijan office Francis Delaey claimed that “corruption involving tax officials and artificial monopolies are key factors impeding FDI”. He further added that “In his experience, Azerbaijan is “much more corrupt than Moldova” which the EBRD considers to be one of the most difficult environments where it does business” (Wikileaks, 2009).

⁷⁴ According to the same report, the rest of the top 5 reformers were Albania, Kyrgyz Republic, Belarus and Senegal.

⁷⁵ As one business report noted “The major areas of improvement included establishing a one-stop shop for business registration, streamlining property registration and transfer procedures ... The improvements made generally benefit local small businesses more than they benefit large foreign investors. Significant areas for improvement remain, including customs operations, business closure, and business permitting systems” (IBP, 2012, p. 40).

Finally, an important means of influence was the NGO networks. An Embassy cable dating to 2006 specified that “the U.S. needs to expand its assistance to NGOs, business associations and other civil society groups that are taking innovative steps to combat corruption, improve the business and investment climate, and expand government transparency” (Wikileaks, 2006). Beginning in 2008, NED started to fund the Center for International Private Enterprise (CIPE), “to help Azerbaijan’s business community come together and advocate effectively for change at the national level, refocusing the government’s attention on essential reforms” (NED, 2009). The CIPE program emerged as the top priority for the NED, continuously topping the list in terms of funding amount⁷⁶.

The State Department and the business community⁷⁷ also tried to establish a special business advisory board who would meet directly with President Aliyev to advise on economic reform issues. The goal was to bring Aliyev together with the business community in regular meetings where the two sides would discuss real corruption issues that were hampering foreign investment in Azerbaijan. Aliyev did not follow up on the request.

The other grievance of the business community concerned the state-owned enterprises that monopolized and dominated the market in lucrative sectors. These included the International Bank of Azerbaijan (IBA) which dominated the banking sector, CASPAR which monopolized Caspian tanker shipping, Azersu which dominated domestic water

⁷⁶ In 2008, CIPE received 176,145 USD from NED. The second closest organization was Institute for Reporter Freedom and Safety (IRFS) with 74,938.

⁷⁷ AMCHAM’s 2008 White Paper reiterated this request. It “urge[d] in the strongest terms creation of a Government/Business Council to meet regularly for serious discussions at the ministerial level or higher and whose sole purpose would be to identify, define and propose solutions for problems which delay or retard expansion of competitive business activity” (AMCHAMAZ, 2008, p. 6).

supply systems and AZAL, Azerbaijan Airlines, which has virtual a monopoly over international flights to and from Azerbaijan, as well as aviation services. The business community publications argued that these companies “have protected their commercial interests by blocking new entrants into the market through the exercise of their regulatory authority” (IBP, 2012, p. 43). The State Department’s annual Investment Climate Statements concurred with the conclusions of the business community: “Private enterprises are not generally allowed to compete with public enterprises in strategically important fields, such as oil and gas production and export ... Other non-competitive fields include electricity generation (Azerenerji) and water supply (Azersu)” (State Department, 2010).

Dueling Oligarchs

In March 5th 2010, Andrew Higgins from the Washington Post broke a story in which he claimed that Ilham Aliyev’s son, Heydar, bought nine waterfront mansions in Dubai for 44 million USD in just two weeks. The story further argued that Aliyev’s three children own 75 million USD worth of property in Dubai, wealth that cannot be explained with Aliyev’s 228 thousand USD/year salary (Higgins, 2010). Later the same year, RFE/RL’s Azerbaijani service broke another story which detailed “dodgy privatization” of Azerbaijan’s state-owned airline company AZAL. The story claimed that in a series of shady privatizations, AZAL’s services were sold to a holding company called SW Holding, which is co-owned by Ilham Aliyev’s daughter Arzu Aliyeva and the wife of AZAL’s president Zarifa Hamzayeva (RFE/RL, 2010). Further news stories exposing the unaccounted wealth of Ilham Aliyev’s family members appeared on RFE/RL’s website in 2011 and 2012. A 2011 story claimed that Aliyev’s daughters are the owners of a fast-rising telecom company. One of the stories in 2012 revealed Aliyev’s ownership of a gold

mine in Azerbaijan via a shady company set up in London. Another 2012 story claimed that, through front companies, the Aliyev family benefitted from the construction of the Crystal Hall, a showplace built to host the Eurovision Song Contest. Further stories broken by the Azerbaijani RFE/RL service exposed the corruption at the highest levels of the Azerbaijani government. Ziya Mammadov and Kamaladdin Haydarov were implicated in corruption scandals. Both were accused of monopolistic control over important sectors of the Azerbaijani economy.

Control of the Azerbaijani economy by the Aliyev family and regime-connected oligarchs was constantly speculated about within Azerbaijan and abroad, but these stories were the first time that their actual extent was documented. The fact that these stories were originated from US-funded organizations⁷⁸ caused quite a stir in Azerbaijan. Aliyev openly accused the US State Department for feeding the stories that appeared both in the Post and the RFE/RL “in order to undermine my legitimacy” (Eurasianet, 2009). Although it was known that the international business community was disturbed by the government control over the economy, the question was whether the US government was involved in promoting and publicizing these revelations.

Signed by Secretary Clinton, a “SECRET” cable dated 28 December 2009, was sent to the Embassy in Baku to “Request for information on Azerbaijani President Aliyev and other key players” (09STATE313382_a, 2009). The cable starts with saying that “Washington analysts are closely following developments related to the Azeri government

⁷⁸ One of the new NGOs that NED started to fund in 2011 was the **Public Association for Assistance to Free Economy**. The organization’s goal was “to investigate infringement of property rights, and provide legal assistance to the victims in those cases” (NED, 2012).

and would appreciate any information the Washington Post can provide on the relationship of key national political figures with President Ilham Aliyev". It went on to ask 13 questions on various issues, such as "the inter-relationships and personal/business rivalries or alliances of top Azeri officials, the plans of the Aliyev Administration for Azerbaijan and plans for their own political futures, especially if energy profits begin to wane and/or problems arise in the region with Russia, Iran or Armenia". The State Department sent several other telegrams to the Embassy asking for further information on Azerbaijan's state oil company, SOCAR (09STATE131660_a, 2009), and "the finances and economic interests of President Aliyev or his wife Mehriban's" (09STATE13575_a, 2009). The charge was asked to elaborate on whether "high-level government officials involved in corruption, if so, which individuals, what type of activities" (09STATE13575_a, 2009).

The response was a two-volume report by Charge Donald Lu, detailing "Who Owns What" in Azerbaijan. The first report starts with an observation that "today's Azerbaijan is run in a manner similar to the feudalism found in Europe during the Middle Ages", and goes on to describe the "Vast Empire" of the Aliyev/Pashayev family, their business ventures, including the Nar Mobile, the telecom company owned by Aliyev's daughters. A second volume of the report details the holdings of Haydarov, the most powerful oligarch in Azerbaijan, claiming that Haydarov used his bureaucratic power to curtail the business ventures of American and other foreign businesses.

The above discussion demonstrated a clear relationship between the objectives and interests of the US-supported NGO community, transnational capital and the US State Department. The Aliyev government was favored by the latter two throughout the 1990s precisely because of its decision to open up the country's resources for penetration of US

and other Western capital, hence its willingness to “share” Azerbaijan’s wealth with them. Contrary to its behavior in this period, the GOAJ closed the domestic economy to foreign investors after the oil money started to flow into the economy following the construction of the BTC pipeline. By 2008, the main interests of transnational capital were concentrated in non-oil sectors of the economy due to lack of new initiatives in the energy sectors. Given that the transnational capital had been the main driver of US policy in Azerbaijan throughout the 1990s, the GOAJ’s rejection of them in the second period deprived it of an important conduit of influence in Washington. It is in this context that the deterioration of US-Azerbaijan relations on the grounds of human rights issues should be understood. That is, the human rights concerns rose to the higher-levels of scrutiny by policymakers due to evaporating interests in energy, security and economic development. Indeed, the increasing US attention to human rights issues in Azerbaijan provoked a counter-attack on part of the GOAJ against US-funded organizations in Azerbaijan. The ensuing vicious cycle led to strangulation of bilateral relations in unprecedented levels.

In what follows, I will explain how the election-related issues had become the focal point of US policy by 2008. Later, I will show how a vicious cycle was created due to mutual attacks and accusations and how the Arab Spring revolutions and the 2013 Presidential elections further aggravated the situation.

Democracy and Human Rights

In the previous chapter, I explained how the executive office and the NGO community had different objectives regarding democratization in Azerbaijan. In particular, while the latter was eager to pursue a radical revolutionary strategy, the former was reluctant in providing support to this cause and rather supported political stability in

Azerbaijan, a phenomenon that was associated with the Aliyev regime. As I mentioned, the executive office declined to follow its part in the “revolutionary template” (Sussman and Krader, 2008), which included pressuring the government behind closed doors and publicly shaming it.

It was clear that the US NGO community was not happy with the way the Bush Administration was handling the democracy promotion agenda. Thomas Carothers, a leading brain behind US democracy promotion efforts and the vice president of studies at the Carnegie Endowment for International Peace, wrote an article in 2006 for Foreign Affairs journal, called “Backlash against democracy promotion”, where he lamented the latest developments in the Third World countries, such as Russia, China, and Azerbaijan where democracy promotion efforts were squandered by the political regimes (Carothers, 2006). In a rather sober perspective, Carothers acknowledged that “Washington's use of the term "democracy promotion" has come to be seen overseas not as the expression of a principled American aspiration but as a code word for "regime change" (2006). Criticizing the Bush administration for “repeatedly violating the rule of law at home and abroad”, which he argued “has further weakened the legitimacy of the democracy-promotion cause”, Carothers went on to blame the administration for speaking “mildly” about infringements on democracy and letting the autocrats play “the classic game of friendly tyrants facing a bit of U.S. pro-democratic pique” (Carothers, 2006).

By 2008, there were several indications that the Bush Administration was changing its approach to ‘promoting democracy’. In June 2008, Secretary of State Condoleezza Rice wrote an article for Foreign Affairs, in which she confessed that “the Middle East was treated as an exception for so many decades. U.S. policy there focused almost exclusively

on stability. There was little dialogue, certainly not publicly, about the need for democratic change” (Rice, 2008). She went on to confess that for decades, in the Middle East “we supported authoritarian regimes, and they supported our shared interest in regional stability”, all at the expense of promoting reform and liberalization (Rice, 2008). President Bush also called out the names of prominent abusers of media freedom worldwide in his statement for World Press Freedom Day on May 1, 2008. He stated that “In 2007, for the ninth consecutive year, China remained the world's top jailer of journalists, followed by Cuba, Eritrea, Iran, and *Azerbaijan* [emphasis added]” (Bush, 2008).

In March 2008, the Administration took a surprise step by appointing David Kramer as the new Assistant Secretary of State for Democracy, Human Rights and Labor (DRL) to replace Barry Lowenkron. Kramer was an expert on the post-Soviet region. He was also known for his staunch opposition to the US government’s “oil politics” in the Caspian. In a 1998 article for the New York Times, after reflecting on his participation in an election monitoring mission in Azerbaijan, Kramer asserted that the “The United States must not let these people [who work for democracy] down by whitewashing what is happening in their country or in the other states in the region. U.S. policy toward the Caspian region must be built on more than pipeline routes” (Kramer, 1998). Hence, Kramer’s appointment was the harbinger of change⁷⁹ in democracy promotion efforts of the Bush Administration, especially regarding the post-Soviet countries.

⁷⁹ There are more indications that this late change in the Bush Administration’s approach was more of an attempt to save the face of an administration unpopular at home and abroad, than a genuine attempt at self-reflection and honest evaluation of past mistakes.

The 2008 Presidential Elections

In 2008, Azerbaijan entered into a new election cycle, this time for presidential elections scheduled on October 15. From the beginning of the cycle, it was clear that the Bush Administration wanted to put pressure on the Aliyev regime regarding the conduct of elections. The elections were the common theme of the bilateral meetings between the US and Azerbaijani officials in Baku. In a late November meeting with Ramiz Mehdiyev in 2007, Assistant Secretary of State Daniel Fried pressed for the release of youth movement members and for the conduct of “model free elections” (Wikileaks, 2007a). Fried also met with the Minister of Interior Ramil Usubov, where he “delivered a tough message stressing ... U.S. concern about the numerous arrests and beatings of journalists in Azerbaijan” (Wikileaks 2007b).

This pressure bore fruit in February 2008, when the Ministry of Justice approved the Election Monitoring Center’s (EMC⁸⁰) license to operate as an NGO in Azerbaijan. In the March 2008 meeting with Mehdiyev, Ambassador Derse explained further steps of the US plans for the upcoming elections. The USG wanted to conduct a parallel-vote tabulation (PVT) by the EMC, and an election observation mission by the European Network of Election Monitoring Organizations (ENEMO) (Wikileaks, 2008). Derse also mentioned that the US planned to spend 3 million USD on these election-related projects. Both the PVT, as a technique, and ENEMO as an organization had played essential roles in Georgian

⁸⁰ The EMC was the largest and most experienced domestic election monitoring organization in Azerbaijan, and periodically received USG assistance via the NDI, and occasionally through the Embassy's Democracy Commission Small Grants Program. Although the NGO had monitored every election in Azerbaijan since 2000 - presidential, parliamentary, and municipal - while it remained unregistered, the organization was unable to file official complaints of electoral fraud as noted by its monitors. The EMC's now-registered status meant that the organization would be able to file complaints in the October presidential election.

(2003) and Ukrainian (2004) elections. As Mitchell (2012) mentions, “the highly-competent election monitoring work and parallel vote tabulation (PTV) ISFED [the local branch of ENEMO in Georgia] were essential in convincing the Georgian people, not only that the 2003 parliamentary election was stolen, but that the winner was the National Movement” (p. 13). No wonder why, then, Mehdiyev raised his eyebrows and questioned the motive behind these initiatives: “Azerbaijan had been subjected to unduly harsh standards in the "political evaluation" of the elections ... international organizations were operating under "political instructions" when they evaluated Azerbaijan's previous elections” (WikiLeaks, 2008b). Especially irritating to the Azerbaijani regime and Mehdiyev were the perceived “double standards” that the US government had toward Azerbaijan. In particular, the US was trying to curry-favor with Saakashvili and his regime, failing to criticize the regime for its crackdown on the opposition and increasing centralization of power, while raising the problems of the Aliyev regime regarding democracy and human rights.

The GOAJ responded harshly against the perceived US attempts to replay a revolutionary scenario and shut down EMC in May 2008. Both OSCE and US Embassy demanded re-registration of EMC, to no avail.

Below, there are four tables (Table 2, 3, 4 and 5) that provide detailed information about US funding to Azerbaijani NGOs. The tables cover information on funding from 2005 to 2011. They include youth organizations, election-based organizations, media organizations and civil society NGOs. Explanation regarding some important NGOs are provided in the footnotes.

Table 2. US Support to Youth Organizations

Names	2005	2006	2007	2008	2009	2010 ⁸¹	2011
OL Youth Org.		14,490			32,396		39,640
Dalga Org.			18,835		23,172		
Uluchay Org.			23,952	36,207	39,320		33,502
“Young Leaders”		39,500	41,692	30,503	45,766		47,140
“Yeni Nesil” Org.		42,000	42,834				
Sumgayit Youth	27,445	46,828	47,384	63,207	69,723		55,900

Source: NED

Table 3. US Support to Election-based Organizations

Names	2005	2006	2007	2008	2009	2010	2011
AFDD ⁸²	39,140		46,140		28,552		
EMC ⁸³	43,450		45,021	58,825	53,089		
FAR Center ⁸⁴	40,039	40,055	55,087	59,306	64,450		61,410
Lawyers Assoc.	21,147	27,490	27,403	32,898	39,107		36,360
“Free Voice”	13,745						
Support Center	25,735						

Source: NED

Table 4. US Support to Media Organizations

Names	2005	2006	2007	2008	2009	2010	2011
Internews	42,945	49,957	65,980	68,775	51,543		33,000
IPF ⁸⁵	19,350		22,840				
IRC (Sheki)	13,300						
Turan Agency			49,900	52,706	62,450		50,400
“Cenub” News		32,265	37,817	37,993	37,693		42,700
Media Rights Inst		30,714	34,340	39,800	40,200		34,582
Ganjabasar				24,915	33,891		42,200

⁸¹ Data on the year 2010 could not be compiled as the NED did not publish a report for Azerbaijan in 2010.

⁸² Azerbaijan Foundation for the Development of Democracy (AFDD) provided training to local NGOs in forming NGO coalitions, and influencing electoral processes.

⁸³ Election Monitoring Center (EMC) was the main NGO that worked on elections. EMC organized citizen forums to inform people about pressing election issues and conducted surveys.

⁸⁴ FAR Center for Economic and Political Research of Azerbaijan established a resource center to facilitate development of youth groups for the purpose of increasing civic and political consciousness of the youth.

⁸⁵ Institute of Peace and Freedom (IPF) conducted research on obstacles to freedom of speech, the role of the police, deficiencies in the judicial branch and the role of labor unions. The Institute also prepared newspaper articles and television spots for public consumption.

IRFS ⁸⁶			35,294	132,000	59,082		99,375
“Yeni Nesil”		42,000	42,834				
Online Transformation							41,843

Source: NED

Table 5. US Support to Civil Society NGOs

Names	2005	2006	2007	2008	2009	2010	2011
NDI	130,000	217,000	300,000				
Legal Education	32,350	37,700					
NRRC ⁸⁷	13,550						
NGO Support	15,663						
MCC ⁸⁸	34,120	40,298					
CAOLA ⁸⁹		18,100					
HR Center		52,900	70,000				32,460
“Legal Help”		15,904	24,417	26,687	31,415		33,502
Law and Dev.	33,572	28,508	34,605	33,786			
SWAPDT ⁹⁰		72,718	63,280	28,512	80,000		30,225
Alliance of Women			56,017	59,746	70,000		39,700
CNIS ⁹¹				47,849	70,000		69,370
Women’s Media Watch				29,383	30,865		

⁸⁶ Institute for Reporter Freedom and Safety (IRFS) was the main NGO working on advocacy on issues of press freedom in Azerbaijan. IRFS published reports, issued appeals and provided legal assistance to reporters. It also conducted independent investigations into unsolved attacks against journalists.

⁸⁷ Nakhchivan Regional Resource Center (NRRC) helped develop regional NGO sector in Azerbaijani exclave of Nakhchivan.

⁸⁸ Model Constitutional Court (MCC) held mock trials and public hearings in order to increase public awareness on the functions of the Constitutional Court.

⁸⁹ Citizen Advocacy Office for Legislature’s Accountability (CAOLA) advocated for transparency in parliament’s workings. It trained constituent groups in methods of advocating for parliamentary transparency and campaigned to persuade the parliament to reform its proceedings.

⁹⁰ Society of Women of Azerbaijan for Peace and Democracy for the Transcaucasus (SWAPDT) assisted human rights organizations from Azerbaijan and Uzbekistan. The institution brought together these groups and some youth movements to form networks across the CIS.

⁹¹ Center for National and International Studies (CNIS) conducted conferences on the liberal tradition in Azerbaijan. The center was established to “to counter the impact of government propaganda by demonstrating that liberal reform has historical precedents in Azerbaijan and thereby bolster public confidence in Azerbaijan’s democratic potential” (NED Report, 2008).

CIPE ⁹²				176,145	179,854		186,152
CAT					37,800		
PAAFE ⁹³							40,250
“For Azerbaijan”							28,200
Regional Cooperation							29,580
REAL ⁹⁴							28,250

Source: NED

The disagreements⁹⁵ between the USG and GOAJ regarding election issues were further aggravated during Assistant Secretary of State for Democracy, Human Rights and Labor, David Kramer’s July visit to Baku. In a “cool and somewhat testy” environment, mutual disagreements and accusations dominated the meeting. Kramer criticized Aliyev’s regime for its media freedom record and pressured Aliyev to change his regime’s course of action. He directly connected improvements in Azerbaijan’s human rights record to the future shape of bilateral relations. Aliyev, while “grimacing”, responded by listing the radically different US approach in its treatment of human rights abuses in Saudi Arabia and Egypt, and accused the US of having “double standards”. When Kramer urged Aliyev

⁹² Center for International Private Enterprise (CIPE) was the main organization working on the legal challenges facing the business community in Azerbaijan. The center advocated for economic reforms and better investment climate for both local and international businesses.

⁹³ Public Association for Assistance to Free Economy (PAAFE) investigated infringements on property rights and provide legal assistance to victims. The organization produced reports and publicized its findings.

⁹⁴ Republican Alternative (REAL) is an Azerbaijani political movement established in 2009. It was the first such platform that did not work with any traditional opposition party and had its own platform, mainly composed of young activists. REAL was led by Ilgar Mammadov who was arrested in 2009.

⁹⁵ Before Kramer’s visit, Azerbaijan was put on the spot by Secretary Rice in a statement to an international audience. Speaking at 2008 Peace Corps Conference, Rice stated that “The Caucasus, particularly the -- not so much Georgia, but Azerbaijan, to a certain extent Armenia, there is important work to be done there to bring that part of the Caucasus closer to standards that we thought they were once meeting. And it has been a disappointment” (Rice, 2008).

to re-register the EMC, Aliyev shrugged that off and claimed that the EMC was affiliated with NDI, which “was always working against us” and that in 2005 it had tried to “make a revolution to overthrow me” (Wikileaks, 2008c).

In a late July Congressional hearing on human rights and democratization in Azerbaijan, Kramer stated that “We are concerned that the political space for dissenting voices has been shrinking over the past few years ... the government bears ultimate responsibility for the climate within which political parties and candidates operate, and within which public debate takes place” (CSCE, 2008, p. 57). The deteriorating pre-election environment forced the main opposition bloc parties to boycott the elections, based on a decision made in July 20 (Nichol, 2008). The Russian invasion of Georgia in August further turned attention from election-related issues. The US focus on security and energy dimensions culminated in Vice President Dick Cheney’s historic visit to Azerbaijan in September 3-4, 2008. The fact that the visit brought back significant attention to the security of Azerbaijan led to euphoria in Azerbaijan, “a new phase in our bilateral relationship” where the issues of security and energy would dominate the agenda again, instead of democratic and economic reforms (08BAKU833_a, 2008).

However, Cheney’s visit was an aberration, rather than a new norm in relations. The Obama Administration did not have a strategy to reorient the focus of its engagement to energy and security dimension, as was envisioned during the Cheney visit. As I demonstrated above, the Obama Administration did not create new initiatives in energy and security issues. The rapprochement was evidence that the US disregarded Azerbaijani security concerns. Coupled with the deteriorating democratic environment in Azerbaijan, the stalemate in security and energy affairs further deteriorated bilateral relations.

The Arab Spring and Azerbaijan

The Arab Spring revolutions added yet another strain to US-Azerbaijan relations. The US “following the usual playbook⁹⁶”, relinquished support to its most faithful ally in the Arab world, Mubarak of Egypt, after his fall became imminent in Egypt. This sent a signal to the post-Soviet allies of the US, for all of whom regime survival was the most important priority, that the US would not come to their help in time of a popular upheaval. Indeed, when the “Facebook protests”⁹⁷ broke out in March 2011, following the events in Tahrir Square, the Azerbaijani regime not only likened the protests to events in the Arab World, but also put the US Government in the spotlight, overtly blaming the latter for trying to instigate a repeat of the Egyptian scenario in the country. The regime pointed to meetings Ambassador Bryza held with opposition politicians, as well as the Embassy’s critical statements regarding the regime’s crackdown on opposition movements as proof of US involvement. Hence, the US response to the invasion of Georgia and the toppling of Mubarak in Egypt told the Third World regimes that the US was no longer willing to stabilize their regime against domestic insurgencies or foreign intervention. Given that regime stabilization was the most important component of past deal-making with the US, there remained much less material incentive for these regimes to continue following US advice on strategic issues.

⁹⁶ Noam Chomsky described the playbook as: “whenever a favored dictator is in trouble, try to sustain him, hold on; if at some point it becomes impossible, switch sides” (DemocracyNow, 2011).

⁹⁷ “Facebook Protests” refer to Arab Spring protests that toppled long-time dictators in Egypt, Tunisia, and Yemen between 2011 and 2013. The protesters organized their activities mostly through social media sites such as Facebook and Twitter (Eltantawy and Wiest, 2011)

The Obama Administration did not put much effort into alleviating the concerns of the Azerbaijani regime. When Secretary of State Hillary Clinton visited Baku in June 2012, she held a one-on-one meeting with a recently released opposition youth group leader Bakhtiyar Hajiyev. While praising him and his efforts, Clinton made openly harsh remarks during a joint press conference with Azerbaijani MFA Mammadyarov, on the human rights situation in Azerbaijan, urging “the government to respect their citizens’ right to express views peacefully, to release those who have been detained for doing so in print or on the streets or for defending human rights” (State Department, 2012).

2013 Presidential Elections and Beyond

The US NGO community also openly supported Jamil Hasanli, a unified opposition candidate in the 2013 presidential elections. Hasanli was a new face, different than the traditional opposition leaders who had lost their popularity especially among the young people. Hasanli was an historian, a professor in Baku State University. He had no party affiliation, and entered the elections as the head of the National Council of Democratic Forces (NCDF). Hasanli received only five percent of the total votes and lost to Aliyev in an election whose results were made public by the Central Election Commission (CEC) a day before the elections⁹⁸. Indeed the standoff between the US and Azerbaijan carried into the post-election period. On 15 October, the election day, Ramiz Mehdiyev, the head of the Presidential Apparatus, gave an interview in which he claimed that the US offered GOAJ a deal before the elections: “a “balanced” response from the State Department to the elections if main opposition candidate Jamil Hasanli gets 25 percent of the vote and Ilham

⁹⁸ The CEC released vote results in its smartphone app a day before, showing Aliyev winning with 73 percent of the votes, while Hasanli received 7.4 percent.

Aliyev receives 74 to 75 percent” (Abbasov, 2013). The US Embassy vehemently denied the claims. However, GOAJ went even further and threatened to release tape recordings of the private meetings in which it alleged US Ambassador Morningstar offered the deal.

Perceiving an imminent threat from US-funded organizations, the Azerbaijani regime started a crackdown against all US-associated institutions, movements, and personalities in the wake of the 2013 presidential elections. Included was the chairman of the NDI’s local election monitoring partner, the Election Monitoring and Democracy Studies Center (EMDS), Anar Mammadli. Legislative amendments in 2012 and 2013 made it virtually illegal to protest the government and receive any foreign funding as an NGO in Azerbaijan. In March 2013 GOAJ formally requested OSCE to downgrade its Baku office, reducing its status from a “mission” to a “project-coordination office”. In the same month, government authorities arrested an NDI member, accusing him of financing a Facebook revolution. A US Embassy official staunchly denied these allegations. Occurring under these circumstances, the 2013 presidential elections “may have been the worst vote count ever observed by an ODIHR election observation mission anywhere”. According to the final report of the OSCE/ODIHR, the counting of votes was assessed in the categories of “bad” or “very bad” in 58 percent of the observed polling stations.

Immediately after the elections, the GOAJ accelerated its crackdown against US-affiliated institutions and organizations, and opposition members with no affiliation with the US. Leyla Yunus, the director of the Institute for Peace and Democracy (IDP), an organization funded by the NED, was arrested in July 2014. IDP’s building was demolished by the GOAJ authorities in 2011. In March 2014, the Baku headquarters of the opposition APF Party was blown up. In December 2014, building of the RFE/RL’s Azerbaijani service

was raided by the police. The building was sealed and the service was shut down by the government based on the accusation that it was a US spy agency. After the raid, Khadija Ismayilova, the investigative journalist behind the stories that revealed Aliyev's corruption was jailed⁹⁹.

Conclusion

In this chapter, I analyzed the third and final period of US policy toward Azerbaijan that includes 2008 to 2015. I argued that in this period, the main US objective became the neoliberalization of Azerbaijani markets, especially the non-oil sectors of economy, in order to open investment opportunities for foreign capital. I demonstrated that the US engagement with the Azerbaijani energy issues was heavily reduced due to three interrelated reasons emanating from geoeconomic factors: a bust in Azerbaijani energy resources, lack of progress in gas projects due to lack of interest on part of the EU, and changing energy dynamics emanating from unconventional oil and shale gas boom in the US.

These changes in energy dynamics had reverberating impacts on the security, economy and human rights policy of the US. Regarding security, the US disengagement from the Caspian energy issues reduced US interest in the security of Caspian energy as well, leaving the NDN as the only pillar of security cooperation between the two countries. The lack of US interest in Azerbaijan's security was demonstrated when the former did not improve its military assistance in the aftermath of the Russian invasion of Georgia in

⁹⁹ This is a very tiny list of the names and organizations that were attacked by the regime after 2013. In 2014 alone, over 90 journalists and political figures were jailed. The total number of political prisoners in Azerbaijan was hovering around 130, more than the sum of those in Russia and Belarus.

August 2008. The US insistence on Turkish-Armenian rapprochement, and the separation of this process from the Nagorno-Karabakh issue further aggravated the situation.

On the economic front, with the bust of Azerbaijani energy, many US companies left the country due to lack of new investment opportunities in the Caspian. Without a focus on energy, the US economic interest moved explicitly to the non-oil sector that was heavily dominated by the regime-backed cronies. The transnational business community grew critical of the Azerbaijani government due to the former's closure of the economy to foreign investors after oil money started to flow in following the construction of the BTC pipeline. Following the US-funded NGO and media networks' exposure of the Aliyev government's corruption, lack of reforms in the domain of the economy was made more visible. The US attention to the non-oil sector made the regime's corruption much more visible and brought the issue into the center of US policy.

Regarding democratization and human rights, reduced US interests in the Caspian energy and its subsequent impact on security, have made stabilization of the Aliyev regime much less important for the US. With stabilization less important, the new dynamics opened a space for the human rights discourses to emerge as the center of the debate in bilateral relations. Although the collapse of bilateral relations in 2014 was attributed to the deteriorating human rights environment in Azerbaijan, this chapter, and this dissertation in general has demonstrated the contingency of human rights considerations for US policy.

CHAPTER V: CONCLUSION

Summary of the Dissertation

In this dissertation, I analyzed the sources of US foreign policy towards Azerbaijan in three time periods. In the second chapter, I analyzed the first period of US policy in Azerbaijan that runs from 1991 to 2001. In the first part that covers the 1991-1994 period, I demonstrated that the United States, which was busy trying to manage Russia's transition and denuclearization of several peripheral post-Soviet countries, did not have a defined set of interests in Azerbaijan. The dearth of political interests, and the resulting lack of political initiative on the part of the White House, enabled private interests to exert a disproportional level of influence in Congress. This was manifested in the activism of the Armenian Lobby, whose influence helped lead to economic sanctions against Azerbaijan. In contrast to this early period of 1991-1994, the second period, which captures the time from late 1994 to 9/11, was characterized by an unprecedented level of policy activism on the part of the US government, which made Azerbaijan (and Kazakhstan) the new center-stage (in addition to Russia) of its policy in the post-Soviet region. I showed that the main driver of that activism was energy issues. Hyperbolic oil estimates in the Caspian Sea region and more importantly, policy advocacy of oil corporations in the US, managed to change US perception of Azerbaijan from a remote place in the post-Soviet space to a holder of a very crucial political and economic stake in the new era.

In the third chapter, I analyzed the second period of US policy toward Azerbaijan that includes 2002 to 2007. I argued that the primary US policy objectives toward Azerbaijan in this period were to achieve energy security through the liberalization of

Azerbaijani markets, and to provide access to Azerbaijani oil by transnational capital. I demonstrated that the US security objectives in Azerbaijan revolved around ensuring the safe supply of energy from Azerbaijan to international markets and the protection of offshore facilities owned by transnational capital. Hence, I rejected the rigid outlook of the realist argument which pays too much attention to the geopolitical rivalry between Russia and the US over the region.

Furthermore, I argued that neoliberalization of Azerbaijani markets emerged as a major policy objective for the United States after successful completion of the BTC pipeline and subsequent pouring of oil money to the Azerbaijani Government's coffers. I demonstrated difficulties that US policy faced pertaining to this objective especially after the completion of the BTC pipeline, which increased the hubris of the Azerbaijani regime and made it much less open to the advice of the US and transnational capital. Finally, within a focused discussion on US efforts on democratization and human rights, I documented a division of perceptions and policy objectives between the US government, mainly the executive branch, and the US-supported NGO community in Azerbaijan. Specifically, in contrast to the executive branch's preoccupation with stabilization of political regime in Azerbaijan (which derived from ongoing cooperation in energy and security issues), the NGO community grew highly critical of the Aliyev regime and attempted to instigate a Color Revolution both in the 2003 and 2005 elections.

In the fourth and final empirical chapter, I analyzed the third and final period of US policy toward Azerbaijan that includes 2008 to 2015. I argued that in this period, the main US objective has become the neoliberalization of Azerbaijani markets, especially the non-oil sectors of the economy, in order to open investment opportunities for foreign capital. I

demonstrated that the US engagement with Azerbaijani energy issues was heavily reduced due to three interrelated reasons emanating from geoeconomic factors: bust in Azerbaijani energy resources, lack of progress in gas projects due to lack of interest on part of the EU, and changing energy dynamics emanating from the unconventional oil and shale gas boom in the US.

These changes in energy dynamics had a reverberating impact on security, economy and human rights policy of the US. Regarding security, US disengagement from the Caspian energy issues reduced US interest in the security of the Caspian energy as well, leaving the NDN as the only pillar of security cooperation between the two countries. The lack of US interest in Azerbaijan's security was demonstrated when the former did not improve its military assistance in the aftermath of the Russian invasion of Georgia in August 2008. The US insistence of the Turkish-Armenian Rapprochement, and the separation of this process from the Nagorno-Karabakh issue further aggravated the situation.

On the economic front, with the bust of Azerbaijani energy, many US companies left the country due to lack of new investment opportunities in the Caspian. Without a focus on energy, the US economic interest moved explicitly to the non-oil sector that was heavily dominated by the regime-backed cronies. The transnational business community grew critical of the Azerbaijani government due to the former's closure of the economy to foreign investors after the oil money started to flow in following the construction of the BTC pipeline. Following the US-funded NGO and media networks' exposure of the Aliyev government's corruption, lack of reforms in the domain of the economy was made more

visible. The US attention to the non-oil sector made the regime's corruption much more visible and brought the issue of corruption to the center of US policy.

The reduced US interests in Caspian energy and the failure of the Azerbaijani regime to pursue neoliberal policies have lessened the US interest in the stabilization of the Aliyev regime. At the same time, such developments have opened a space for human rights discourses to emerge as the center of the debate in bilateral relations. Although the collapse of bilateral relations in 2014 was attributed to deteriorating human rights environment in Azerbaijan, this chapter, and this dissertation in general, demonstrated the contingency of human rights considerations for the US policy.

Energy Issues

In this dissertation, I engaged with literature dealing with four different issues: energy, security, economic reforms and human rights. Regarding energy issues, I engaged with realist/geopolitical and interest group approaches. I showed that realist approaches resting on the 'great game' metaphor does not account for US engagement in the Azerbaijani energy sector. The Great Game approach emphasized the need to cut Russian influence in the region and interpreted the US engagement as a direct response to Russia. Applied to energy issues, this approach tends to read US investments in oil projects as part of a greater strategy to counter Russian influence. However, this approach failed to provide a plausible explanation to US disengagement from Azerbaijani energy sector beginning with the later part of the 2000s. Another line of explanation focused on the role of the Armenian Lobby (the Lobby, hereafter) in influencing US energy policy. The argument is that the Lobby has managed to block US energy policy initiatives in Azerbaijan, which has resulted in US disengagement.

The above discussion demonstrates that neither realist-geopolitical nor ethnic interest group arguments can provide plausible explanations to account for changes in US energy policy in Azerbaijan. Both arguments leave important policy developments unexplained. However, as I will demonstrate in the next section, a set of geoeconomic factors do account for the changes in US energy policy. These factors, in combination, provide a holistic explanation that accounts for all major developments in US energy policy and leave no gaps in the argument.

The high level of US energy policy activism in Azerbaijan, as well as its subsequent disengagement, correlated directly with the geoeconomic dimensions of global and domestic oil and gas politics. First, the sudden US interest in Azerbaijan was triggered by, and in fact, a by-product of, hyperbolic estimates of oil reserves in Azerbaijan and the Caspian Sea Basin region. These estimates were promoted by the oil companies and by the Azerbaijani government and were later adopted by the US government, o. These initial estimates created an image, in the Caspian, of a resource ‘bonanza’ that lured oil companies and the US government into the region. However, as countless numbers of wells were discovered to be either dry or economically unviable, the companies got frustrated. Many of them abandoned these wells, and ceased their operations.

Given that the Caspian already had a harsh geology for drilling, the lack of further oil findings rendered the development of new projects obsolete in Azerbaijan. Although BP found the giant Shah Deniz gas field, the geoeconomic parameters of natural gas dictated that there would be little interest on the part of foreign firms in further exploration. First, neither the US, nor a US-based energy company was very interested in the exploration of natural gas in Azerbaijan. Second, although the US embraced the SGC and

Nabucco projects, the political economy of natural gas dictated that the natural gas pipeline projects had to be negotiated between the supplier and the consumer governments (in this case between the Azerbaijani government and the EU) directly and any other third party, even the US, could have only played a facilitator role during the negotiations, as opposed to a direct stakeholder in oil negotiations. Third, and more importantly for the late period, the unconventional oil and gas boom in the US significantly changed the dynamics of US oil and gas politics. The US was highly dependent on foreign oil and natural gas throughout the 1990s and 2000s and was predicted, both by the industry experts and US government itself, to grow ever more dependent in the future. However, the unconventional oil and gas revolution, and the associated boom in US oil and gas production, reversed the course of history for the US. Since 2008, the US has become more independent from foreign oil and gas, and is now predicted to grow energy “independent” by 2030. The bleak US outlook in the late 1990s and early 2000s contrasted sharply with the hopeful estimates of the 2010s. Energy projects are long-term investments and are usually engaged in after carefully considering the long-term trends. Because Caspian oil was regarded as capacity in the margins, the new dynamics of US oil production decreased the importance of the Caspian oil for US energy security starting with the late 2000s.

Security

Dominant Explanations

The recent strangulation of bilateral relations, especially those related to strategic partnership in security issues, between the United States and Azerbaijan has perplexed long-time analysts of US foreign policy in Azerbaijan and in the broader Caspian region. For according to them, greater US security commitments could have been predicted in the

period after 2008. The Russian military intervention in Georgia in August 2008 is often cited by realists as the immanent security threat facing the countries in the region. A renewed US security engagement in the region had been anticipated by realist scholars and foreign policy strategists.

Instead, we have observed the opposite developments. The US failed to provide a significant response to Russian intervention in 2008. At the same time, the US allowed Russia to gain strategic advantages in the region at the expense of US “geostrategic” interests. According to Stephen Blank (2014), this situation poses “a paradox in U.S. policy where U.S. interest has diminished even though the security of Azerbaijan and of the energy routes that traverse it are acknowledged by scholars to be a vital U.S. interest” (p. 7). Cornell, Starr, and Tsereteli (2015) also share the same confusion over the recent track of US policy. They claim that the geopolitical considerations “should dictate a growing American and European engagement with the states of the Caucasus, but this has not occurred” (p. 5). Richard Weitz (2012), the director of Political-Military Analysis at Hudson Institute, agrees: “Washington needs to prioritize its ties with Baku to strengthen the partnership and to make sure that Azerbaijan and its fragile neighbors in the geopolitically vital South Caucasus region remain strong and stable”. Azerbaijani experts agree with their Western counterparts. After listing the geopolitical factors that should make Azerbaijan important for the US policy, Ibrahimov (2014) declares: “Azerbaijan’s desire to form friendly relations with the United States has not been completely met by United States leadership” (p. 16).

According to these scholars, Azerbaijan’s strategic importance for the US derives from its geographical location. Azerbaijan is described as a “geographical pivot” of the

Caspian region, or even of the entire Central Asia (Brzezinski, 1998, p. 52). It is located “at the point of intersection between the key Eurasian powers of Russia, Iran and Turkey, and its central role in the burgeoning east-west transport corridor connecting Europe to Central Asia and beyond” (Cornell, Starr, and Tsereteli, 2015, p. 5). Blank adds that “[Azerbaijan’s] importance [is not] confined to Azerbaijan’s potential to be a major energy producer and transit state”, rather the fact that it is a major supply hub for the Afghanistan-bound cargo, its secular orientation as a Muslim country in a proximity to Iran are also important factors (p. 9).

In their criticism of the US government, these authors point out a number of US policy “failures”, or “missteps” in the region and in Azerbaijan. These missteps include failure to make the Armenian-Azerbaijani conflict a priority, failure to cause Russia to pay a price for its invasion of Georgia, prioritizing the Turkish-Armenian Rapprochement over the Nagorno-Karabakh conflict, failure to prevent Russian imperial intrusion into the region, failure to repeal Section 907 of the Freedom Support Act, and failure to continue military-security partnership with Azerbaijani government, especially in the Caspian Sea. The very term “failure” connotes the meaning that the US “should have” pursued these policies in order to advance its geopolitical interests, hence, failure to do so endangered US interests. In fact, within the confines of this geopolitical reasoning, it is quite understandable for one to get confused and perplexed by the recent course of US policy toward Azerbaijan. Because according to this reasoning, the US has pursued its security policy in the region precisely for geopolitical reasons, and hence, the current US policy is running against the dictates of this reasoning. For example, the US engaged with the resolution of the Nagorno-Karabakh in order to prevent Russia from exploiting this conflict

for the benefit of its strategic interests in the region. In the same vein, the US supported the BTC pipeline in order to cut Russian economic and political influence in the region. Also, the US provided security assistance to Azerbaijan in order to strengthen the latter's independence from, and against military blackmail of, Russia. Therefore, these scholars get perplexed when the US let the Russian government take-over the resolution process of the NK conflict in 2009. Similarly, the US also did provide a political response to Russia's signing of landmark energy deals with Azerbaijan in 2009 and 2013. Finally, the US security assistance toward Azerbaijan declined substantially despite Russian military interventions in the post-Soviet countries, and ongoing tensions with Iran. From this discussion, it becomes clear that the US did not pursue the policies that were envisioned by this geopolitical reasoning.

Not surprisingly, one of the most important reasons, according to these authors, behind these policy 'failures' is a fundamental 'failure' to understand the strategic importance of Azerbaijan for the US. To illustrate, Cornell, Starr, and Tsereteli (2015) pinpoint "analytical flaws" on the part of US policymakers, which causes yet another set of failures to "grasp the changing nature and importance of the region's unresolved conflicts", and to understand the true nature of Russian policy in the region. This literature also accuses the Obama Administration of pursuing "misguided" policies in the region; such as the Turkish-Armenian Rapprochement or the "Reset" policy with Russia, and neglecting Azerbaijan's security interests in the process.

However, I demonstrated in my analyses, that this literature itself is plagued with many analytical flaws, and precisely because of that, it cannot provide a plausible explanation for the shifts in US policy toward Azerbaijan. I showed that, the emphasis on

the Obama Administration is misplaced. That is, the argument that previous US policy initiatives have fallen victim to a “reset” of policy by the Obama Administration is largely incorrect. For example, the reconciliation of the Turkish Armenian relations has been a long-time US objective, and the history of US policy goes back to at least the first term of the George W. Bush Administration. Furthermore, the argument that the US security engagement in Azerbaijan was relegated due to the “reset” policy is also not correct. I demonstrated that, the “reset” did not include any concession on part of the US toward Russia (Donaldson & Noguee, 2014). In addition, singling out the Obama Administration as the launcher of US disengagement from the resolution of Nagorno-Karabakh does not bode well with the actual trajectory of US policy. For Cornell, Starr and Tsereteli themselves acknowledge that “since the failed Key West talks of 2001” the US Government “had relegated” resolving Azerbaijan-Armenia conflict to the “proverbial back burner” (p. 25). Finally, I showed that the assumption that the US diplomatic commitment to the resolution of the Nagorno-Karabakh conflict was a product of the geopolitical rivalry between the US and Russia has been problematic.

Finally, the accusation that the Obama Administration failed to grasp the imperial nature of Russian foreign policy in the FSU region is highly problematic. The documental evidence shows that the US officials were actually “aware” of the very nature of the Russian policy that they are accused of ignoring.

I demonstrated that neither the geopolitical reasoning, nor “analytical flaws”, can explain the course of US security policy toward Azerbaijan. I argued that the shifts in US security engagement in Azerbaijan can be better explained by focusing on the US “energy security” policy. In other words, the US security policy toward Azerbaijan has been

determined by multiple political mechanisms produced by US energy security policy. In the next section, I demonstrate the nexus between energy and security, and explain in detail the political mechanisms through which this nexus manifested itself in US security engagement with Azerbaijan.

The Energy-Security Nexus

Although energy resources, such as oil and natural gas are commodities that are bought and sold in international markets, the supply of energy resources have increasingly become a political matter in international relations. Indeed, the nexus between energy and politics is a widely accepted phenomenon within scholarly community (Bromley, 2005; Kalicki & Goldwyn, 2005, 2013; Klare, 2005; Shaffer, 2011; Stokes & Raphael, 2011; Yergin, 2005, 2011, 2013). “The impact of energy on both foreign policy and the global economy”, Daniel Yergin (2005) declares, “is starkly clear” (p. 51). Similarly, Brenda Shaffer (2011) claims that “energy and politics are intrinsically interlinked” (p. 1). Andreas Goldthau (2013) agrees: “In addition to being a traded commodity, energy has always been subject to a complex interplay with “hard” national security strategies” (p. 4). According to Yergin (2005, 2013), the reason for such connection is that the supply of energy is closely tied to geopolitics rather than free market dynamics or geology. For Shaffer (2011), the “production, transport, and supply [of oil and natural gas] are entwined in international politics” (p. 3). These authors stress the interdependency that oil use creates in international system. They also point out various problems the United States is facing in maintaining a stable supply of oil and gas into its domestic markets. Oil producing regions, especially the Middle East, are rife with conflicts and wars. Global terrorism is threatening supply systems everywhere, and the political regimes in most of the oil exporting countries are

authoritarian, corrupt and unstable. Kalicki and Goldwyn (2005) claims that “America is more exposed than ever to a severe disruption” (p. 4). Because the US economy is highly dependent on the supply of energy, it is becoming more vulnerable to volatile oil prices as the consumption grows. OPEC, the cartel, is posing another set of problems for the US; as the US dependence on imported oil is increasing along with growing global demand, the cartel is gaining political leverage vis-à-vis the US and the West (Morse & Jaffe, 2005).

Energy security emerges as the key conceptual link between energy and politics. It is defined, in a narrow sense, as “having access to sufficient supplies at a reasonable price” (O’Sullivan, 2013, p. 31). Reliability of, and accessibility to supplies, and affordability of resources are key considerations. However, markets cannot provide security of supply; they cannot protect supply lines from military attacks, nor would they make long-term economic and political investments to secure the supply of energy (Shaffer, 2011). Hence, the state has to get involved in this endeavor. This makes it necessary to widen the dimensions of “energy security” to include broader geopolitical issues.

Yergin (2005, 2006) provides a list of these principles of energy security that is widely acknowledged within the scholarly community. He identifies the “diversification of supply” as the most important guarantor of energy security. Diversification, here, is understood not just as diversification of the origins of supply, but also as diversification of transportation routes and infrastructures. Second, there needs to be a ‘security margin’, the availability of extra supply to balance the markets in the event of a major disruption. This can be achieved by “spare capacity” (extra production capability of a producer, mainly

Saudi Arabia), and the US Strategic Petroleum Reserve¹⁰⁰ (SPR). Third, Yergin (2005) claims, the US needs to “build cooperative relations, based on common interests, with nations that produce and export energy” (p. 56). Fourth, the US needs to establish cooperative relations with the consumer nations, especially those of India and China. Fifth, Yergin claims that “the increased interdependence requires a proactive security framework that involves both producers and consumers to prevent or respond to physical threats or attacks on the entire supply chain” (p. 57).

Elsewhere Yergin (2006) explains that “today, the concept of energy security needs to be expanded to include the protection of the entire energy supply chain and infrastructure”, which includes pipelines, offshore platforms, tankers, refineries, distributions systems and transmission lines” (p. 78). The latter dynamic has become prevalent in the post-9/11 period when global terrorist networks threatened to attack the critical infrastructures of the American and global economy, which most prominently included energy supply chains and oil-exporting Middle Eastern regimes. Shaffer also points out the disruptive impacts of violent regime changes, coups, and revolutions on global energy supplies and maintains that “large energy importers take an assertive role in the domestic politics in energy-producing states”, especially when oil prices are high and the markets are tight (p. 30).

The literature described above is correct in its propositions, but it is incomplete. It does not provide adequate attention to broader processes of US foreign policy toward Third World countries, particularly toward those who are big energy exporters. In other words,

¹⁰⁰ The SPR is a U.S. Government complex of four sites with deep underground storage caverns created that have a design capacity of 714 million barrels. As of 2014, they hold the equivalent of 137 days of import protection (Department of Energy).

this literature is not comprehensive in its assessment of US policies geared toward “energy security”. To begin with, these authors fail to acknowledge the broader contours of US objectives which include marketization of energy resources. The latter involves restructuring of state apparatus in order to make it more amenable for penetration of neoliberal reforms, and of foreign capital. This seemingly economic objective has had security components attached to it, where the regimes who opened their resource endowments for transnational capital found a military-political ally in the US government, while those opposed to such activity made themselves a bitter enemy of the most powerful military force in the world. In regards to this later point, the abovementioned literature also neglects the US attempts to integrate the energy-rich countries of the Third World into its security umbrella, which may be carried out either through NATO integration, or through establishment of military bases within these countries. Such military cooperation usually involved provision of military aid and training to the mostly authoritarian regimes for the purpose of maintaining social and political stability.

Critical scholars have paid attention to these broader issues. In regards to the US foreign policy, this scholarship emphasized the role of the US state in opening up oil fields in various parts of the world to market penetration. William Robinson (2004) observes that “US-led political and military campaigns” create “conditions favorable to the penetration of transnational capital and the renewed integration of the region in which the intervention has taken place into the global system (p. 137). Michael Klare (2004) points out the close relationship between American military operations and the securitization of oil. He declares that “the American military is being used more and more for the protection of overseas oil fields and the supply routes that connect them to the United States and its

allies” (p. 7). Stokes and Raphael (2010) broaden this logic, and demonstrate that the US has provided considerable attention to the stabilization of these countries, whether in terms of preventing internal or external war, or through military assistance programs to the political regimes within these countries. The key argument is that US security engagement in these countries derived from the fact that the latter were important energy producers.

From this discussion, it becomes clear that the US is highly concerned with the stability and friendly orientation of key oil -producing states and regions in the world, as this is the best way to ensure the security of the world’s energy supplies. However, there are often multiple challenges that arise against the security of oil operations in any oil-producing region or country. These challenges may include one or more of the following: domestic insurgency, terrorism, military intervention by a foreign power, or political instability caused by regime’s incapacity. Because oil operations are deeply affected by these challenges, the US has historically intervened, through various means, to bolster governmental forces against terrorist or insurgent groups, to deter foreign aggressors, or to end civil or interstate war in order to restore stability and maintain a free flow of oil from these countries to global markets. I identify three political mechanisms through which the energy-security nexus manifests itself within the US foreign policy geared toward global energy security. These three mechanisms are part of a coherent whole, a conglomerate mechanism, and thus, they complement each other.

Building and Maintaining Friendly Relations

Building and maintaining cooperative and friendly relationships with energy exporting nations are long understood as essential to US energy security. However, this policy cannot be taken for granted. Rather, it is subject to a very important criterion: the

nature of the political regime in power. The nature of political order in a given oil-exporting country has a great deal of importance for US energy security. Particularly troublesome for the US are nationalist and/or anti-capitalist regimes who generally pursue the policy of ‘resource nationalism’¹⁰¹. These political regimes nationalize their oil industries, usually within the hands of their national oil companies. To be clear, oil-producing countries, regardless of their regime type, export their oil to global markets. As the example of Venezuela demonstrates today, they are not necessarily against the idea of selling their oil to the US either.

However, the key problem for the US emerges when these countries do not allow international oil corporations to explore and export their oil. This creates several complications for the US. First, the US corporations cannot penetrate these markets, hence they are forced to forgo a potential source of immense profits. Second, and more importantly, these nationalist/anti-capitalist regimes may utilize their oil wealth as a political tool against the US. They can suddenly cut their exports to the US, and cause disastrous economic consequences. This “energy weapon” can be utilized as a retaliation against undesirable US policies. The 1973 OPEC oil embargo provided a clear demonstration of this possibility, which continues to shape the mindset of US policymakers to this day.

A lesser concern for the US is that these regimes can indulge in bilateral energy deals with other countries. These deals prevent the traded oil from entering into “global” markets, and from stabilizing global prices in the process. Therefore, the US prefers to have

¹⁰¹ For more on resource nationalism and its implications oil markets, see Bremmer, I., & Johnston, R. (2009). The rise and fall of resource nationalism. *Survival*, 51(2), 149-158.

transnationally-oriented political regimes in oil-exporting countries. These regimes would allow the international oil corporations to work freely within their borders. Exploration and exportation of energy resources by transnational corporations allow the market mechanism to determine the fate of oil. Thus, the oil would go to where it is needed at a given time, leading to smooth working of a perfect global energy market. Not only can US-based transnational corporations generate immense profits in the process, but these corporations can also make sure that the oil they are exporting does not die in bilateral deals which often times follows political rather than commercial logics.

Therefore, in order for the US to invest in cooperation with a given oil-rich regime, it is necessary for that regime to be market-oriented and willing to open its energy sector to multinational corporations. The key benefit to the US from this relationship is to receive guarantees from the oil-rich regimes regarding free flow of oil to the markets and continuous cooperation with the multinational corporations on exploration and exportation of oil. However, benefits of these friendly relations were not limited to the US. In fact, the political regimes that rule the energy-exporting countries in the Third World have gained at least as much as the US did from this relationship. First of all, the US government has listened to the grievances of these regimes in regards to political and security problems they were facing. Often times we have seen the US sharing with these regimes the identification and categorization of “dangerous political actors” whom might not be constructed as such by the US government under different conditions (most importantly, without the existence of oil). The US has generally accepted the construction of “national interests”, especially those pertaining to national security, by these political regimes and paid high-level attention to these interests. This attention obliged the US, in most instances,

to spend its political and military resources for the pursuit of these interests. In other words, the US, not only helped these regimes to pursue these interests, but it also took the task on its shoulders under some circumstances.

Secondly, in many instances, these oil-rich regimes wanted to build friendly relations with the US, especially in the area of security, in order not only to legitimize their rule domestically, but also to use this relationship as a leverage against political pressures emanating from external powers (regional or great powers). As Bronson (2006) demonstrates, King Abdel Aziz of Saudi Arabia gave a Saudi concession to American Standard Oil, instead of European-dominated Iraq Petroleum Company (IPC) in 1933 not only because the King was wary of European colonial powers that controlled much of the oil elsewhere in the region, but also because of “the determined efforts of successive U.S. administrations to stay out of local politics rather than re-create Britain and France’s colonial experience” (p. 21). Fast-forward to the 1990s, we observed the same dynamics in play in the Caspian region, where the governments of Azerbaijan and Kazakhstan were willing to open their energy sectors particularly to Western corporations, as opposed to the Russian ones, in order to prevent Russian meddling in their domestic affairs, and to strengthen their independence and sovereignty from an ex-colonial power. Third, and in relation with the first two, the US Government did not let certain interest groups, whether human rights activists, ethnic or corporate lobbies, or bureaucratic opposition, either in Congress or within executive branch prevent the pursuit of these policies, some of which could be highly controversial.

The literature on energy and security, especially emanating from critical approaches to international relations and social policy, has demonstrated, in great detail and with clear

analyses of case studies, that the United States has abandoned, overnight, its previous friendship with oil-rich countries in the aftermath of a popular revolution or an election of undesired political leader (usually a nationalist and/or an anti-capitalist one) in oil-rich Third World countries. Since these types of regimes follow nationalist foreign policies, they lose their character as being “transnationally-oriented”, and hence, being friendly to US interests. Nationalist orientation reflects itself in ‘resource nationalism’, a policy that is historically abhorred by successive US administrations. As Iranian and Venezuelan cases demonstrate, such regimes find a bitter enemy in the US right after their inauguration, despite friendly relations the latter built with their predecessors. What may follow is a series of attempts by the US to denigrate the image of the nationalist regime in both domestic and international arena, to destroy the credibility and legitimacy of the regime among the population, and eventually to topple the regime and replace it with one that is transnationally oriented and hence, ‘friendly’.

However, the literature on the energy-security nexus has not explored the way that US policy might change with the reduction in the importance of energy supplied by a Third World country. In other words, what happens when a country’s energy supplies loses its importance for US energy security even if the transnational orientation of the country’s energy market remains intact. As I explained in the previous chapters, due to a set of geoeconomic factors, the Azerbaijani exports of energy (both oil and natural gas) have lost their importance as a crucial ‘swing supplier’ that can help diversify global energy supplies away from the Middle East, stabilize global oil prices in tight market conditions, and help Europeans end their dependency on Russian natural gas imports. The case of Azerbaijan opens up analytical opportunities to empirically explore this dynamic. Even though the

transnational orientation of the Azerbaijani regime can be called into question in sectors other than oil, the argument can be made that the regime has not moved away from its transnational character in oil production and exportation that were developed in tandem with US energy security policy. However, Azerbaijan has clearly lost its importance as an energy supplier for the US and global markets.

Protection of Critical Energy Infrastructure

As Yergin (2005) claims, today, energy security “extends to entire infrastructure of energy supply that supports both America’s and the global economy – offshore platforms and pipelines and tankers as well as refineries, storage, generating facilities, transmission lines, and distribution systems” (p. 52). This “increased interdependence”, he asserts, “requires a proactive security framework that involves both producers and consumers to prevent or respond to physical threats or attacks on the entire supply chain” (p. 57). The US government has long understood the importance of protecting critical energy infrastructure and has taken necessary steps to this end, especially after the Oil Crisis in 1970s. As part of the Carter Doctrine, the US established the Rapid Deployment Joint Task Force (RDJTF) to manage the operations of US military in the Persian Gulf region. The RDJTF was later transformed into US Central Command (CENTCOM) by the Reagan Administration. Through CENTCOM, the US exercised its military power across the Persian Gulf region, ensuring the free flow of oil from the region to global markets. The US also provided enormous amounts of military assistance, military sales, and training to friendly regimes in the region.

After the end of the Cold War, in US perception, the sources and nature of threats against stability of the international system proliferated. As President Clinton declared in

his National Security Strategy (NSS) document in 1994, “The dangers we face today are more diverse. Ethnic conflict is spreading and rogue states pose a serious danger to regional stability in many corners of the globe. The proliferation of weapons of mass destruction represents a major challenge to our security” (p. i). The 1995 National Military Strategy (NMS) document reaffirmed this understanding: “The revival of age-old religious, ethnic, and territorial quarrels, in many cases compounded by the more contemporary tensions stemming from the disintegration of the Soviet Union, may present an even wider threat” (NMS, 1995). Ethnic conflicts in Nagorno-Karabakh, South Ossetia and Abkhazia, Former Yugoslavia, Somalia and Rwanda seemed to justify the American worries that indeed, in the new era, the lines of warfare will be drawn between ethnicities rather than ideological blocs.

Although counter-terrorism was on the agenda of the US throughout the 1990s, the 9/11 attacks brought to the fore the threat posed by international terror networks against US national security and the security of the international order led by the US. As the leaders of terrorist groups, such as Osama Bin Laden and Ayman Al-Zawahiri called their followers to “focus their attacks on the stolen oil” and on the hinges of American and world economy, US policymakers became alert about the possibility of systematic attacks on critical energy infrastructure especially in important energy producing regions (Yergin, 2005, 2013). This perceived dangerous possibility led the US government to substantially increase the range and scope of its military assistance to energy exporting countries during the years following 2001. In this period, the US government lifted military sanctions on

the countries¹⁰² that provided their unquestionable allegiance to the US-led “War on Terror”. Previously, the military sanctions had blocked arms transfers from the US to these countries and were imposed due to various reasons such as human rights violations, acts of aggression, or testing nuclear weapons. Moreover, these countries started to receive exorbitant amounts of military assistance in the forms of provision of military arms, equipment, and of training designed to improve protection of their critical energy infrastructure.

The US has also mobilized various political and military institutions in order to protect critical energy infrastructure in different places around the world. The Department of Defense created train and equip programs that are designed to build the capabilities of energy-rich regimes against unconventional military offensives such as terrorist attacks. Assistance in the form of these programs are carried out by the Central Command in the Middle East and Central Asia, by the Southern Command in Central and Latin America, and by the European Command in the South Caucasus, all under the Department of Defense. All three of these command structures supported improving energy security for the US and its allies as their strategic priority. The funding for existing programs such as Foreign Military Financing (FMF) and Foreign Military Sales (FMS) through which the US finances the purchase of military equipment by friendly countries increased dramatically after 2001. In addition, the Defense Department established new programs to help countries protect themselves against perceived terrorist threats.

¹⁰² The US completely lifted sanctions on Armenia, Azerbaijan, India, Pakistan, Tajikistan, and the former Federal Republic of Yugoslavia (now Montenegro and Serbia). It also waived additional military assistance restrictions to Thailand and Indonesia

The Regional Defense Counterterrorism Fellowship Program (CTFP) was established in 2002 with a mandate to provide nonlethal counterterrorism training. In 2006, the Section 1206 authority was created in 2006 to allow the Defense Department to use its operation and maintenance funds to equip and train foreign militaries for counterterrorism operations. The State Department provided border security assistance through the Export Control and Related Border Security (EXBS) program, and military education through its International Military Education and Training (IMET) programs. At the international level, NATO has become highly active in provision of training and exercises geared toward protection of vital energy infrastructure around the world (Gallis, 2006; NATO, 2015). In the 2008 Bucharest Summit Declaration the members declared that NATO¹⁰³ will engage in the fields of “information and intelligence fusion and sharing; projecting stability; advancing international and regional cooperation; supporting consequence management; and supporting the protection of critical energy infrastructure” (NATO, 2008).

Protecting critical energy infrastructure against potential threats requires increased surveillance, monitoring and detection capabilities both on the land and on the sea, and military readiness to respond to possible contingencies. Carrying out this proactive security framework also requires high-level coordination among military, law enforcement and intelligence agencies, civilian governments and transnational corporations at the global level, between the US and energy-exporting countries. Therefore, these countries not only have to agree on recognizing the explicit mission, but they also need to build joint operational capabilities and planning with the US and the corporations that work on the

¹⁰³ For a detailed examination of NATO’s role in the protection of critical energy infrastructure, see Jopling, L. (2009). The growing threat of piracy to regional and global security. *General Report to NATO Parliamentary Assembly [169 CDS 09 rev. 1]*.

ground. The military programs carried out by the US are designed to build these capabilities and help integrate these countries into the US-led global political-military structure in the process. This integration allows the US to shape the internal security apparatuses of the energy-exporting countries so as to establish an effective system of coordination and cooperation under its political control geared toward ensuring energy security in critical regions. Resulting military interoperability with the US and NATO forces provides the US with a long-term foundation upon which it can further build its military programs and sustain high-level security cooperation with energy-rich countries.

Stabilization of Political Order

Often times, the range and scope of US military aid do not remain limited to the protection of critical energy infrastructure and reach a much broader objective: stabilization of political order. Assuming there is such a transnationally-oriented regime in power, the key becomes to maintain the political stability of that regime. This is mainly because major oil exploration projects require vast financial investment and long term commitment on the part of transnational corporations. The corporations demand stable political regimes that will be able to uphold the conditions of the contracts in the long run. Because most of the oil-exporting developing countries are not democratic, there is no guarantee that the new political regime will remain faithful to the terms of oil contracts signed by their predecessors.

What's worse, the new regimes can decide, as was in Mossadeq's case in Iran, and in Chavez's case in Venezuela, to nationalize oil fields and throw multinational corporations out of the country. Therefore, preventing the emergence of political instability within these countries is a key policy objective for the US. The source of political instability

can be many: international or domestic terrorism, militant insurgency, civil war, military intervention by a foreign power, military coup d'état, or interstate war. Thwarting these sources of instability requires the US to help strengthen the internal security of these countries whether in terms of deterring external sources of security threats, or of helping the regime to quell domestic sources of instability, such as terrorism, insurgency, or popular uprising through counter-insurgency assistance (Stokes & Raphael, 2010).

The United States demonstrated the workings of this dynamic nowhere better than in Saudi Arabia. Franklin Roosevelt made a promise to protect the Saudi government (this certainly included the Saudi monarchy) from foreign military intervention, especially those located in its immediate neighborhood. The US government provided military assistance in the form of arms and equipment to Saudi government, most importantly to Saudi Arabian National Guard (SANG), a paramilitary group under direct supervision of the Royal family. Through funding SANG, the US made sure that the internal stability of Saudi Arabia was not threatened by anti-governmental forces, rebellious groups, or civil rights defenders. Through the Carter Doctrine in 1980, the US announced that it would project military power onto the Persian Gulf to protect from foreign aggression not only the national security of the critical countries in the region, but also the energy infrastructure, such as sea lanes of transportation, and the Strait of Hormuz. A year later, the "Reagan Corollary to the Carter Doctrine" guaranteed both internal stability and territorial integrity of Saudi Arabia. Back then, the threat against the Saudi government was arising from a million Yemenis working in Saudi oil fields, a communist regime in South Yemen, and sympathizers of Khomeini's revolutionary regime in Iran.

The US was worried that the communist regime in South Yemen could trigger a violent subversion among Yemenis in Saudi Arabia against the Kingdom. The US and the Saudis supplied arms to North Yemen (a friendly regime next to South Yemen) in order to prevent the expansion of the communist regime to the North, and eventually causing trouble for the internal security of the Kingdom (Safire, 1981). The US also made sure that no Iran-inspired revolution takes place within Saudi Arabia. As President Reagan affirmed in 1981, “There is no way that we would stand by and see [Saudi Arabia] taken over by anyone who would shut off the oil” (quoted in Klare, 2004, p. 48). The US efforts in this regard culminated when Saddam Hussein of Iraq invaded Kuwait in 1990. The US army came to save not only Kuwait, but also the Saudi government from Saddam’s aggression, which, unless prevented, could have amassed one third of the world’s oil reserves under the former’s political control. As President Bush declared at the time “the sovereign independence of Saudi Arabia is of vital interest to the United States” (quoted in Klare, 2004, p. 50).

On a final note, I would like to mention that US security cooperation with authoritarian Third World countries does not solely rest on the objective of ensuring energy security. Rather, historically, the US government has provided security assistance, including military aid geared towards internal stability and maintenance of the ‘transnationally oriented’ authoritarian regimes in various countries. However, what makes oil-rich countries special is that US efforts have followed a systematic logic throughout since the end of the World War II, when the US emerged as the global hegemon within the capitalist core. This systematic logic emerges from the hegemonic responsibilities of the US state as the provider of common goods, one of the most important ones has been energy,

primarily oil. Another important consideration is that, such a systematic logic has manifested itself in US foreign policy since the post-WWII period, and has not changed its form and content through different presidencies or major structural shifts in international system, such as the collapse of the bipolar world order.

Economic Reforms

I showed that in the 1990s cooperation with Western oil corporations emerged as the most important medium through which Azerbaijan came in contact with the US-led global capitalist order. In this context, the authoritarian political system in Azerbaijan acted as a blessing for oil corporations to conduct their operations. Aliyev's strongman position meant that getting his consent on an agreement constituted the most important task for corporations looking to invest in Azerbaijan. Also, with weak parliament and state institutions, SOCAR¹⁰⁴, the Azerbaijan's state oil company, with its close ties to Aliyev, acted as the most and perhaps the only important institution to deal with.

However, as the oil money started to flow into Azerbaijani coffers, and as the interest of oil companies in new projects dried up due to the geoeconomic reasons, the focus of both the transnational capital and the US shifted from oil to non-oil sectors of economy. In contrast to the oil sector, creating suitable investment climate in non-oil sector demanded neoliberal reforms in economic and political spheres. As I demonstrated in chapters 3 and 4, the Azerbaijani government failed to carry out these reforms. Indeed, the latter remained quite opposed to foreign investments in the non-oil sector due to its own

¹⁰⁴ It is also notable that during until 2001 SOCAR functioned as a government ministry. Its head was a minister directly reporting to the President. SOCAR has so far maintained a virtual monopoly over the management of Azerbaijan's oil wealth (Bayulgen, 2013, ch. 5).

interest in appropriation of oil money. Its adamant stance toward the transnational capital cost the Azerbaijani government a powerful ally in Washington.

My findings in this regard aligned with the main propositions of the critical theory of international political economy. William Robinson (1997) claims that transnational capital requires states to perform three functions: 1) adopt fiscal and monetary policies which assure macroeconomic stability, 2) provide the basic infrastructure necessary for global economic activity, and 3) provide social order, stability (p. 36). Macroeconomic stability entails anti-inflationary measures, reduced government spending, balanced budgets and stable exchange rates. In Third World countries, these policies are promoted as part of the IFI's structural adjustment programs, which required states to follow these policies in order to receive funding. Necessary infrastructure includes roads and highways, air and sea ports, communication networks, and educational systems which provide specific skills that capital requires. Order and stability requires the states to sustain instruments of direct coercion, whereby social classes are subordinated to the dictates of global capitalism either through consensus or outright violence. Hence, instead of getting rid of the state, what transnational capital needs is a 'neoliberal state', one that will serve their interests.

Gindin and Panitch (2012) further explains the role of the nation-state in capitalism, especially in terms of "the establishment and administration of the juridical, regulatory, and infrastructural framework in which private property, competition, and contracts came to operate" (p. 3). They show that the state had to make important changes into the 'rules of law', which served to "the further proliferation and spatial expansion of markets" (p. 223). States were required to restructure their institutions not only to ensure

macroeconomic stability, but also “the removal of barriers to competition in all markets” (Gindin and Panith, 2012, p. 15).

The US government has become the primary promoter of the structural changes. Before going into the discussion of the US role, I would like to talk briefly about the particular institutional reforms that were promoted by neoliberal institutions. These reforms can be grouped under three categories: investment, trade and finance. These reform areas do not represent separate economic spheres, rather they are parts of the neoliberal doctrine and make up a coherent whole. Transnational capital requires a suitable investment climate in order to operate in a given country. It is expected of the government to be open to foreign investment in every sector of economy, protection of those investments once they are made, and transparent dispute settlement mechanisms against corruption and official harassment. In essence, transnational capital requires powerful and transparent legal structures, protection of property rights and transparent regulatory systems as central components of legal systems. An important requirement of a suitable investment climate is ‘privatization’, especially privatization of large state-owned enterprises (SOE). Such large SOEs can be found in many areas of economy: transportation, communication, energy, mining, and construction. Many times, these large SOEs create monopolies in their respective sectors due to strong political and economic support provided by their respective governments. Privatization is essential, as it opens these sectors to penetration of transnational capital, de-monopolizes them, and turns them into profit-making machines.

International trade is the locomotive of capitalist globalization and one of the biggest success stories of it over the last 40 years. Statistics show that, since the 1970s,

international trade has grown exponentially in every measure: the amount and value of goods traded, proportion of the rise in international trade to rise in global GDP, amount of exports, etc. The foremost benefactor of this development has been transnational capital. Growing trade has allowed multinational corporations to not only reach distant markets to sell their products, but also to move their production facilities across the world to find utmost efficiency in production. The result was 'intra-firm trade'¹⁰⁵ which accounts for nearly 50 percent of global trade in manufacturing and 25 percent in services (Chang, 2014). The role of states has been to open their markets for foreign goods and services. An important policy instrument that served this purpose has been international trade agreements. The foremost agreement in this regard was the World Trade Organization (WTO), under whose rubric "the constitutionalizing of free trade" has taken place (Gindin and Panitch, 2012, p. 220), as it created an effective mechanism to adjudicate trade disputes along with rules of the trade game within the US-led international system. In addition to WTO, states have signed hundreds of preferential trade agreements (PTA)¹⁰⁶, whose numbers rose from less than 30 in 1970s to almost 500 in 2014 (Ortiz-Ospina and Roser, 2016). These trade agreements serve the investment interests of the transnational capital, as much as they serve the national interests of the signatory countries. Furthermore, the trade agreements usually contained specific chapters which that required public enterprises to operate "solely in accordance with commercial considerations", and to refrain from

¹⁰⁵ Intra-firm trade "corresponds to international flows of goods and services between parent companies and their affiliates or among these affiliates, as opposed to arm's length trade between unrelated parties (inter-firm trade). Thus, intra-firm trade arises only when firms invest abroad" (Lanz and Miroudot, 2011, p. 5).

¹⁰⁶ A PTA is a "trade pact that reduces tariffs between the participating countries for certain products" (Ortiz-Ospina and Roser, 2016).

using anticompetitive practices that might impair benefits that investors might reasonably expect to receive (Gindin and Panitch, 2012, p. 227).

The third category of institutional reforms belong to finance. Since 1970s, financial capital has grown increasingly essential for the capital accumulation process. The financial sector has become the bedrock of transnational capital, and in addition to financial areas such as banking, insurance, and stock markets, financialization has become an essential part of the global production process as well (Cox, 2012). The US State, as well as, international financial institutions (IFI) such as IMF, World Bank and Bank of International Settlements (BIS) are the main promoters of neoliberal institutional reforms in Third World countries. The goal is to establish suitable domestic conditions in target countries for the penetration of financial capital. Structural adjustment programs are carried out by the aforementioned institutions in order to change the domestic institutional structure. Central banks are the foremost institutions to be transformed in order to embed financial ‘discipline’ in target countries. The banks are required to hold more capital against riskier assets, pushing them toward safer investment portfolios, most importantly, the US Treasury bills. The independence of Central Banks is key to this objective, as only this way they can gain resilience against democratic pressures for social expenditure.

What was the role of the US state in promoting these institutional reforms? The US was responsible for the development of investor rights, particularly those of the US MNCs, and the advancement of trade relations to open new markets for the penetration of US capital. Among the tools under its command, it had Bilateral Investment Treaties (BIT) which were designed “to protect private investment, to develop market-oriented policies in partner countries, and to promote U.S. exports” (USTR, 2016). BIT’s main goal was to to

establish in international law “the principle that the expropriation of foreign investment was unlawful unless accompanied by prompt, adequate and effective compensation” (Gindin and Panitch, 2012, p. 230). The BITs were part of the tools under the discretion of US Trade Representative (USTR), which emerged as the most important coordinator of US trade liberalization efforts both inside and outside of the US. The US diplomatic community was also heavily involved in assisting these efforts. An important job of US diplomatic missions in host countries is to build cooperative economic relations, help US corporations find new markets, resolve the problems that arise between the corporations and the host governments. Furthermore, the mission personnel is expected to provide adequate information about the investment climate in the host country, a task that is materialized in annual Investment Climate Statements prepared for the mission personnel.

Human Rights and US Promotion of Low-Intensity Democracy

Finally, my dissertation engaged with the literature on the role of human rights issues in US foreign policy. The role of human rights considerations on US foreign policy has been a hot topic since the 1980s. It was Congressional activism in 1970s that brought human rights considerations into the foreign policy agenda. The civil rights movement, American involvement in the Vietnam War, and the amoral character of Nixon-Kissinger-Ford foreign policy spurred Congressional interest. Congress was particularly disturbed by US aid to dictatorial regimes in Third World countries that were subservient to US strategic interests. In this period, Congress passed several country-specific provisions making foreign aid contingent upon human rights practices. However, neither the Nixon nor the Ford administrations allowed their foreign assistance priorities to be disturbed by these Congressional provisions. It was Jimmy Carter who introduced human rights as an

important component of his foreign policy for the first time. Although strong in terms of its rhetoric, the Carter policy was short in practice. Scholars found disturbing pattern of continuation rather than a break between Nixon, Ford and Carter Administrations in terms of relationship between human rights and foreign assistance (Stohl, Carleton, and Johnson, 1984). In fact, Carter's human rights policy only had impact on levels of US aid to eight Latin American countries, Argentina, Bolivia, El Salvador, Guatemala, Haiti, Nicaragua, Paraguay and Uruguay. None of these countries was close to the Soviet Union or Soviet allies, had US military bases, was a member in pro-Western security organization, or possessed major resources such as oil (Carleton and Stohl, 1985). Starting with Carter, every US administration found ways to move around Congressional restrictions on foreign aid by resorting to 'extraordinary circumstances' clause, which stipulated that US strategic interests have primacy in determining foreign assistance.

As Schultz (2014) demonstrates, in addition to providing direct support, in the form of provision of arms and training, to equip repressive regimes, the US Administrations provided indirect support to help maintain a repressive government in power through economic, as well as humanitarian aid in the form of food and shelter. Furthermore, following favorable (neoliberal) economic reforms/policies was used as justification for providing economic aid to authoritarian regimes in the Third World. Schultz found that human rights considerations did not play any role in EX-IM Bank and OPIC programs. EXIM officials favored "economically sound" loan proposals, for which there is a reasonable assurance of repayment. The Congress refused to introduce human rights clauses to EXIM financing, as this could have increased US trade deficits. OPIC, which insures the overseas investments of US based MNCs from losses due to expropriations,

damage by war, revolution, insurrection, inconvertibility, has become a symbol of government attempts to keep the Third World relatively safe for US-based MNCs (Schultz, 2014).

I explained that roughly between 1995 and 2005, the US policy toward Azerbaijan followed this approach albeit with some reservations. The US worked to ease the life for the Aliyev regime, abstained from raising the regime's shortcomings in the human rights realm and helped the regime to gain better international standing during the decade. Nevertheless, the US policy was constrained by at least two different dynamics. On the one hand, it could not provide direct military aid to the regime due to the Section 907 restrictions. On the other hand, beginning in the late 1990s, its accommodationist policy towards the regime received criticisms from the NED and its affiliated institutions who wanted to see more substantial reforms especially in related to elections, fundamental freedoms and the rule of law.

I demonstrated in chapters 3 and 4, that the adversarial activism of the US-funded NGOs during the 2003 and 2005 election cycles contradicted the Bush Administration's main goal of regime maintenance in Azerbaijan. The former's activism was likened to those in Georgia and Ukraine which contributed to Color Revolutions there. I later showed that by 2008, the White House's and the NGO Community's stance toward the Azerbaijani government aligned, as the former also started to criticize the Aliyev regime for the ever-worsening political environment in the country. In this regard, my dissertation spoke to the large literature on Color Revolutions.

Color Revolutions

Between 2000 and 2005, a series of electoral revolutions swept the post-Communist space, toppling the old-guard leaders of Serbia, Georgia, Ukraine and Kyrgyzstan, and replacing them with mostly pro-Western, transnational-oriented elites. By forcing the incumbent post-Soviet regimes to relinquish power, the revolutions sent alarm signals to neighboring countries that had Soviet-era leaders in power. The Color Revolutions phenomenon gave rise to a large political science literature that explored the dynamics, the root causes, and resulting effects (Bunce and Wolchik, 2006a, 2010, 2011; Lane, 2010; Kalandadze and Orenstein, 2009; Mitchell, 2009; Tudoroiu, 2007). The literature also concerned itself with comparative analyses of successful and failed revolutions, in a quest to understand exactly what social, political and economic factors differentiated these two groups (Radnitz, 2010; Way, 2008). Perhaps more importantly, the successful revolutions led to a series of ‘counter-revolutions’ in most of the remaining post-Soviet countries as the remaining authoritarian leaders decided to crack down on Western civil society organizations, democracy promotion efforts and media outlets which were regarded as the main tools of the successful revolutions elsewhere (Ambrosio, 2007; Cheterian, 2010; Finkel and Brudny, 2012; Horvath, 2011; Korosteleva, 2012; Ostrowski, 2009; Wilson, 2009). Resulting ‘backlash’ (Carothers, 2006, 2011) against US-led democracy promotion efforts was costly to the US foreign policy in the region as the governments bankrolled the US supported humanitarian and democratization programs and started to question political and military cooperation with the US in the region (Mitchell, 2009, 2012).

A significant portion of political science literature focused on what can be called ‘immediate’ causes of the revolutions, and claimed that the ‘nature of elections’ were

significant in challenging status quo regimes. During elections pertaining to the so-called Color Revolutions, “the opposition in collaboration with civil society groups and regional and Western-based democracy activists used an ensemble of sophisticated, intricately planned, and historically unprecedented electoral strategies to maximize their votes and, if necessary, to support public protests demanding a change in leadership” (Bunce and Wolchik, 2010, p. 73). Lucan Way (2008) pointed at the “degree of state and party capacity as well as strength or weakness of link to the West” as structural factors (p. 55) causing the revolutions.

Yet, these works do not explain underlying factors creating the electoral innovations, closer links to the West or state capacity. How did the opposition groups manage to utilize the innovative and effective strategies in Serbia, Georgia, Ukraine and Kyrgyzstan, but not in Russia, Azerbaijan, Belarus, and Kazakhstan? How did the pro-Western youth groups and civil society organizations become so powerful to mobilize masses against the incumbent regimes? Also, why were the toppled regimes unsuccessful in cracking down on the opposition protests with extensive hard power at their disposal? Finally, were the revolutions orchestrated by the United States in order to execute regime change?

Closer inspection of the positive cases of Color Revolutions reveal several overlapping dynamics. To begin with, none of the toppled regimes were anti-Western, nor were they the most authoritarian ones in the region. Both Eduard Shevardnadze of Georgia and Leonid Kuchma of Ukraine had been supportive of US policies throughout their careers. They supported US-led global War on Terror and US invasion of Iraq by sending

troops¹⁰⁷. Furthermore, both regimes were known for their relatively higher reformist credentials in the region on both economic and democratic realms. Economically, Georgia and Ukraine were amongst the top reformers in the post-Soviet space. The neoliberal reforms carried out throughout the 1990s led to the emergence of independent business centers. They had also been relatively open to US efforts of democracy promotion in their countries. Indeed, as Lincoln Mitchell (2012) observes, “Shevardnadze was viewed, by US democracy assistance organizations as one of the leading reformers in the Former Soviet Union” (p. 115). Moreover, Georgian Parliament was relatively strong thanks to programs sponsored by the US since early 1990s. Finally, both regimes had established closer relations with NATO. Shevardnadze’s Georgia had joined the NATO’s Partnership for Peace (PfP) program in 1994. The regime had advanced its cooperation with NATO in later years. In 2001 and 2002 the Georgian Army held several joint military exercises with NATO forces in Poti, Georgia. Later in 2002, the country declared its interest in becoming a member of the organization (NATO, 2010).

How did these policies lead to the development of the ‘innovative’ revolutionary tactics or structural factors that ended up costing the incumbents their hold on power? And why did the pro-Western protesters and businesspeople decide to topple their relatively reformist leaders? Scholars revealed that much of financial support to revolutionary youth groups and civil society organizations (CSO) came from two sources: the US government and independent businesspeople. American organizations such as NED, its affiliates such

¹⁰⁷ Leonid Kuchma sent 1700 Ukrainian troops to Iraq to fight alongside American forces in a war that was opposed by even some of the most powerful allies of the US: Germany and France. Indeed, precisely because of their ardent support at such a critical period, both regimes enjoyed US political support. Specifically, the US officials abstained from public criticisms of their human rights abuses (Mitchell, 2012).

as NDI, IRI provided funding to train Kmara (Georgia) and Pora (Ukraine) youth organizations and CSOs who ended up training the leaders of the revolutions. European Platform for Democratic Elections (EPDE) funded ISFED (Georgia) and ENEMO (Ukraine) to critically observe elections, conduct exit polls and publicize election frauds. Soros Foundation's Open Society Institute (OSI), Eurasia Foundation and Freedom House provided further financial and strategic support to bring together opposition groups, unify them around a single leader, train them in revolutionary tactics and shame and call out the regime's abuse of power. These organizations had established themselves and extended their networks in Ukraine and Georgia as a result of the democratization reforms that Shevardnadze and Kuchma carried out following the US advice.

However, the extent of American financial support to the revolutionaries, whether officially or via informal channels should not be exaggerated. Indeed, a bigger portion of financial resources that supplied the revolutionaries came not from external sources, but from domestic businesspeople who grew frustrated with regime's cronyism. As Scott Radnitz (2010) demonstrates, prior to the revolutions, both Ukraine and Georgia "underwent economic reform that saw the emergence of a new capitalist class whose interests sometimes put them at odds with the regime" (p. 141). As Radnitz explains, the neoliberal reforms created several beneficiaries who grew to establish their independent economic, hence power centers in these countries. Instead of statist/patrimonial economies where bureaucrats as well as citizenry are heavily dependent on the state for economic rents, liberalized economies disperse economic resources, creating businesspeople and citizenry (who work for these businesses) who are not dependent on the regime's patronage. In Georgia, entrepreneurs provided more than \$20 million to the opposition

parties. Independent Rustavi 2 TV channel, which was owned by businessmen Erosi *Kitsmarishvili*, Davit Dvali, and Jarji Akimidze provided a powerful venue for the opposition politicians to speak and reach audiences prior to elections. The reason why these businesspeople grew critical of the incumbent regimes was “state predation and poor economic management that deterred foreign investment” (Radnitz, 2010, p. 131). Clashing business interests between the state and private entrepreneurs created a natural alliance among the latter group, the NGO community and the opposition.

Finally, the revolutions would not have happened without acquiescence of internal security forces, be it police, security services or the military, toward the protesters. In both Ukraine and Georgia, the turning point for the incumbent regimes was when they realized that the security forces would not crack down against the protesters to protect the regime. As the case of Andijan in Uzbekistan (and the Azerbaijani case after the 2003 elections) shows, the post-Soviet regimes relied heavily on the law-enforcement authorities to quash the protesters and they did not abstain from using brute force and killing scores of people in order to hold on to power. Why could the leaders in Ukraine and Georgia not receive help from their security services? Why did the latter, at the final stage, refuse to follow orders to quash the civilians? As Greome Herd (2005) explains, the answer lies in the US-sponsored train and equip programs and NATO’s Partnership for Peace exercises:

[T]he ultimate purpose of Western military-training programs (where military-to-military contacts are paramount) is, at best, to prompt state military forces and security services to take a neutral position toward the revolution, and at worst, to side with the opposition, therefore marginalizing and incapacitating the power of the incumbent (Herd, 2005, p. 15).

In pursuit of this goal, the US tries to cut the power of the military over political structures as much as possible, since the internal security apparatuses (military, police, security

services) are mostly still under Russian influence and can be utilized by the incumbent regime to crush dissent. Therefore, the US promotes civilian control of the military and the military's non-interference in politics. The latter principle comes into play precisely because the USG doesn't have leverage/control over the military. To illustrate, Turkey, a decades-long NATO member, has always had a military establishment that dominated the country's political life since its creation. Through military interventions (mostly coups) in every decade since 1950s, the military establishment always made sure the civilian political authorities followed its lead in political issues, and did not stray from the political path promoted by them. However, despite all these, there hasn't been a strong argument from the US to end this political arrangement in Turkey, since the military has generally been responsive to US interests. To return to the Color Revolutions, in cases where the Revolutions were successful (Ukraine, Georgia, and Kyrgyzstan), the US had managed to build good cooperative relations with the armies of these countries, through NATO processes and military training, to make sure that at the time of revolutions, the incumbent regimes couldn't count on the support of the internal security apparatuses in crushing the revolutionary crowds with use of brute force. Hence, the general argument still applies that militaries (where the US had some influence) played an enormous role in making the Color Revolutions possible, and indeed, US programs enabled the military's particular role. However, the military involvement came in terms of non-interference in electoral process, and to some extent disobeying the orders from the incumbents to use brute force against civilians. A good counter example is Uzbekistan, where Karimov relied on the army to brutally suppress workers' uprising in Andijan in 2005. After this incident and following

US criticism, US-Uzbek relations deteriorated and Karimov closed down the K2 base used by the US army.

Color Revolutions, Promotion of Low-Intensity Democracy and the US Government

What role did the US government play in the Color Revolutions? Did it orchestrate them, or did it simply help the revolutionaries, or did it try to turn them into an economic and strategic advantage once the revolutions became successful? These questions were among the most debated ones within academic and scholarly circles in the aftermath of the Color Revolutions in the post-Communist space. After more than 10 years have passed since the last one, it emerges that the US played important role in establishing the background conditions for the revolutions, although it would be an exaggeration to claim that it directly orchestrated them¹⁰⁸. The US created background conditions by promoting neoliberal economic, political and military reforms mentioned above, establishing background conditions that paved the way for the emergence of actors and groups that directly carried out the revolutions, or, in the case of the military, acquiesced to them. Therefore, the revolutions emerged out of these programs as final outcomes that coalesced with and served the interests of these political actors.

However, careful observers recognized a distinct pattern played out during the immediate period leading to the Color Revolutions and in their aftermath, which warrants the claim that the US directly aided the revolutions (Mitchell, 2009, 2012; Sussman and

¹⁰⁸ Even some of the most cynical observers of US policy in Eastern Europe concurs with this point. In their article called “Template Revolutions: Marketing U.S. Regime Change in Eastern Europe”, Sussman and Krader (2008) states that “By no means do we see the post- Soviet uprisings in Eastern Europe as simply foreign-orchestrated (‘made in the USA’) events. They did have local roots, based on residual resentments toward authoritarian power, corruption, limited intellectual freedom and economic opportunities, and other unfulfilled aspirations (including travel to the West) during the era of single (communist) party state socialism” (p. 95).

Krader, 2008). US activities in this regard can be grouped under two categories: financial and political. Financially, the USG provided grants to election observers. For example, in Georgia, the US provided a large grant to The International Society for Fair Elections and Democracy (*ISFED*), an organization established in 1995, and money to implement PVT (Parallel Vote Tabulation). It also provided unprecedented amount of assistance to youth movements such as Otpor, Kmara and Pora and Democratic Opposition of Serbia, Georgia, and Ukraine and other NGOs and Youth Movements, and opposition media outlets prior to the revolutions.

Despite this financial support, political activism of the US was much more influential and decisive in helping the revolutions to emerge. First, prior to the fateful elections in each country where the Color Revolutions eventually took place, the US put political pressure on both Shevardnadze and Kuchma “by high-level visits from the US government to urge him to conduct the elections fairly” (Mitchell, 2009, p. 155). In Ukraine, right before the 2004 elections, Congress passed a resolution which read that “the conduct of the elections would be a central factor in determining the future relationship between the two countries”. After the first round of elections, which failed to provide a decisive victory to any of the candidates, a new resolution was passed that stated that it “strongly encourages the Administration to impose sanctions against persons encouraging or participating in election fraud [in Ukraine]” (Woehrel, 2005, p. 10). Second, the US government worked to unify the opposition behind a single candidate. Before that, the US designed special programs to strengthen the base of opposition political parties. The

unification¹⁰⁹ provided a boost to their mobilization and popularity among the electorate who started to see a real possibility of change. Third, the US-funded media outlets Voice of America (VOA) and Radio Free Europe/Radio Liberty (RFE/RL) produced a steady flow of anti-government reporting prior to and in the immediate aftermath of the elections. These media outlets publicized the results of exit polls¹¹⁰ conducted by US-funded election-monitoring organizations and youth groups which “incited activists to take to the streets” (Sussman and Krader, 2008, p. 105).

Finally, US policies in the aftermath of the revolutions led to big question marks regarding the transparency of US objectives and intentions. The Bush Administration at the time rushed to congratulate the revolutionaries once they were successful. In addition, it went on to claim credit for them. US Ambassador to Georgia Tefft claimed in May 2005 that Georgia “is a country at the forefront of the President’s democracy agenda. It is an example of what transformational diplomacy can achieve. Georgia is a tremendous success story” (cited in Mitchell, 2009, p. 113). Furthermore, the Bush Administration became ardent supporter of the new Saakashvili and Yushchenko governments and provided lavish praise to them even at the face of their increasing authoritarianism and anti-democratic practices. This policy coincided with the fact that most of the democratization programs, including the support to civil society organizations, independent media, and youth movements were squandered after the revolutions happened. After his organizations were

¹⁰⁹ In Georgia, American advisors persuaded the opposition leader Zurab Zhvania to cede the candidate spotlight to Mikhail Saakashvili. In Ukraine, the NDI pushed energy industry tycoon, Yulia Tymoshenko, Ukraine’s so-called ‘gas princess’, to ally herself with presidential candidate, Viktor Yushchenko instead of running against him (MacKinnon 2007, 118, p. 155).

¹¹⁰ To be clear, there is no doubt that both in Ukraine and Georgia, the incumbents were on the course to and did try to steal the elections, a claim that was confirmed by many independent observers including the OSCE and EU.

shut down due to lack of funding, an ex-IREX chief in Georgia claimed that “We were told many times to fully support the new regime and not point out the shortcomings of the new government. We were told that media development was no longer necessary. They did not need a media program because Georgia had already had its revolution” (Mitchell, 2009, p. 130).

United States and the Color Revolutions: Interests Served, Objectives Achieved

Some analysts claimed that the Bush Administration’s quick embrace of the outcome of Color Revolutions had a lot to do with the timing of the revolutions. At the time between 2003 and 2005, the US was involved in a global quest to *promote* democracy with a missionary zeal. As its military interventions in Afghanistan and Iraq had failed to produce any democratic outcome, the Administration was ready to cheer and support any positive outcome in US democratization efforts no matter how controversial and trivial it could get. Occurring right in the midst of this challenging period, the Color Revolutions in Georgia, Ukraine and Kyrgyzstan provided an opportunity for the Administration to hail them as exemplary outcomes of US democracy promotion activism. Although the revolutions could have served the Bush Administration’s agenda of democracy promotion at the time, the US support to electoral democracies in the post-Communist countries¹¹¹ was a long-time strategy that had been carried out since the dissolution of the Soviet Union.

Rather, the US support to Color Revolutions are part of a broader trend in US policy that emerged in 1980s. Scholars (Cox, 2016; Robinson, 1996; Gills and Rocamora, 1992; Stahler-Sholk, 1994; Aviles, 2006) pointed out how the US support to NGO networks in

¹¹¹ Before the Color Revolutions, US followed the ‘electoral revolutions’ model in Bulgaria (1996), Romania (1997), Slovakia (1998), Croatia (1999) and Serbia (2000) (Sussman and Krader, 2008; also see, Bouchet, 2015).

various countries serve the US promotion of low-intensity democracy (or polyarchy) in these countries. Robinson (1996) shows that the “purpose of "democracy promotion" is not to suppress but to penetrate and conquer civil society in intervened countries ... and from therein, integrate subordinate classes and national groups into a hegemonic transnational social order” (p. 29). Later on, he explains why the United States decided to support low-intensity democracy in the Third World instead of previously-favored strong authoritarian governments: “Authoritarianism and dictatorship had become a fetter to the emergent patterns of international capital accumulation corresponding to the global economy ... [t]ransnational capital has become sufficiently disruptive and intrusive as to break down barriers that earlier separated and compartmentalized groups in and between societies” (Robinson, 1996, p. 37). Therefore, Robinson (1996) continues, “Authoritarian political systems are unable to manage the expansive social intercourse associated with the global economy. Social interaction and economic integration on a world scale are obstructed by authoritarian or dictatorial political arrangements” (p. 37).

Authoritarian arrangements have become a serious impediment to transnational investment flows, capitalist modernization and management of the neoliberal economy. The new model was polyarchy (or low-intensity democracy) where political participation is limited to the right to vote in regularly held elections in which only a couple of carefully selected candidates compete for a symbolic office that is accountable not to the citizenry but to dominant economic interests.

Ronald Cox (2016) demonstrates the role of US-supported NGO networks in promoting low-intensity democracy in Third World countries. He shows that the US financed NGO networks to “to bolster civil society support for governments allied with the

US”, “to undermine or to overthrow governments that the US had targeted as geostrategic enemies”, and “to provide technical, logistical and ideological support for elections in countries that the US considers geostrategically important” (Cox, 2016). Cox further explains that through its cooperation with NGO networks, the US provided “support for political coalitions favoring neoliberal economic policies” (2016).

The Color Revolutions served US interests by toppling authoritarian regimes who had caught the ire of transnational capital and the US-backed NGO community. It is important to note that the latter groups had grown substantially powerful in Ukraine and Georgia during the post-Soviet period. Their interests coincided with US interests in terms of their preference for further neoliberalization, and pro-American political and military orientation. The revolutions turned Georgia and Ukraine into premier neoliberal reformers in the post-Soviet region. Most of the civil society leaders turned into bureaucrats in new governments. What was fascinating was how little real democratic reforms these new governments carried out in post-revolutionary period. In fact, both Yushchenko and Saakashvili’s presidencies were filled with corruption scandals, repression of democratic opposition and crackdown on independent media.

In Azerbaijan, the authoritarian political arrangements worked as a blessing for the energy sector. Heydar Aliyev’s strongman position enabled the multinational oil corporations to establish themselves and start their operations in a highly dangerous socio-political environment. Through the Production-Sharing Agreements (PSA) regime, Aliyev provided a special economic zone for the oil sector companies where their investments will be safe and protected. However, the same authoritarian structure was not suitable for investments in non-oil sectors of economy. Lack of respect for rule of law and property

rights, as well as crony-style economic arrangements prevented transnational capital to penetrate into the non-oil sectors of the Azerbaijani economy. The latter has become especially important by the late 2000s, when the oil sector stopped to generate new investment streams and the oil money has started to arrive in the country in tens of billions, only to be appropriated by the regime cronies.

It is in this period that the US-Azerbaijani relations started to unravel. I demonstrated that US interest in Azerbaijani energy was waning after the completion of the BTC pipeline in 2006. The dearth of new oil wells in the Caspian, as well as the unconventional oil and gas boom in the US, meant that Azerbaijani energy was no longer required as a critical balancer in the margins of the global energy markets. Because US security interests were tied to its interests in the energy sector, the revolutionary developments in the latter area severely curtailed US security partnership with Azerbaijan. My explanation for the human rights crisis becomes clear after taking into consideration the developments in these three areas. The human rights/democratization issues emerged as the pivot of US policy after its interests in energy and security sectors waned, and its demands in terms of economic reforms were ignored by the Azerbaijani government. The NGO community's grievances, which were present since the late 1990s, were began to be co-opted by the State Department, which led to complete collapse of bilateral relations in late 2014.

Final Words

In this dissertation, I engaged with multiple streams of academic literature and multiple issue areas. I engaged with realism, critical international relations theory, interest

group approaches, as well as issues pertaining to energy, security, economic reforms and human rights. I traced the sources of US foreign policy in different time periods and demonstrated the changing shape of policies and interests. The resulting picture was a complex one with highly intricate connections among issues, actors and interests. However, within this complexity, my work complemented the argument that the US did not have strong long-term interests in the Central Asia and South Caucasus and rather pursued short-term goals. Instead of a permanent rivalry with Russia, the US interests are traced back to its immediate goals in the region. Some of these interests are connecting the Caspian oil to global markets and supporting the Afghanistan operation. Perhaps the only long-term US interest in the region was to integrate their national economies into global markets. However, this policy that failed to a great extent, due to the fact that economic liberalization efforts were associated with Color Revolutions by the authoritarian regimes in the region.

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