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Azerbaijan Amid the Ukrainian Crisis: Perceptions, Implications and Expectations

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Abstract

The Ukrainian crisis has greatly affected the political and economic perception of the Azerbaijani public and has had huge implications for the country's development. The war has put the country in an uneasy condition, in which Baku needs to balance with Moscow on the issue of Karabakh and work closely with the West in ensuring its energy security. Moreover, the continued standoff between Russia and the EU/USA limits Azerbaijan's field for manoeuvring, and it has taken criticism from both sides. It seems obvious that Azerbaijan will continue its policy of "silent diplomacy" that stipulates to not irritate the powerful centres as well as its policy of restoration of territorial integrity and keeping its independence as a country through small steps and actions.

Introduction

The Russian invasion of Ukraine has created a vast domain of uncertainty that increases the need for stability. The main ramifications of the situation in Ukraine on the foreign policy of Azerbaijan include a reduced space for manoeuvring and increased costs/risks of foreign policy actions. The war has seriously affected and continues to affect the calculations of the decision-makers in Baku. The war requires a new policy towards not only regional countries but also the USA and EU.

Therefore, we can argue that the current crisis will be a reset point for Azerbaijan. If, as a result of the war, Russia becomes stronger, then Moscow is going to increase its pressure on the South Caucasus and other countries of Eurasia to yield to the Kremlin's new terms. If Russia becomes weaker, then Azerbaijan must become ready for the possible decentralization and instability in the North Caucasus, leading to certain radicalization. The crisis has also placed Azerbaijan in a tricky situation, in which it must balance more carefully than before to

avoid being viewed as a Russian ally in the West while also not angering Russia (in view of Russia's increased role in Karabakh). The crisis weakens Azerbaijan's room for manoeuvring and increases the risk of steps taken in either direction. Therefore, Azerbaijani diplomacy is forced to take more cautious steps than before and loses its flexibility to a certain degree. The following article will examine the perception, implications, and expectations of Azerbaijan in the current situation and how the country will behave in these uneasy times.

In the writing of this article, several data collection methods have been employed. First, the researchers interviewed four experts/political analysts on the current situation in Ukraine. Second, the researchers conducted a content analysis of the mass media as well as official statements of public officials. Finally, the researchers conducted an online survey among 15 experts on questions related to the Azerbaijani situation amid the Ukrainian war.

Perception and Political Implications

Certainly, the war in Ukraine has not led to the fractions or division between political elites and society in Azerbaijan, as in many countries of Eurasia, but instead united the country in its attitudes towards the Russian aggression. As before, President Aliyev remained the main character forming the opinion of Azerbaijani elites related to the conflict in Ukraine. During the international conference on April 29, 2022, President Aliyev strongly supported Ukraine, calling on Ukraine to not accept the occupation of its territories (Trend.az, 2022). Referring to the Western position of pacification as wrong, he urged Ukrainians to rely on their own forces and not to depend on outside support. Furthermore, Assistant to the President of Azerbaijan Hikmet Hajiyev said that the Russian–Ukrainian war was a source of concern, and Azerbaijan supported a “diplomatic solution” to the conflict, stressing the priority of state sovereignty and territorial integrity (Aztv.az, 2022).

The Azerbaijani government has been pursuing a balanced approach to the war in Ukraine since its start on February 24. Azerbaijan helps Ukraine by sending humanitarian aid; oil companies provide cheap oil to emergency vehicles, etc. While supplying Ukraine with humanitarian aid and much-needed energy resources, Baku did not join sanctions on Russia. However, to define whether this balancing has thus far been “effective”, one needs to look at the change or continuity in Azerbaijan's bilateral relations with these countries and what it achieved with this calculated balancing. Perception matters greatly, and the downwards slope we observed in Azerbaijan–Russia relations in this period shows that Moscow perceives Baku's independent moves in this regard as a challenge to its cause in Ukraine and

the wider neighbourhood. Harsh rhetoric against Azerbaijan in Russian media and among officials right after the beginning of the war indicates that Moscow sees Azerbaijan as being on the opposite side in the worsening zero-sum game between Russia and the West, but it hesitates to strain ties with Baku amid the looming chaos in Ukraine. Nevertheless, the Kremlin perfectly understands its vulnerability and problems with losing Azerbaijan, has closely cooperated with Baku in Karabakh and has helped to facilitate peace with Armenia.

The Azerbaijani public, meanwhile, supported the Ukrainian cause, and regardless of the position of the Azerbaijani government in the political sphere, the “grand rally” in front of the Ukrainian embassy in early March shows that the Azerbaijani people support Ukraine. As stated by the media, Azerbaijani society, the media, and public figures, for the most part, support the Ukrainian side and point of view. They recognize that what is happening now in Ukraine is not a special operation but a full-scale Russian invasion of the territory of Ukraine (Kuzio, 2022). Meanwhile, a large majority of Azerbaijani society took a pro-Ukraine approach in this crisis and went to the streets against the Russian invasion, associating it with the occupation of one's territories by a foreign occupant (Oc-media.org, 2022). Whenever Azerbaijani society sees Russian troops enter foreign lands, they immediately remember the Karabakh and the Russian troops there. That is why society reacts negatively to Russia's invasion. The support of the people can be confirmed by the abundant humanitarian aid sent, support in social media and the demonstration, during which many people gathered at the Embassy of Ukraine in Baku. This was quite an influential moment for Azerbaijani society, and while protesting Russian actions in Ukraine, they were, by proxy, protesting Russian actions in Karabakh (JAMnews, 2022).

Impact on the Karabakh Conflict

For Azerbaijan, there is uncertainty not only for the general security system but also in Karabakh. Thus, the situation there may create different shades of security dilemmas, pushing different sides to miscalculate. The war obviously has deepened contradictions between the West and Russia. This may lead to the following scenarios: a) intensified rivalry between the West and Russia over including the South Caucasus (SC) under different spheres of influence, b) weakening Russia's position in the SC, and c) withdrawing the West from the SC and intensifying Russia's position here. Depending on which scenario takes place, the Karabakh issue will be affected consequently. The Azerbaijani government has tried to quickly resolve the Karabakh conflict, moving it from the international agenda to the domestic agenda. Thus, the government announced that the Karabakh conflict

has already been solved and that Baku does not need mediation to deal with its Armenian population. Azerbaijan needs assistance only with building peace relations with Yerevan and building communication lines with neighbouring countries. For a certain moment, Baku closely cooperated with Moscow in Karabakh, and Russia helped Baku in the smooth de-occupation of several villages and the city of Lachin. Baku fears that the active involvement of Brussels and Washington in the Karabakh conflict (although Baku denies the existence of conflict) will make Moscow see the region as the new front line. Thus, the conflict will not be resolved, and Russian peacekeepers will become the protectors of separatists. The Ukrainian crisis will determine whether one of two scenarios will take place in Karabakh (more broadly in the Caucasus region): 1) preservation of Russia-centred configurations, particularly in Karabakh, or 2) replacement of these configurations with European-centred configurations. Which of these will occur depends on the outcome of the war in Ukraine, and it is difficult to predict what the outcome will be. On the diplomatic front, the EU seems to be the best candidate to emerge as an alternative mediation platform to the mostly Russia-led process. This approach is in Azerbaijani interests, as it works according to the agenda set by Baku (no status, no OSCE, no conflict + future orientation). Baku's vision of the resolution of conflict is that all residents of the region are citizens of Azerbaijan, and no special privileges should be applicable for anyone. Moreover, no foreign country/organization can intervene in Azerbaijan's internal affairs. At the same time, an increasing number of direct contacts between Armenia and Azerbaijan will also weaken Russian leverage. Finally, military experts stated that the war would have tremendous influence over the military strategy of Azerbaijan. It is obvious that Azerbaijan will stop purchasing weapons from Russia, try to move away from the Russian-style military system and rely more on the Turkish/NATO model (Baku Dialogues, 2021–2022).

The Ukrainian crisis is believed to have greatly affected the Karabakh conflict. Since the beginning of the Russian–Ukrainian war, some processes in Karabakh and beyond have indicated such an effect. There has been spreading news that the Armenian population of Karabakh has been left without gas and of intensified hostilities in Karabakh, with the Azerbaijani army progressing and taking control of Farrukh village in Karabakh's Khojali region in March, the recent clashes between Azerbaijani and separatist forces as well as a "revenge" military operation and control of another strategic location, Mount Buzdukh, and the adjacent heights. These processes were also accompanied by the exchange of declarations, accusations of false information/statements and denials by the Ministries of Defence

of the AR and RF. The crisis may have a great impact on the Karabakh process. Considering the current situation, Russia is not interested in the escalation of the conflict and has taken measures to avoid escalation. As a result, Russia has followed the points of the agreement signed on November 9 and played a positive role in convincing Armenia to transfer the Lachin corridor to Azerbaijan. In this context, due to its preoccupation with the Ukrainian crisis, Russia has positively affected Karabakh processes. On the one hand, we see how Western countries and institutions have reactivated their engagement in the issue after almost a decade of Russian dominance. Baku and Yerevan, as well, seem enthusiastic to explore new, alternative platforms for their bilateral relations and the Karabakh issue, one being Brussels. The real outcome and impact can be seen and evaluated after the Ukraine war: we have yet to see whether Russia will emerge from the conflict stronger or weaker. In the former scenario, the Kremlin may have an upper hand to keep dominating the Karabakh issue, while a weaker/humiliated Russia may either try to make gains elsewhere (Karabakh) or be squeezed out of the region (Expert Interview 1, July 2022).

Economic Expectations and Implications

The war in Ukraine has prompted the European Union (EU) to speed up its energy diversification strategy. On March 8, 2022, the bloc proposed an outline of a plan called Repower EU, which seeks the complete removal of Russian fossil fuel imports well before the end of the decade. This is a daunting task given that the EU imported more than 43.5% of its total gas consumption, 27% of oil imports and 46% of coal imports from Russia in 2021 (European Commission, 2022). The European energy crisis, exacerbated by the war in Ukraine, makes the expansion of the SGC project especially relevant and timely. All elements of the gas corridor are expandable. Currently, Azerbaijan's Shah Deniz Stage 2 is the only source of gas for the SGC, providing approximately 16 billion cubic metres (bcm) of natural gas, with 6 bcm going to Turkey and 10 to the EU markets, including Italy, Greece, and Bulgaria (Caspiannews.com, 2022). Given Azerbaijan's enormous gas reserves, estimated at approximately 2.6 trillion cubic metres, the country can double natural gas exports to Europe within 5 years should the necessary investments and mid/long-term commitments from the potential buyers be made (Caspiannews.com, 2022). Baku's ambitions to increase its renewable capacity in electricity generation to 30% by 2030 will provide additional natural gas volumes for exports to European markets. The EU, for its part, has recently allocated a two-billion-euro financial assistance package to Azerbaijan (Apa.az, 2022), which is widely regarded as a prelude for deepening the energy

partnership between Brussels and Baku and increasing the EU's influence in the region.

Baku could also arrange swap transactions with Turkmenistan and even with Russia, which are the only holders of significant natural gas reserve capacity in the region, meaning that their resources are immediately available. Baku has already been participating in a swap arrangement with Ashgabat and Tehran since November 2021. Under the swap deal, Iran receives up to 2 bcm of gas from Turkmenistan and delivers an equivalent amount to Azerbaijan at the Astara border. In addition, Turkmenistan may directly send some volumes of natural gas to Azerbaijan from the offshore Dostluq field, which is envisaged to be jointly developed by Baku and Ashgabat. The produced volumes can be shipped to Baku's Sangachal oil and gas terminal by building a short interconnector from the Dostluq field to Azerbaijan's existing offshore infrastructure in the Caspian. According to the new EU–Azerbaijan MoU on a Strategic Partnership in the Field of Energy signed on July 18, to boost shipments, the capacity of the Southern Gas Corridor will be increased to at least 20 billion cubic metres annually by 2027. The deliveries have already increased from the Azerbaijani side from 8.1 billion cubic metres in 2021 to an expected 12 billion cubic metres in 2022 (Bloomberg.com, 2022). Similarly, if Azerbaijan manages to obtain cheaper gas from Russia for its domestic use and electricity production, it could free up its own resources for export to Europe. With this strategy, Azerbaijan does not bypass sanctions but uses Russian gas for domestic consumption. On February 22, Azerbaijan and Russia signed an allied cooperation agreement to further advance bilateral relations. Points 31 and 32 of the documents are particularly interesting, as they discuss the deepening of energy cooperation, including the transportation of energy resources.

The war in Ukraine has also affected the physical supplies of Azeri oil. Approximately 80% of the country's crude oil is exported via the Baku–Tbilisi–Ceyhan (BTC) pipeline, which is located far away from the conflict area and takes Azeri Light crude from the Azeri–Chirag–Gunashli oil field in the Caspian Sea to the Mediterranean Sea (iea, 2020). The remaining volumes, however, are shipped via the Baku–Supsa and Baku–Novorossiysk pipelines to the Black Sea ports, which have been severely affected by the war in Ukraine. Due to safety concerns, BP, a leading energy producer in Azerbaijan, shut down the oil pipeline it operates to Georgia's Black Sea coast and redirected the crude oil exports to the BTC route (Eurasianet.org, 2022).¹ The latter can transit up to 60 million tons of crude a year

but has been recently operating at approximately half capacity, thus providing enough space for accommodating approximately 4.2 million tons of crude supplies envisaged for the Baku–Supsa pipeline. Rerouting, however, comes at a cost. The BTC route, in addition to being two times longer, also traverses Turkey, which has recently increased the transit fee for its section of the pipeline from \$0.55 per barrel of oil to between \$1.50 and \$2. Meanwhile, transit through the Baku–Supsa pipeline costs only \$0.42 per barrel. While the Baku–Supsa oil has been redirected to BTC, physical supplies of Azeri crude via the Baku–Novorossiysk pipeline seem to be unaffected. However, as the Black Sea route currently incurs a war risk premium, the Russia-associated Urals crude blend at the port of Novorossiysk has been traded at the steepest discounts in years. While, for example, during the week of June 6, the price of Azeri light crude was averaged at approximately \$129 per barrel, Azerbaijan's Urals crude traded at approximately \$88 (Trend.az, 2022).²

The Future is Unstable

Right from independence Azerbaijan was looking at the Black Sea region from the perspective of access to the world market for its energy products. It is not surprising that the GoA as well as the public perceived the Black Sea area as vital for the country. While Azerbaijan is squeezed between Russia and Iran, has near-war conditions with Armenia, and has limited export opportunities for its energy products, the Black Sea remains one of the important transportation links to the West. In line with the country's strategic initiatives, the countries of the Black Sea region, specifically Georgia and Turkey, were considered strategic partners through which Azerbaijan was building its transportation and political and economic relations with the West.

The Ukraine crisis will have both pros and cons for Azerbaijan's position in structural terms. On the positive side, Baku emerges as a reliable energy supplier for the EU, and its geographical location increases Azerbaijan's strategic importance for energy resources (not only for the West but also for Russia and China). Apparently, it has positive side effects on its negotiating position in Karabakh. Azerbaijan can also emerge as a connectivity hub after sanctions on Russian railways. The middle corridor, with Azerbaijan as a crucial part, can divert some part of the cargo from the northern route passing through Russia and Belarus. On the negative side, Azerbaijan will be part of a worsening zero-sum game between Russia and the West. Until recently, Azerbaijan's balanced foreign policy behaviour afforded it the

1 More information here: <https://eurasianet.org/ukraine-war-forces-closure-of-azerbaijani-oil-export-pipeline>

2 More information here: https://www.azernews.az/oil_and_gas/195254.html

manoeuvring capability to avoid geopolitical pressures. Manoeuvring between the competing interests of Russia and the West has always been the hallmark of Azerbaijani foreign policy. Now, the Ukrainian crisis has complicated the issues further. Baku will need to engage in geopolitical multitasking.

Under the current conditions, it is wise for Azerbaijan to use its old tactic, called “strategic patience”. The foreign policy of the country would concentrate on the provision of energy security to Europe, building good and partner relations with the EU and the USA in eco-

nomie, transport and cultural spheres. Meanwhile, Baku will not pursue political integration. At the same time, the country will also maintain friendly relations with Russia and will not be involved in any anti-Russian sanctions or actions. Nevertheless, Azerbaijan will not join Russian-led initiatives such as the CSTO or Eurasian Economic Union. The country will also work with Russia to reach long-term peace with Armenia since Moscow has a huge influence on Yerevan and has the ability to help both countries to open transportation corridors.

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