

Different Strokes for Different Folks: Azerbaijan's Geopolitical Orientation between the EU and Russia*

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The events in Crimea and eastern Ukraine that took place due to the competition between Russia and the EU over possibilities for close cooperation have reinforced the perception of Russia as a key stakeholder in geopolitical upheavals in the post-Soviet sphere. It also served as a reminder that any settlement to political and territorial conflicts within the post-Soviet sphere would have to include Russia. While all other countries in the Eastern Partnership have since associated themselves with either the EU or Russia, Azerbaijan chooses to remain outside such formal obligations. The EU and Russia both have particular interests in Azerbaijan. Russia's interests in Baku lie primarily in it not becoming an alternative to Russia's energy market and remaining within its sphere of influence. The EU, in turn, wants closer ties with Baku since it considers it an alternative energy market to the unreliable Russia. Considering these competing interests of two different actors, this paper is an attempt to chart Baku's course of action in managing to pursue the 'multi-vector' approach. It manages to pursue this approach by playing off the diverging interests of the EU and Russia and bargaining between them.

Keywords: EU–Azerbaijan relations, Russia–Azerbaijan relations, multi-vector foreign policy, Azerbaijan's foreign policy, asymmetric bargaining.

Introduction

Since independence, Azerbaijan has had to adapt its geopolitical orientation to the changing regional and international situation, from a vocal pro-Western orientation, through a more moderate pro-Western one, to one slightly more accommodating of its large neighbour, Russia, motivated by the recent events in Ukraine.¹ Azerbaijan has long professed a foreign policy often termed a 'multi-vector' approach – developing good

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¹ N. Mehdizyeva, *Power Games in the Caucasus: Azerbaijan's Foreign and Energy Policy towards the West, Russia and the Middle East*, London: I.B.Tauris & Co Ltd, 2011, p. 206.

neighbourly and mutually beneficial relations with neighbouring countries while at the same time aiming to integrate into European and transatlantic economic and security structures.² Throughout the years, this approach has provided the regime in Baku ample room for manoeuvre between the European and Russian integration projects, when it was compelled to do so. However, the recent crisis in Ukraine has undermined this approach.

Many have assessed that the crisis in Ukraine, which began with Ukrainian President Victor Yanukovich's refusal to sign the Association Agreement with the European Union, was a result of Yanukovich's close ties with Russia and Russia's longstanding influence in Ukraine's domestic sphere.³ This decision led to a mass demonstration popularly known as the Maidan that in turn led to the removal of Yanukovich from power and the formation of a new government. Russia refused to accept the outcome of the Maidan movement and the resulting new cabinet, deeming their actions illegitimate and unconstitutional.⁴ It viewed the ousting of the pro-Russian president and government as encroachment on its sphere of influence and security sphere by the West.⁵ It responded by occupying the Crimean Peninsula in early 2014, relying on the false pretext that in post-Maidan Ukraine, Russians and other national minorities were being deprived of human rights and were at risk.⁶

While all attention was on the events unfolding in Crimea, anti-Maidan groups – primarily of pro-Russian orientation – emerged in eastern Ukraine and started a separatist movement against the pro-Western government in Kiev. Although opinions on the degree of Russia's involvement and the underlying motives vary, Russia is now regarded to have continually backed the separatist movements in eastern Ukraine. While assessing the role of Russia in the Donbas conflict, Paul Robinson asserts that initially the entire conflict was outside of Russia's control and hence it could not have initiated the conflict but its role grew as it began to respond to the events and aspire to exert more influence on the structure of the pro-Russian groups.⁷

² The Priorities of Foreign Policy of the Republic of Azerbaijan, <http://www.supremecourt.gov.az/en/static/view/5> (accessed on 10.01.2017).

³ H. Maksak, *A Focus on Ukraine*, in G. Gromadzki, B. Sendhardt (eds), *Eastern Partnership Revisited*, Warsaw: The Stefan Batory Foundation and FES, 2015, p. 71; A. Szeptycki, 'Russian policy towards Ukraine: tools of influence', *The Polish Quarterly of International Affairs*, 2007, Vol. 16, No. 1, pp. 68–93.

⁴ Official Internet Resources of the President of Russia, *Vladimir Putin answered journalists' questions on the situation in Ukraine*, 4 March 2014, <http://eng.news.kremlin.ru/news/6763> (accessed on 10.04.2016).

⁵ The Ministry of Foreign Affairs of the Russian Federation, *Answer by the Russian Foreign Minister, Sergey Lavrov, to the question from the mass media about the situation in Ukraine, during the press conference summarising the results of the negotiations with the Iraqi Foreign Minister, Hoshiyar Zebari*, Baghdad, 20 February 2014, http://archive.mid.ru/bdomp/brp_4.nsf/e78a48070f128a7b43256999005bcbb3/9a57c89a391da6444257c8900547b4b!OpenDocument (accessed on 10.04.2016).

⁶ The Ministry of Foreign Affairs of the Russian Federation, *Statement by the Russian Ministry of Foreign Affairs regarding the events in Ukraine*, 24 February 2014, http://archive.mid.ru/bdomp/brp_4.nsf/e78a48070f128a7b43256999005bcbb3/86ddb7af9cd146c844257c8a003c57d2!OpenDocument (accessed on 15.10.2016).

⁷ P. Robinson, 'Russia's role in the war in Donbass, and the threat to European security', *European Politics and Society*, 2016, Vol. 17, No. 4, pp. 501–521.

For Baku, there is a sense of familiarity with the events in Ukraine. It faced a similar separatist conflict in the Karabakh region early in its struggle for independence from the Soviet Union. The events in Crimea and eastern Ukraine have reinforced the perception of Russia as a key stakeholder in geopolitical upheavals in the post-Soviet sphere. It has also served as a reminder that any resolution of political and territorial conflicts in the post-Soviet sphere would have to include Russia. Azerbaijan's long-standing conflict over Nagorno-Karabakh is no different. During interviews with government officials and experts from eight states of South Caucasus and Central Asia, Andrew Kuchins registered an expression of 'heightened wariness and concern about what else Putin and his colleagues might be thinking about doing that could directly impair their interests'.⁸

In the midst of these events and heightened fears over Russia's behaviour, Azerbaijan became the only country among the six Eastern Partnership (EaP) countries not to join any formal economic or political association with either the EU or Russia. Belarus and Armenia joined the Russia-led Eurasian Economic Union, while the other three – Ukraine, Moldova and Georgia – signed Association Agreements with the EU. How has Baku managed to continue with its declared policy of 'multi-vector' approach, while other similar countries chose either to collaborate with the EU to counterbalance the Russian pressure or to bandwagon behind Russia?

In order to understand why Baku has made a different choice than all the other EaP states, it is necessary to take a closer look at Baku's priorities and the nature of its relations with both the EU and Russia. First, the paper outlines Baku's persistent foreign policy priorities. Second, it provides an overview of the nature of Azerbaijan's current relations with the EU and Russia. Based on Baku's manoeuvring tendencies, the paper then attempts to explain Azerbaijan's choice to continue its multi-vector policy.

Nagorno-Karabakh – Azerbaijan's Achilles heel

Azerbaijan's foreign policy priorities stem primarily from insecurity and opportunities arising from its geostrategic location. The settlement of the Nagorno-Karabakh conflict dominates the agenda of Azerbaijan's foreign policy. Transforming its relations with its regional neighbours, especially Russia, and to some extent the European Union, into strategic partnership is a key expression of its attempts at rallying support for the settlement of the conflict.⁹

Since the late 1980s up to the dissolution of the Soviet Union, the disagreement over the status of Nagorno-Karabakh escalated into armed confrontations between ethnic Armenians and Azeris, with the Soviet Union attempting to maintain the *status*

⁸ A.C. Kuchins, 'Russia and the CIS in 2014: A rather bad year', *Asian Survey*, 2015, Vol. 55, No. 1, p. 152.

⁹ K. Makili-Aliyev, 'Azerbaijan's Foreign Policy: Between East and West', IAI Working Papers 13/05, Istituto Affari Internazionali, January 2013.

quo. When the Soviet Union disintegrated and the conflict lost one of its conflicting parties rather than reaching any sort of conclusion, the armed confrontations escalated to a full-fledged war between the region of Nagorno-Karabakh (aided by Armenia) and Azerbaijan, with over 3000 fatalities in 1992 alone.¹⁰ The conflict continued, reaching the intensity of a full-fledged war in the following two years, with nearly 1900 casualties in 1993 and nearly 4000 casualties in 1994.¹¹

Peace efforts involved multiple actors but primarily the Minsk Group, a group of countries acting under the umbrella of the OSCE, which currently has three co-chairs: Russia, France and the United States. Despite several attempts from the OSCE Minsk Group to facilitate negotiations between the warring parties throughout the duration of the conflict, the hostilities ended only in May 1994, after Commonwealth of Independent States (CIS) delegates and the chair of the National Assembly of Azerbaijan agreed upon a protocol for a ceasefire. The protocol also called for deployment of peacekeepers, but that has never been implemented.¹²

Despite a framework for discussion on the issue being in place, no formal agreements have been reached. The key issue of Nagorno-Karabakh's status has yet to be resolved. Sporadic gunfire and clashes occur along the Line of Contact from time to time and threaten to escalate. The Uppsala Conflict Data Program's (UCDP) database of battle-related deaths shows that after the ceasefire in 1994, in the years 1997, 1998, 2005, 2008, 2012 and 2014, the conflict reached the intensity of a minor armed conflict, with at least 25 battle-related deaths. The conflict erupted again in early April 2016, and the hostilities ended on 5 April after Moscow brokered a ceasefire agreement. Although various sources report different numbers of casualties, including military and civilian deaths, during the four-day war, it is fairly obvious that the numbers were the highest since the ceasefire agreement of 1994.¹³

The public has consistently regarded the issue of Nagorno-Karabakh as the number one priority. Over the years, opinion polls and surveys have found that more than half of the population regard the issue of Nagorno-Karabakh as the most pressing issue for Azerbaijan.¹⁴ The existence of the secessionist conflict over Nagorno-Karabakh and

¹⁰ The figures represent the highest estimated battle deaths. See: Uppsala Conflict Data Program, *UCDP Battle-Related Deaths Dataset version history 5–2016*, <http://ucdp.uu.se/downloads/> (accessed on 25.01.2017).

¹¹ *Ibidem*.

¹² H. Nikoghosyan, *Some Thoughts on Peacekeepers in Nagorno-Karabakh [Analysis]*, 1 July 2010, <http://caucasusedition.net/analysis/some-thoughts-on-peacekeepers-in-nagorno-karabakh/> (accessed on 20.12.2015).

¹³ The Armenian Ministry of Defence reported in total 92 casualties, including 4 civilians, on the Armenian and Nagorno-Karabakh side, while Azerbaijani sources reported 31 military casualties and 6 civilian casualties on the Azeri side.

¹⁴ Opinion polls in different years have found that most people think the Nagorno-Karabakh issue is the most important issue facing the country – 53 per cent in 2007, see: *Azerbaijan in 2007: sociological monitoring*, Azerbaijan/Baku: Friedrich-Ebert-Foundation, Brussels, 2008; 33 per cent in 2011, see: Caucasus Research Resource Centers, *Caucasus Barometer 2011*, <http://www.crrccenters.org/caucasusbarometer/> (accessed on 25.01.2017); and 77 per cent in 2016, see: Opinionway, *Public opinion of Azerbaijan before constitutional*

the large majority's concern over it have been exploited by the regime to justify harsh treatment of the opposition and massive militarisation of the country. Furthermore, this issue continues to shape Azerbaijan's foreign policy discourse.

The pursuit of diversification

Subsequent enlargements over the years moved the EU's border closer to South Caucasus, and with it came the realisation that insecurities and opportunities were plentiful. The opening of alternative or supplementary energy sources in and through Azerbaijan attracts the EU, while having to become a security guarantor or at the bare minimum a security balancer – as in the Russia–Georgia war of 2008 – deters it.¹⁵

Currently all political and economic relations between the EU and Azerbaijan are conducted under the Partnership and Cooperation Agreement signed in 1996, which came into effect in July 1999. Furthermore, Azerbaijan is included in the Eastern Partnership, the eastern dimension of the EU's European Neighbourhood Policy, under which deeper political and economic cooperation through Association Agreements and Visa Liberalization is envisaged. Azerbaijan has suspended the negotiation of the Association Agreement and has chosen to be less vocal about its European aspirations. The EU and Azerbaijan are currently in discussion over the 'Strategic Partnership for Modernization (SPM)', which will determine how the partnership will proceed and what future cooperation will entail.¹⁶ Azerbaijan submitted a draft agreement for a new partnership during the Eastern Partnership Summit in Riga in 2015. Baku's interests are in establishing a strategic partnership based on mutual benefits in the energy sector and the economy and in avoiding political integration with the EU in any form of multilateral cooperation.¹⁷ In February 2016, speaking with the press before her visit to Baku, the EU High Representative Federica Mogherini (HR) announced that preparations for the new partnership were progressing and talks with the EU Member States over launching a formal negotiation process would soon be carried out.¹⁸ At the end of the year, the Council mandated the EC and the HR to negotiate the SPM with Azerbaijan on behalf of the EU and its Member States.

The SPM is Baku's way to navigate around the more political and reform-oriented association with the EU and enter into a partnership that only exploits the huge economic opportunities that the EU single market can provide. The EU is currently

referendum, September 2016, <https://www.opinion-way.com/fr/sondage-d-opinion/sondages-publies/politique/autres-etudes-politiques/pre-referendum-research-in-azerbaijan.html> (accessed on 25.01.2017).

¹⁵ A. Paul, 'The Eastern Partnership, the Russia-Ukraine War, and the Impact on the South Caucasus', IAI Working Papers 15/06, Istituto Affari Internazionali, February 2015, p. 4.

¹⁶ *Ibidem*, p. 7.

¹⁷ K.S. Stegen, J. Kuszniur, 'Outcomes and strategies in the "New Great Game": China and the Caspian states emerge as winners', *Journal of Eurasian Studies*, 2015, Vol. 6, No. 2, p. 8.

¹⁸ A. Karimova, *EU eyes cooperation with Azerbaijan in energy, regional security*, Azernews, 29 February 2016, <http://www.azernews.az/nation/93472.html> (accessed on 20.09.2016).

Azerbaijan's largest trading partner, with a share of around 47 per cent of the country's total trade.¹⁹ Furthermore, the EU is also the biggest single market for Azerbaijan's exports, amounting to 53 per cent of the total exports, of which 98 per cent is oil and gas.²⁰ The interesting fact here is that nearly all Azerbaijan's exports to the EU are energy sources, which means that Azerbaijan is a key partner in this regard for the EU. The EU is also one of the key sources of Foreign Direct Investment in Azerbaijan. According to the EEAS, FDI from the EU was around EUR 4.7 billion in 2013 alone.²¹ In early and late 2015, Azerbaijan's currency plummeted due to the global fall of oil prices.²² With its hydrocarbon reserves lowering the diversification of its economy, exports have been selected as Azerbaijan's top economic priority for 2017. The EU's single market provides ample opportunity for diversifying exports, but this would require a closer partnership.

Apart from huge trading opportunities, the EU also provides development aid. The EU committed around EUR 179 million to Azerbaijan in assistance for the period of 8 years until 2015.²³ The assistance funded a programme focused on reforms of Azerbaijan's legislation and socio-economic policies, regional and rural development, including the energy and transport sectors, as well as the rule of law and democratisation. In addition to this assistance, Azerbaijan can receive additional funding through other thematic programmes, such as the Instrument for Stability and Peace.

While closer ties with the EU provide ample economic opportunities, the EU and Azerbaijan are at loggerheads when it comes to the key issue of resolution of the Nagorno-Karabakh conflict. Azerbaijan's grievance stems from the EU's go-between approach to dealing with the conflict. While Baku asserts that the EU must clearly support the territorial integrity of Azerbaijan and consider Nagorno-Karabakh territories as occupied by Armenia, the EU has rather taken an approach of appeasement to all by vaguely upholding Azerbaijan's territorial integrity while at the same time acknowledging Nagorno-Karabakh's right to self-determination.²⁴ Baku sees this as the EU applying a double standard, which has been aggravated more since the imposition of sanctions on Russia given its role in the annexation of Crimea and the separatist movements in eastern Ukraine.²⁵

¹⁹ EEAS, *EU-Azerbaijan Relations [Factsheet]*, Brussels, 29 February 2016.

²⁰ *Ibidem*.

²¹ *Ibidem*.

²² C. Carrion, *Why Azerbaijan needs a Strategic Reform of its foreign policy towards the European Union?* [Research Paper], Center for Economic and Social Development, 2016, <http://www.cesd.az> (accessed on 20.08.2016).

²³ *Ibidem*.

²⁴ European Union, *EU/Azerbaijan Action Plan*, https://eeas.europa.eu/headquarters/headquarters-homepage/11398/eu-azerbaijan-action-plan_en (accessed on 15.01.2017); European Union, *EU/Armenia Action Plan*, https://eeas.europa.eu/enp/pdf/pdf/action_plans/armenia_enp_ap_final_en.pdf (accessed on 15.01.2017).

²⁵ A. Paul, *op. cit.*, pp. 7–12.

The other key issue that brings the EU and Azerbaijan at loggerheads is Baku's poor track record on reforms and human rights. Azerbaijan is listed as a state that severely limits freedom in the society. According to the Freedom House rating, in 2016 political rights in Azerbaijan have further declined owing to its massive crackdown on political opposition, free press, civil society and arbitrary convictions of these individuals and organisations that are critical of the regime.²⁶ Through the EEAS and the EU delegation in Baku, the EU consistently condemns these actions and reminds the Baku administration of its duties to respect human rights and respect its international commitments. For now, in conducting its relations with Azerbaijan, the EU does not have much leverage over it to command comprehensive reforms. Baku, while in need of European investment, is well aware of the fact that EU Member States depend on it as an energy producer and transit country, hence there is no interest in genuine change.²⁷

Both the EU and Azerbaijan have reiterated that they want to strengthen the bilateral partnership, and that was the message conveyed during the latest visit of the EU's HR to Baku. Azerbaijan–EU relations hinge primarily on specific mutual interests: for the EU, it is securing diversification of energy import and transit markets; for Azerbaijan, it is investment and strengthening of economy through diversification of dependencies. European investment in and import of Azerbaijan's energy resources largely satisfies this interest.

Baku is merely interested in strategic relations that benefit mutual interests, primarily in economic matters, but it also expects the EU to be present as a security actor in the region, not least to keep check on Russia's bullying. Therefore, while Baku is not necessarily interested in or ready for a genuine democratic reform, the EU also does not seem interested in or ready to become a security actor in the region. Until now, the EU still relies on Russia for the bulk of its energy imports and is rather reluctant to antagonise Russia further.²⁸

Uneasy strategic partnership

As one of the CIS states, Azerbaijan joined the Russia-led Collective Security Treaty Organisation (CSTO) in 1993, but it withdrew in 1999.²⁹ Azerbaijan became a member of the Non-Aligned Movement (NAM) in 2011, and keeping in line with it, Baku has managed to keep a distance from any formal associations with international security structures and integration projects, including the ones promoted by Russia.³⁰

²⁶ Freedom House, *Freedom in the world 2016*, <https://freedomhouse.org/report/freedom-world/2016/azerbaijan> (accessed on 15.01.2017).

²⁷ M.B. Bishku, 'The South Caucasus Republics: Relations with the US and EU', *Middle East Policy*, 2015, Vol. 22, No. 2, pp. 52–54.

²⁸ *Ibidem*.

²⁹ *Ibidem*, pp. 4–6.

³⁰ Apart from the CIS that was established in the aftermath of the dissolution of the Soviet Union, Azerbaijan along with Georgia, Ukraine and Moldova participates in an alliance currently named the

However, vigorous attempts have been made in the recent past to make Azerbaijan join Russian integration projects by, on the one hand, luring Azerbaijan with high profile visits and Russia's defence industry exports and, on the other hand, persuading it by stirring tensions with Armenia.

Since the early 2000s, the ties between Russia and Azerbaijan have been slowly improving, with Azerbaijan now becoming Russia's number one trading partner among the states of South Caucasus and Russia becoming the largest non-oil sector trade partner of Azerbaijan.³¹ The establishment of a strategic partnership has seen cooperation in the military sector, including arms trade, military support and training. After early policies that neglected Russian sentiments, since the turn of the century Azerbaijan has been more accommodating of Russian sensitivities and, according to Anar Valiyev, has rather preferred a non-confrontational approach to dealing with Russia.³²

The improved relations with Russia have their own benefits for the regime in Baku. Close relations with Russia do not come attached with scrutiny for human rights or any particular democratic reforms, which suits the regime in Baku very well. This also means that unlike in the case of the EU, the economic transaction with Russia will not be affected by how the regime consolidates its power within the domestic sphere, including by whether it uses repression.

In the past five odd years, despite Moscow's close security relations with Yerevan, Baku and Moscow have intensified military cooperation, with Azerbaijan importing arms from Russia totalling USD 4 billion in 2013 alone.³³ Since 2013, Azerbaijan has consistently spent well over USD 3 billion a year on the military, and since 2010 Russia has consistently been the largest arms exporter to Azerbaijan.³⁴

Furthermore, Moscow holds considerable leverage over the conflict in Nagorno-Karabakh. Moscow maintains its leverage primarily due to its role as a security guarantor. Armenia hosts a Russian military base in Gyumri, the second largest city in Armenia, and an airbase in Erebuni Airport in Yerevan. Around five thousand Russian troops are estimated to be constantly present in Armenia.³⁵ The protocol signed between Russia and Armenia in August 2010 extends the existence of the

Organization for Democracy and Economic Development – GUAM, which aims to foster close strategic cooperation in the political, economic, and security spheres. This may be considered the only organization that Azerbaijan has actively participated in that has a security dimension to it, but often it is seen as the former soviet republics' efforts of countering Russian influence and consolidating their independence and sovereignty.

³¹ The Central Bank of Russian Federation, *External Trade in Services of the Russian Federation 2015*, http://www.cbr.ru/statistics/credit_statistics/External_Trade_in_Services_2015.pdf (accessed on 27.08.2016).

³² A. Valiyev, 'Finlandization or Strategy of Keeping the Balance?: Azerbaijan's Foreign Policy Since the Russian-Georgian War', *PONARS Eurasia Policy Memo*, 2010, No. 112.

³³ K.S. Stegen, J. Kuszniir, op. cit., p. 4.

³⁴ *Ibidem*.

³⁵ S. Danielyan, K. Babayan, *Nagorno-Karabakh: the Edge of Russia's Orbit*, Brussels: European Council on Foreign Relations, 1 September 2016.

bases until 2044.³⁶ Furthermore, Armenia gets its armament from Russia at a reduced rate, which is vital since it cannot afford to invest in military expenditure as heavily as Azerbaijan. Between 2013 and 2015, Armenia had constant military expenditure of just over USD 400 million, and Russia is by far the largest exporter to Armenia.³⁷ In addition, Armenia and Nagorno-Karabakh seem extremely receptive to Russian involvement in the settlement process.³⁸

When the conflict escalated again in early April 2016, the OSCE Minsk Group promptly produced a press release expressing their grave concern and condemning the use of force. They called for all parties to end the violence. However, it was Moscow that played the key role in negotiating the eventual ceasefire. On 5 April 2016, a meeting between the Armenian and Azerbaijani army chiefs of staff took place in Moscow and a verbal ceasefire was agreed upon.³⁹ Yet again, Moscow led the mediation efforts independently, while the official structure of the OSCE Minsk Group, of which Russia is a part, was confined to producing press releases showing their concern and calling for the parties to end the violence. The amount of leverage that Russia exerts on the parties of the conflict makes it a vital negotiator for any form of conflict resolution. Baku understands this and knows that closer relations with Moscow might result in a more favourable settlement of the conflict for Azerbaijan.

While being close to Russia benefits the consolidation of the Baku regime, favourable defence purchases and potential favour during the eventual settlement, Baku recognises that it is not yet possible to achieve much closer relations due to a multitude of issues regarding Russia's intentions. First, Moscow's policy towards the conflict and the peace-making process is double-faced. By pursuing a policy of parity and selling arms to Azerbaijan and, at the same time, strengthening its military alliance with Armenia by providing it with arms at a discount, Moscow is fuelling one state's ambition to win militarily and the other state's determination to hang on.

Second, Moscow has the ill intention to gain sole ownership of the settlement process that it seems very unfaithful to. This isolated negotiation might mean that if any peacekeeping forces are deployed in the future, Russia may also claim command over the mission. Moreover, as much as the regime in Baku wants to consolidate its hold, it

³⁶ Official Internet Resources of the President of Russia, *Protocol on amendments to agreement on Russian military base in Armenia has been submitted to State Duma for ratification*, 19 April 2011, <http://en.kremlin.ru/events/president/news/11006> (accessed on 10.01.2017).

³⁷ SIPRI, *SIPRI Military expenditure arms database 2015*, <https://www.sipri.org/databases/milex> (accessed on 10.01.2017); SIPRI, *SIPRI Arms Transfer Database 2016*, <https://www.sipri.org/databases/armstransfers> (accessed on 10.01.2017).

³⁸ The Ministry of Foreign Affairs of the Nagorno-Karabakh Republic (NKR) commissioned the opinion polls and was conducted by the Institute for Political and Sociological Consulting (IPSC) of Armenia. Key findings and summary of the results are available at: <http://ipsc.am/en-nagorno-karabakh-comparative-opinion-polls-2015-2016/> (accessed on 20.01.2017).

³⁹ T. De Waal, *Prisoners of the Caucasus: Resolving the Karabakh Security Dilemma*, Carnegie Europe, 16 June 2016, <http://carnegieeurope.eu/2016/06/16/prisoners-of-caucasus-resolving-karabakh-security-dilemma/j1yq> (accessed on 15.01.2017).

fears that deployment of Russian forces anywhere near Karabakh or the surrounding areas may not be best for its own interests. The bottom line is, however, that there can be no settlement without Moscow's constructive involvement.

Last but not least, Baku fears that it does not have much leverage over Moscow, while Moscow has considerable hold over it. One of the many spheres where Moscow has considerable influence is among ethnic minorities within Azerbaijan, and deliberate incitement of these minorities is one of the instruments it is ready to use to persuade Azerbaijan to meet its demands.⁴⁰ The year 2014 saw one of the highest numbers of deaths after the official ceasefire of 1994.⁴¹ Anar Valiyev notes that the Baku administration suspected these clashes to be a result of Russian pressure before tri-lateral meetings between the two warring parties and Russia.⁴² The raised tension was a reminder to Baku that Russia had the highest stake in maintaining stability in the Caucasus and that allying with the West could have a detrimental effect.

While Baku is committed to forming a strategic partnership with Russia, it has refrained from joining any of Russia's integration projects with the exception of the Commonwealth of Independent States (CIS). Baku has primarily attempted to maintain rather apolitical and commercial relations with Moscow, and at the moment Baku's major priority seems to be conducting its relations without antagonising Moscow too much.

Continued pragmatism

Owing to its geostrategic location, Azerbaijan has always been and will continue to be prone to external factors, and changes in external factors will affect its foreign policy. Despite the recent events in Ukraine and the uncertainty and anxiety among countries of the post-Soviet sphere, by careful strategic pragmatism Azerbaijan has been able to pursue the aptly termed 'multi-vector' approach to foreign relations. This continuity in the 'multi-vector' approach has been possible with Azerbaijan's asymmetric 'bargaining games' in relation to the two competing external actors.⁴³ While both the EU and Russia would prefer to engage Azerbaijan in formal integration, the regime in Baku primarily aims to consolidate its power and maximise wealth while still keeping hold of some form of independence with respect to both these actors – bargaining for its interests vis-à-vis the third actor present in the equation.⁴⁴

⁴⁰ Ibidem. N. Mehdiyeva, 'Azerbaijan and its foreign policy dilemma', *Asian Affairs*, 2003, Vol. 34, No. 3, pp. 271–285.

⁴¹ 54 as the highest possible recorded number, see: Uppsala Conflict Database Program, op. cit.

⁴² A. Valiyev, 'Azerbaijan's Balancing Act in the Ukraine Crisis', *PONARS Eurasia Policy Memo*, September 2014, No. 352.

⁴³ Elena Gnedina provides an argument based on a decision making model termed the asymmetric 'bargaining games' to reason for pursuance of 'multi-vector' approach to foreign relations, for more see: Elena Gnedina, "'Multi-vector' foreign policies in Europe: Balancing, bandwagoning or bargaining?", *Europe-Asia Studies*, 2015, Vol. 67, No. 7, pp. 1007–1029.

⁴⁴ Ibidem.

Baku continues to forge vital economic partnerships with both Brussels and Moscow. The EU provides Baku with much needed diversification for its energy produce; furthermore, with the Azerbaijani money devaluing due to the decrease in oil prices, the EU single market presents an opportunity to diversify its exports. Baku has a commercial relation with Moscow in military and defence cooperation, and the West's sanctions and Moscow's reactive bans have already boosted the non-oil trade market. However, Azerbaijan continues to avoid becoming too entrenched into any form of formal integration. Getting too close to the EU would mean that it would have to implement proper reforms and uphold democratic norms, which the regime in Baku feels would threaten its hold domestically and antagonise Russia, encouraging it to support Armenia's interests more. Hence, knowing that it has Russia as a third party that would readily accept it into its own economic projects, Baku has a bargaining position in case the EU puts out excessive pressure based on Baku's human rights record.

Similarly, getting too close to Russia would mean accepting its interventions in all forms of political, economic and security calculations, which the Baku regime feels would be harmful to its own hold in the domestic realm and deprive it of any benefits that may be derived from economic ties with the EU. Baku is also anxious over the behaviour of Russia, the successor to the Soviet Union, and specifically over Azerbaijan's capability to retain independence and have an independent course devoid of interference from its big neighbour. In order to preserve its independence, Azerbaijan utilises the resources it has at its disposal and its geostrategic location that provide the West with access to alternative sources of energy imports. This allows strengthening the country's economy through diversification of the export markets for their natural resources and allows it to chart a more independent course in international relations. By avoiding getting too close to formal integration, Azerbaijan has been able to keep hold of its ability to manoeuvre between the EU and Russia, making a 'multi-vector' approach still a possibility.

Conclusion

The biggest impact that the crisis in Ukraine has had on Azerbaijan is that it has re-established Russia's relevance as a security guarantor in the region. Russia's blatant disregard for international law and challenging the sovereignty of an independent state whilst the West could only watch their own security guarantee fall to pieces has only reinforced the feeling among the states in the Caucasus that the EU and the rest of the Western states either aren't capable of or are not willing to bear any responsibility for maintaining stability in the region.

While all the other states in the EaP have chosen their partners, Azerbaijan remains outside any such formal integration. Azerbaijan's continued policy of non-alignment and strategic partnership based on mutual interest (primarily commercial) seems to have worked for it until now. With this policy, it has avoided antagonising Russia while

also opening up commercial benefits to its economy via the West. Russia presents valuable assets as a security actor in Azerbaijan's pursuit of settlement to the Nagorno-Karabakh conflict, while the EU presents valuable assets as an economic actor in Baku's energy sector. However, what these actors want in return are very different things. Understanding that there are different strokes for different folks, Baku makes use of these very differences between the two actors to manage the 'multi-vector' approach in its dealings with EU and Russia.