

Azerbaijan after the Vilnius Summit: What Next?

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Abstract

The Azerbaijani establishment is in a very difficult situation. With Armenia joining the Customs Union (CU), and Georgia signing an Association Agreement with the European Union (EU), Azerbaijan is trying to keep its neutrality as long as possible. However, with the further intensification of the struggle between the EU and CU in the former Soviet space, for Baku it will be difficult to maintain its balance and the country will need to make a choice. Having two neighbors (Turkey and Georgia) striving for EU membership, and two (Armenia, Russia) going for the CU, Baku is to some extent isolated. Each of the choices brings benefits and problems, while none of the options offer Baku and its establishment a win-win situation.

Association Agreement: Waiting for Better Times

On November 29, Azerbaijan and the European Union signed a visa-facilitation agreement in Vilnius, Lithuania, within the framework of the Eastern Partnership summit. The agreement was signed by the foreign minister of Azerbaijan, Elmar Mammadyarov, by Linas Linkevicius, Minister of Foreign Affairs of Lithuania in his capacity as President of the Council of the European Union, and by Štefan Füle, the EU's commissioner with responsibility for enlargement and the European Neighborhood Policy. The agreement will help Azerbaijani citizens to obtain an EU visa more easily and more cheaply. In particular, the signed agreement has loosened the requirements for obtaining a short-stay visa to travel to and freely throughout the EU. Short-stay visas allow for an intended stay of no more than 90 days in any period of 180 days. For some categories of frequent travelers and under certain conditions, EU member states are supposed to issue multiple-entry visas with validity from one to five years. Holders of diplomatic credentials are entirely exempted from the visa obligation.

In addition, Azerbaijan joined all the other countries of the Eastern Partnership in signing a joint declaration that calls for further steps toward strengthening democracy, respect for human rights and the rule of law, support for the continuation of political and economic reforms, as well as the development of trade relations. Special attention was given in the joint declaration to the development of the Southern Energy Corridor as well as the construction of the Trans-Adriatic Pipeline (TAP) for natural gas and the Azerbaijan–Georgia–Romania Interconnector (AGRI) project.

The authorities in Azerbaijan have positively assessed Azerbaijan's orientation toward Europe, but maintain certain reservations about further movement in this direction. Novruz Mammadov, the deputy head of the Azerbaijani presidential administration, stated that Baku had informed Brussels of his country's inability to sign an Association Agreement with the EU. "We want to

prepare a document that adequately [reflects] our relations with the EU," he said. Earlier, European officials had accused Baku of ignoring its responsibilities and obligations within the framework of the Eastern Partnership. However, Azerbaijan had stated that it was ready to cooperate with the EU in the economic sphere but did not want to undertake any political obligations.

In fact, cooperation with the European Union is one of the foreign policy priorities of Baku. Both sides are interested in such cooperation due to several factors. The strategic location of Azerbaijan, as well as the European dependency on gas and oil, make Azerbaijan a valuable partner. At the same time, Azerbaijan looks at the EU as a market for its resources as well as with hope that the EU could become a force that can counterbalance Russia in resolution of the Karabakh conflict. EU help was critical to Azerbaijan, especially in the 1990s, when projects such as those organized by TACIS and others were implemented. Since 1991, the EU provided 333 million euros to Azerbaijan as technical, humanitarian, emergency, and food assistance.

Meanwhile, strategists say that EU investments into the non-oil sector are critical for Azerbaijan's attempts to diversify its economy and prepare for the days when oil and gas reserves are depleted. Shahin Mustafayev, the Azerbaijani minister for economic development, stated during the summit in Vilnius that the EU's share in Azerbaijan's trade comprised 41 percent in 2012. There are around 1,122 EU companies registered in Azerbaijan, which operate in agriculture, banking, transport and other areas of the economy.

Traditionally, the Azerbaijani public had comparatively high trust toward the EU. In 2008, around 40% of those surveyed trusted the EU while 17%–18% did not. The Russian–Georgian war, the financial crisis, as well as other problems had a negative impact on the trust level. Thus, in 2010–2011, the proportion of people who did not trust the EU rose to a record high of 30%–33% while the number who trusted it dropped to almost 20%. Only in 2012 did the level of trust in the

EU again exceed distrust levels, reaching 32%, while distrust dropped to 22%. Still there are a great number of people who are either neutral or undecided. Here, an active EU policy in the region could win the hearts of many undecided people to trust the European community more.

Meanwhile, almost 50% of Azerbaijani surveyed in 2011–2013 support the country's membership in the EU. Only 11% are against such membership, while significant numbers of people are still either neutral or undecided.

However, there is one big problem with closer ties to the EU that makes the Azerbaijani elite uncomfortable: the EU's constant criticism of Azerbaijan's violation of human rights, corruption, and the absence of reforms and progress. The Azerbaijani establishment understands that the continuation of its rapprochement policy with the EU would force the Azerbaijani government and elite to undertake significant reforms in public administration, opening the local market and respect for human rights. Such steps would immediately lead to further democratization of the country that could in the long run weaken the current government. Thus, the Azerbaijani elite is ambivalent in its approach toward EU-led projects. The Azerbaijani elite wants to be part of EU projects but without significantly changing its system of governance.

Customs Union: Same Organization, but Different Name

Another important reason for Azerbaijan not to sign an Association Agreement with the EU is Russia's zealous opposition to letting another superpower enter the region. Although Georgia has already initialed an agreement and will continue drawing closer to the EU, Armenia was forced to withdraw from its agreement, while Azerbaijan wisely did not deepen negotiations. The Russian establishment will push hard to force Azerbaijan to join the Russia-led Customs Union. In fact, the CU seems the most preferable choice for Azerbaijan. First, official Baku has already had the experience of being a member of a Russian-led union, such as Commonwealth of Independent States (CIS). Although, the parameters of this organization are not comparable, it did not bring any negative effects to Azerbaijan, but instead allowed the country to ease relations with Russia that had deteriorated during 1992–1993. Moreover, the free visa regime with other CIS countries allowed Baku to solve its own problem with high numbers of unemployed people in 1993–2003 who migrated to Russia in droves. Joining the CU would allow certain Azerbaijani products to freely enter CU markets, decreasing the cost of customs tariffs. In addition, importing cheap Russian

food products would lower prices and would be beneficial for a large share of the population.

Nevertheless, the Azerbaijani political establishment and economic elite (very often the same people) are against the CU. Azerbaijani President Ilham Aliyev stated in December 2012 that his country did not see the economic benefit of joining the CU nor the Common Economic Space. As one of the arguments, he brought forth the fact that the economy of the country would not benefit from such integration. Nevertheless, he stressed that once the country sees the benefits, it can join any association without hesitation.

The rumors that Turkey might join the CU forced some experts to believe that Baku and Ankara may join the union together. Nevertheless, the Azerbaijani elite perfectly understands that even despite the high oil dependency of the country, cheap Russian and Belarusian products would harm its burgeoning non-oil sector, especially agriculture.

Above all, joining the CU would undermine the positions of many local oligarchs who enjoy unimaginable benefits from the monopolistic nature of the Azerbaijani economy. Production of certain products in Azerbaijan that could be harmed from border openings is in the hands of a few oligarchs who are opposed to joining any type of union. It is worth mentioning that in comparison with Armenia, Kazakhstan, or even Ukraine, Azerbaijan lacks one of the important drivers that would push the country close to CU. This factor is an independent economic elite or oligarchy. While the oligarchy of Armenia, and to some extent Kazakhstan and Ukraine, have business interests in Russia, Azerbaijani local oligarchs have their businesses in Azerbaijan and Turkey, but not in Russia. These oligarchs benefit from the monopolistic nature of the country's economy. Thus, they would not be interested in opening markets and losing benefits. Ethnic Azerbaijani oligarchs who live in Russia, like the president of Lukoil Vagit Alikperov and billionaires Telman Ismayilov, do not have large business interests in Azerbaijan, and have marginal power to influence the Azerbaijani political establishment to join the CU. Azerbaijan's local oligarchs believe that joining the CU would make Azerbaijan vulnerable to Russian pressure, opening the country's market to Russian business. The "Armenia-ization" of Azerbaijan (in which Russian oligarchs or companies buy out the economy) would follow immediately. That would be, then, the last step in Azerbaijan losing economic sovereignty.

The Azerbaijani public is also not very positive about the CU. On the perceptual level, Russia did everything possible to make Azerbaijanis look at Russia with suspicion. The recent Biryulevo events and Orkhan Zeynalov's case have electrified Azerbaijani society and

became sources of anti-Kremlin feelings. The story is that in early October, an Azerbaijani migrant in Moscow, Orkhan Zeynalov, fatally stabbed Russian citizen Yegor Sherbakov. A few days later, a crowd of Russian nationalists provoked riots that led to the destruction of the market in Biryulevo. Zeynalov was arrested and the process of his humiliating detention and interrogation as well as the Russian media hysteria sparked a wave of negative statements and feelings in Azerbaijan. Although many people understood that the cruel and rough actions were undertaken in order to extinguish the massive protests in Moscow, nevertheless it harmed the perception of Russia in Azerbaijan. It is hard to predict now how these events will affect Azerbaijani–Russian relations in the future.

In Baku, the public believes that Zeynalov's case was simply fabricated to put pressure on Azerbaijan because it had declined to join the CU. Thus, the Zeynalov case is used as a prelude for implementing some harsh measures toward Azerbaijan, including the introduction of a visa regime with Baku, as was the case with Georgia back in 2006–2007.

According to the last census in the Russian Federation, there are 603,070 Azerbaijanis officially registered in Russia. Nevertheless, this number seems very low and the unofficial number of Azerbaijani migrants in Russia may be 2 million people. These migrants account for a large share of the financial transfers from Russia to Azerbaijan. According to Ruslan Grinberg, director of the Institute of Economics of the Russian Academy of Sciences, private remittances sent from Russia to Azerbaijan are somewhere between \$1.8 billion and \$2.4 billion every year (2009–2010). Although it is not a big share compared to the GDP of the country, it nevertheless decreases poverty in the country, especially in rural areas. Rounding up and deporting Azerbaijanis would lead to high tension.

Surprisingly, the Azerbaijani government did not show any concern about such a scenario, or at least tried to be calm. In answer, probably, to the frequent statements from the Russian anti-immigrant circles, the Azerbaijani ambassador to Russia, Polad Bulbulogly, stressed that Azerbaijan is ready to have a visa regime with Rus-

sia, and if the Russian side raises this issue, Azerbaijan would consider it and make a decision. Although the mass media hysteria surrounding the Zeynalov case has already dropped, it is nevertheless hard to underestimate its deep impact on Azerbaijan's perception of Russia. Seeing how Russian law-enforcement agencies treated this Azerbaijani citizen was enough for many Azerbaijanis to understand that the Russian-led CU is not for them. The ghost of Russian xenophobia and nationalism will continue to haunt ordinary Azerbaijanis' perceptions of Russia. Moreover, it further spurred interest in Azerbaijan for closer integration with the EU, where Azerbaijani citizens are not treated with such humiliation and deprivation.

Conclusion

Taking all these facts into consideration, Azerbaijan is left with no options other than to delay its decision to join EU-led projects for as long as possible. Arguably, Azerbaijani elites understand that the future of their country is connected with Europe and its values. Sooner or later, the country will proceed with deeper cooperation and integration with Europe. Nevertheless, today's Russia is stronger than it has been in over 20 years. Baku cannot simply ignore Moscow's interests or unilaterally act against the Kremlin's will. The Azerbaijani government, therefore, hopes that the best strategy is to win time until the CU discredits itself economically and politically. Depending on the amount of pressure it faces from Moscow in the near to medium term, Baku may be forced to sign some sort of political declaration to keep its markets tied to Russian goods and services. However, once the Trans-Anatolian Pipeline (TANAP) and TAP are constructed and brought online, Azerbaijan will become a vital partner for the European Union and a major contributor to Europe's energy security as a natural gas supplier. At that point, Baku may be able to expect of Brussels certain necessary political and security guarantees, thus enhancing its freedom of maneuver to join further EU-led agreements and projects. Until that time, Azerbaijan is forced to walk a thin line while its mighty northern neighbor attentively watches this South Caucasus country's every step.

About the Author

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