

The background of the cover features a large American flag on the left and a large Azerbaijani flag on the right, separated by a diagonal line. The American flag has a field of stars on a blue background and horizontal stripes of red and white. The Azerbaijani flag has a red upper half with a white crescent and an eight-pointed star, and a green lower half.

**REASSESSING  
UNITED STATES-**

**AZERBAIJAN  
RELATIONS: A  
SHARED IMPERATIVE  
TO LOOK AHEAD**

A CASPIAN POLICY CENTER SPECIAL POLICY BRIEF

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# ABOUT US

The Caspian Policy Center (CPC) is an independent, nonprofit research think tank based in Washington D.C. Economic, political, energy, and security issues of the Caspian region constitute the central research focus of the Center.

CPC aims at becoming a primary research and debate platform in the Caspian region with relevant publications, events, projects, and media productions to nurture a comprehensive understanding of the intertwined affairs of the Caspian region.

With an inclusive, scholarly, and innovative approach, the Caspian Policy Center presents a platform where diverse voices from academia, business, and policy world from both the region and the nation's capital interact to produce distinct ideas and insights to the outstanding issues of the Caspian region.



## ABOUT THE AUTHOR



### **Ambassador (ret.) Robert Cekuta**

Ambassador to the Republic of Azerbaijan (2015 – 2018), Bob Cekuta has long and extensive experience as a top level U.S. diplomat. Deeply engaged in advancing high-profile international energy projects, trade policy initiatives and agreements, commercial sales, and other complex international security matters, Amb. Cekuta's positions in the State Department included Principal Deputy Assistant Secretary for Energy Resources as well as Deputy Assistant Secretary for Energy, Sanctions, and Commodities.

His overseas postings included the U.S. Embassies in Berlin and Tokyo where he oversaw the full range of economic, commercial, nonproliferation, and scientific relations. In addition, Bob was Deputy Chief of Mission in Albania and held positions in Vienna, Baghdad, Kabul, Johannesburg, and Sana'a, Yemen. He established the Economic Policy Analysis and Public Diplomacy Office in the State Department's Bureau for Economic and Business Affairs, and served on the boards of the Extractive Industries Transparency Initiative (EITI) and the International Energy Agency (IEA), where he also chaired the IEA Board's Standing Group on Long-term Cooperation charged with anticipating global energy developments.

During his career with the State Department Ambassador Cekuta received nine Senior Foreign Service Performance Awards, four Superior Honor Awards, five Meritorious Honor Awards, and the Career Achievement Award. He is a graduate of Georgetown University's School of Foreign Service, the Thunderbird School of Global Management, and the National War College.

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## Introduction

The U.S. Azerbaijan relationship remains important to both countries, but it is time to reevaluate and update how they engage with each other. The Second Karabakh War is the most visible of the reasons for such a reassessment, given Azerbaijan's military successes, Russia's headline role in securing the November 2020 agreement that halted the fighting, and the need to undertake the extremely difficult work of avoiding a new war and building a peace. But China's high profile economic, diplomatic, and security activities across Eurasia, coupled with the results of the November 2020 election in the United States, have also significantly altered the diplomatic environment. Lastly, multinational challenges—such as the economic, social, and other ramifications of the COVID 19 pandemic or the realities of climate change—make the need for reevaluation, dialogue, and mapping out new directions in the two countries' relations even more apparent.

Basic, long standing factors in the two countries' engagement certainly remain valid, but that does not obviate the need for tough, critical analysis of where their dealings stand and for recalibrating how to engage in the time ahead. Sticking to how Baku and Washington have worked together or talked to each other in the past serves neither country, given changing regional and global pictures. While conducting such an analysis presents challenges, developing new patterns in the two countries' relationship presents a strategic opportunity to build up ties that can become both more mutually beneficial and effective.

## Thirty Years of Partnership

Washington has long characterized its relationship with Azerbaijan as a triangle based on three specific points or vectors: security issues, energy and other economic interests, and support for good governance and the rule of law. At the same time, Azerbaijan has sought and valued a strategic relationship with the United States, leveraging it to strengthen its independence and well being. The overriding interest for Azerbaijanis—officials as well as citizens—has been to build American understanding and support for its position vis à vis Armenia in the protracted, painful conflict over Nagorno Karabakh.

For U.S. policymakers—and for those in other capitals as well—Azerbaijan's unique geographic position is a critical consideration. Azerbaijan is the only country in the world that borders both Russia and Iran. It occupies a central place in a dynamic part of the world where global and regional powers' interests can collide and where conflict and instability are frequently possible. The region's hydrocarbon and other resources have been key additional factors.

Geography makes Azerbaijan, together with Georgia, the bridge that connects Western and Central Europe with Central Asia and further onwards to East and South Asia. This reality makes Azerbaijan essential to the Northern Distribution Network, the pathway from the Black Sea, across the Caucasus, Caspian, and Central Asia, which provides essential, timely access to and from Afghanistan for the United States and NATO. Likewise, the Georgian Azerbaijani trans Caucasus route has been important for U.S. allies' and other partners' commercial links with Central Asia and countries both further south and east, providing them with the only path that avoids transiting through Russia or Iran.

This geographic reality means U.S. policymakers should factor Azerbaijan—along with the Greater Caspian Region of which it is an essential component—into a range of foreign policy considerations. The Trump Administration, for example, identified five overriding concerns in its 2017 National Security Strategy: competition from Russia and China; the dangers posed by Iran and North Korea; and threats of terrorism and criminal activity, narcotics, and human trafficking. Azerbaijan is an essential component in America's efforts to deal with every one of the concerns listed in this strategy, with the possible exception of North Korea's nuclear ambitions. Indications are these issues will be among those of deep concern to the incoming Biden Administration.

Coming back to the triangle of strategic interests characterizing U.S. relations with Azerbaijan, it is critical to stress that while each is important in and of itself, each of the three vectors are inter related and mutually reinforcing. Success in one is needed for success in the other two. From an American point of view, success in these areas also benefits Azerbaijan, strengthening its own independence, stability, prosperity, and well being in a difficult part of the world.

On the security point, for example, Azerbaijan's support on the ground in Afghanistan as part of the international coalition has been important, as was its earlier support in providing peace-keepers in Kosovo. Azerbaijan's role in the Northern Distribution Network remains key, but Baku has also provided valuable, direct bilateral support to Kabul in its fight to stabilize and rebuild Afghanistan and bring to an end the decades of violence there. Moreover, Azerbaijan is an essential piece of the Lapis Lazuli corridor linking Afghanistan with the West, and providing a way to develop legitimate trade and foster Afghans' economic well being.

Also within the security dimension, Azerbaijan has been a valued partner in ongoing efforts to combat terrorism and violent extremism. In addition to direct cooperation in international anti terrorism efforts, Azerbaijan's example as a majority Shia Muslim state where religious and inter ethnic toleration is a long established norm is also important. Azerbaijan's strong, positive relations with Israel are very much noted and appreciated in the United States as well. On top of benefiting Israel, these relations may have provided something of an example as the Trump Administration sought to build diplomatic relations between Israel and a greater number of Muslim countries in the Arab world.

Azerbaijan's geostrategic position has been especially pertinent in what may be the most widely known example of bilateral cooperation with the United States: the further development of Azerbaijan's and the Caspian Basin's crude oil and natural gas reserves and the transport of those resources to parts of Europe and beyond, which significantly boosted regional and global energy security. Azerbaijan's energy resources, whether as exports of crude oil to Israel or natural gas to Europe, have been factors in helping countries stand up to those who would use energy supplies for coercion.

The United States was a visible, active partner with Azerbaijan in realizing the "Contract of the Century." Signed in 1994, that historic agreement directly led to development of the Azeri Chirag Gunashli oilfields in the Caspian as well as the construction of the Baku Tbilisi Ceyhan (BTC) oil pipeline.

The 2006 completion of BTC was followed by the Southern Gas Corridor project. That project cost about \$40 billion to build and included the development of the giant Shah Deniz II gas field in the Caspian, the construction of one of the largest gas processing facilities outside the Middle East in Sangachal just south of Baku, and the building of a 3,500 km set of gas pipelines from Baku across the South Caucasus, Anatolia, and the southern Balkans to Italy. This project, which will be almost certainly fully operational by the time this issue goes to press, will deliver 6 billion cubic meters (BCM) of natural gas annually to Turkey, 1 BCM to Greece, another 1 BCM to Bulgaria, 500,000 cubic meters annually to Albania, and up to 18 BCM to Italy. Moreover, the Southern Gas Corridor project can be expanded, which would enable the trans Caucasus and Trans Anatolian portions to carry perhaps as much as 31 BCM of gas from the Caspian region annually

while the Trans Adriatic Pipeline could be expanded to carry 20 BCM. Even in its current configuration, a link could be made across the Caspian to enable gas supplies from Turkmenistan to reach markets in the West.

Such expansions would further enhance energy security in the Balkans and elsewhere in Europe. For the United States, the European Union, and other European countries, seeing the realization of the Southern Gas Corridor and the earlier oil related projects were strategic keys to diversifying sources of energy and safeguarding against potential disruptions of needed oil and natural gas.

The third vector—the importance of building good governance and the rule of law—has been an area of contention as well as beneficial cooperation. Rule of law is essential to attracting and keeping foreign business and investment, to making a country more competitive internationally, and to helping keep capital at home and encouraging private enterprises' establishment and growth. Efforts against corruption and having courts and a legal system where companies—foreign or domestic—can be assured of fair recourse in a dispute are essential factors in business managers' decisions on whether, and to what extent, to invest in a country. However, while there have been positive exchanges on these topics, matters of political prisoners and other pieces of Azerbaijan's democratic development have been contentious and colored the overall relationship on many occasions.

For Azerbaijanis, a strategic relationship with the United States has been important in helping the country navigate the region's complicated geopolitics, especially the threats posed by some of Azerbaijan's neighbors. They have deeply valued cooperation on energy security matters and greater economic and business ties.

However, what Azerbaijanis wanted most from the United States was its understanding and support in the protracted conflict with Armenia over Nagorno Karabakh and the seven surrounding regions. As one of the Minsk Group Co Chairs, along with France and the Russian Federation, the United States was charged with helping the parties find a way forward. Frankly, patience increasingly wore thin—both within the Azerbaijani public as well as among figures in the country's leadership—over the years due to a lack of progress. Moreover, factors such as Section 907 of the Freedom Support Act passed in 1992, which sought to constrain U.S. assistance to Azerbaijan, raised questions of Washington's impartiality even though successive U.S. administrations used a subsequent amendment to waive its restrictions.

## Changes are Necessary

By the end of 2020 changes in the regional and broader international fabric—some were gradual, others appeared to be sudden, tectonic shifts—underline the need for American and Azerbaijani policymakers to examine and redirect aspects of relations.

One especially important change is China's broadened, more active engagement across Eurasia. China's Belt and Road Initiative is the primary, overarching framework for increasing the network of connections between China and East Asia with the western portions of Eurasia, and includes new transportation infrastructure together with other commercial and economic activities, often financed by China and primarily involving Chinese companies. For Beijing, BRI represents a strategic means for strengthening China's influence and security by, for example, circumventing potential chokepoints such as the Strait of Malacca.

In some ways, BRI parallels and complements initiatives championed by the United States and others to build a New Silk Road for the purpose of reestablishing trans Eurasian transportation and trade routes and with the intent to boost the economic activity and stability of, in particular, the greater Caspian region. The new road and rail links, for example, can cut travel time for surface transport from Shanghai to western European commercial centers from six weeks to a fortnight.

However, as BRI moved forward concerns arose that arrangements for obtaining Chinese investment funds and other support could come with hidden or higher than expected costs and with terms that translate into Chinese control and ownership. There have also been instances of heavy handed Chinese political engagement accompanying BRI projects. Moreover, China has injected a military security dimension into how it has engaged some countries in Central Asia within the framework of BRI. The United States and other governments have become particularly concerned and outspoken on the dangers of such predatory lending and business practices, and there are instances in which countries' politicians and domestic populations have opposed or demonstrated against deals reached with Chinese entities.

Azerbaijan's own successful focus on developing its own transport and communications infrastructure and furthering connections with the rest of the Caspian region and beyond is a second important development. Connected with, yet separate from, China's BRI, Azerbaijani efforts over the past decade have also yielded positive results in its relations with the United States.

Especially noteworthy in this regard has been the new port of Alat and its associated free trade industrial zone located about 75 km south of Baku on the Caspian Sea, as well as the construction of the new Baku Tbilisi Kars railway that was inaugurated in October 2017. Their realization, along developments on the eastern side of the Caspian in Kazakhstan and Turkmenistan, advance the vision of a modern Silk Road and significantly help overcome the Caspian region's poor interconnectivity. To date, the Caspian region has been one of the least interconnected areas of the world, a factor holding back its economic growth and prosperity.



The Alat and related transportation infrastructure works are also key to the country's efforts to diversify its economy and to create industries and jobs. Another Azerbaijani led project to boost regional connectivity is the laying of a new fiber optic cable across the Caspian and the Caucasus that will increase and strengthen Internet and international telecommunications capacity across Eurasia.

Reducing dependence on hydrocarbon exports is a longstanding, necessary goal for Azerbaijan. Establishing new companies and business sectors are even more critical given the country's growing population and youth bulge, with perhaps two thirds of the population born in 1990 or the following years—a situation Azerbaijan shares with many others in the Caspian basin— and the fact the hydrocarbon sector is highly capital intensive and employs comparatively few workers. Seeking to create around 200,000 jobs annually means encouraging the fostering of new enterprises and the growth of existing ones.

By completing these infrastructure projects, Azerbaijan is shaping an environment that can create and grow new productive activities as well as strengthen regional connectivity. These infrastructure projects; the associated efforts to digitalize operations, eliminate regulatory, and processing barriers; and the region's economic expansion also mean opportunities for American manufacturers and services providers.

A third factor changing the context of U.S. Azerbaijan relations has been the overall tenor of American foreign policy under President Donald Trump. Although much less engaged in many aspects of international relations than its predecessors, the Trump Administration's focus on Iran and its maximum pressure campaign drew attention to the need to engage Azerbaijan. Then National Security Advisor John Bolton's visit to the region in October 2018 underlined this point. The Trump Administration also continued American engagement on energy matters, supporting completion of the Southern Gas Corridor and seeing it as a means to provide a broader range of countries in the Balkans with needed natural gas and thus increased energy and national security. Moreover, the Trump Administration strongly supported the project to build a Trans Caspian pipeline, which would enable Turkmenistan to develop and sell its immense natural gas resources to Western consumers while also diversifying its slate of customers.

To its credit, the Trump Administration developed and published a policy on Central Asia—one of very few such policy statements it produced. The document focused on the five former Soviet states east of the Caspian plus Afghanistan, with an eye on the roles of Russia and China there as well as having in mind the importance of reaffirming American support for the independence, sovereignty, and territorial integrity of the countries of the region.

The document, however, failed to spell out the necessity for the South Caucasus to be factored in if the U.S. strategy were to be fully successful. The geographic realities of the South Caucasus as the bridge to the region were not appropriately addressed. At the same time, Trump's focus on drawing down in Afghanistan and a general pullback of America's international commitments raised concerns over where the United States might be heading. Human rights dropped off the agenda, except where the overall context of bilateral relations was worsening or difficult, e.g., in the case of statements over the treatment of China's Uighurs or abuses in Iran. Empty chairs in federal agencies made high level contacts more difficult and disrupted formulating policies and messaging.

## Recent Game-changers

Two especially important game changing developments in 2020 further altered realities in the region as well as the framework of U.S. Azerbaijan relations. The first was the outbreak of the COVID 19 pandemic and its social—and especially its economic—impacts. The second was the renewed warfare between Armenia and Azerbaijan that began with a limited conflict in July 2020 and culminated in early November with Azerbaijan retaking Shusha and other territories Armenia had occupied since the early 1990s, which resulted in a Moscow brokered armistice agreement with Yerevan.

Moving across countries with differing intensity and returning at different times, the COVID 19 pandemic has forced shutdowns and disrupted travel, trade, and supply chains. The resulting global economic slowdown—which came on top of a fight between major oil exporters Russia and Saudi Arabia—produced substantial global surpluses of crude oil as well as severe drops in oil prices for other producers, including Azerbaijan. Countries instituted strict restrictions on entry to control the virus' spread. Trade and distribution systems were disrupted worldwide and citizens working abroad found themselves either unable to return home or to their jobs. At the same time, health systems were severely strained, education was disrupted, tourism dried up, and families suffered income losses and other pressures as necessary lockdowns were instituted.

While almost every country expects to end 2020 with negative GDP growth numbers, the uneven nature of the pandemic's impacts and the differences in impact mean countries will emerge from the pandemic and their economies will return to pre coronavirus levels at different times and at different speeds. For Azerbaijan this situation may mean challenges resulting from, say, Turkey recovering at one point and Russia at another. Different countries recovering at different paces will also have impacts on oil and natural gas markets—again with potential impacts for Azerbaijan and other hydrocarbon exporters. Moreover, while advanced industrialized economies can draw on reserves or incur national debt increases to institute large fiscal stimulus programs to help their citizens and business sectors, emerging and developing country

economies generally lack such capacity. Furthermore, emerging economies and developing countries may be hit with the need to repay or reschedule international loan commitments even as their economies remain in recession. A further reality is that economic recovery will follow vaccines and medical advances in treatment, enabling individuals safely to resume their activities. At this writing, many of the vaccines that show promise require ultra cold storage measures and two injections to be effective.

These factors, which in addition to costs and the logistics of production and delivery to hundreds of millions of people worldwide, suggest global recovery from the virus remains some months out, while its harmful social, economic, and health effects continue. Like other countries, Azerbaijan will need to navigate this situation and make conscious policy decisions on how best to shape and rebuild systems; post coronavirus realities will not simply snap back to what they were before the onset of the COVID 19 pandemic.

The final and most dramatic factor necessitating new thinking regarding U.S. Azerbaijan relations is Azerbaijan's successful military campaign to regain control over most of Nagorno Karabakh and the surrounding territories Armenia occupied since the early 1990s.

In less than two months Azerbaijan achieved militarily much of what it had long sought diplomatically for more than two decades. It pushed the Armenian forces out of most of the territories surrounding Nagorno Karabakh and regained control of much of Nagorno Karabakh itself. Although each of the heads of state of the three Minsk Group co chair countries called for a ceasefire, and their foreign ministers repeatedly engaged Armenian and Azerbaijani counterparts, it was Russia—with President Vladimir Putin's direct involvement—that brokered the November 10th statement that ending the fighting.

The November statement halted the kinetic conflict; left Azerbaijan's government in control of the areas it had recaptured; and provided for Armenia to vacate Kelbajar, Aghdam, and Lachin. However, it also included provisions for 1,960 Russian peacekeepers to be present in the region for five years, with a provision for them to remain for an additional five years provided neither Armenia, Azerbaijan, nor Russia oppose extension. In addition, Russia will monitor the Lachin corridor between Armenia and a portion of Nagorno Karabakh that falls within the Russian security zone and previously occupied by Armenian troops.

The surface route between Azerbaijan's mainland and its Nakhchivan exclave will also be reopened for the first time since 1992, but with Russian FSB personnel monitoring the four crossing points.

United Nations agencies were charged with overseeing the return of refugees and the internally displaced. Turkey, which sent F 16s to Ganja following Armenia's missile attacks on the city and strongly supported Azerbaijan diplomatically, was recognized as having a presence in the headquarters of the Russian monitoring mission.

The impacts of this Second Karabakh War and the Russian brokered ceasefire are still emerging and various necessary follow up arrangements are being worked out. However, some points have already become apparent. One is that Azerbaijan showed effective military planning and warfare capabilities. Azerbaijanis were also able to reassert sovereignty and control over portions of its territory that Armenia backed forces had occupied since the early 1990s. Another is that once again Russia showed it is not afraid to capitalize on opportunities to take an assertive role and to show itself an influential actor on the global stage. Azerbaijan was long proud of the fact that, unlike others in the former Soviet space, there were no foreign troops on its soil; now Russian troops are on Azerbaijani territory as peacekeeping monitors while also looking to be seen as guarantors of Armenian security.

Russian troops, as General Ben Hodges recently wrote, are now in all three countries of the South Caucasus. For Armenia, the situation represents an unforeseen defeat on the battlefield. Yerevan will need not only to reappraise its situation but also to determine how best to ensure its long term security. Finally, Turkey showed both a willingness and the ability to advance its own interests in the South Caucasus, strengthening its image as a rising regional power to be taken into account.

## Five Points of Reappraisal

Given these changes as well as their long term interests, Azerbaijani and American officials need to reevaluate and recalibrate both what they say to each other and how they say it. Again, each country has longstanding interests that remain valid and sit at the core of their respective national security and foreign policies. However changes in the region, the maturing and growing self confidence of Azerbaijan and other states that emerged (or re emerged) out of the Soviet Union thirty years ago, and the range of contemporary issues the world faces all require Washington and Baku to reappraise how they approach each other and establish a different tone in their bilateral dialogue.

Given the nature of the U.S. policymaking apparatus, these reappraisals on the Washington end in the context of the incoming Biden Administration will most likely take place within the interagency framework of broader strategic analyses of, say, Russia or Asia, although some bilateral recalibration may take place in specific Azerbaijan or Caucasus focused discussions.

A reappraised bilateral relationship should—at least from a U.S. point of view—include at least the following five points: actively engage with Azerbaijan in addressing

Russian, Chinese, and Iranian ambitions; build peace between Armenia and Azerbaijan; harness Azerbaijan's capacity to serve as a key to greater regional connectivity; build on years of cooperation on energy matters; and address governance concerns through more effective dialogue. Each will be examined in turn.

First, **actively engage with Azerbaijan in addressing Russian, Chinese, and Iranian ambitions.** Azerbaijan's geostrategic importance remains great as does the country's need to navigate the complications arising from bordering Russia and Iran, along with China's push for trans Eurasian transport, economic, and political linkages. President Putin has frequently said he sees Russia as having a privileged position or a special sphere of influence over the former Soviet space, a claim the United States has continued to reject as it fosters the independence, sovereignty, territorial integrity, and prosperity of the states of the Caspian region and elsewhere that were once part of the Soviet Union. Contemporary Russian ambitions on this front, however, include utilizing protracted and other conflicts to advance its stature and influence. China, which is challenging freedom of navigation and other long standing U.S. interests in the Pacific, is pursuing an ambitious agenda to its west that aims at boosting its prosperity and global stature. Iran's nuclear program, support for terrorism, and history of meddling in Syria, Yemen, Iraq, and elsewhere mean it will be a continued challenge to international stability and security. As we have seen, Azerbaijan's location and interactions with each of these players makes it a key piece in a broader puzzle for constructively dealing with these geopolitical realities.

Besides appreciating Azerbaijan's stability as an important asset in advancing U.S. interests in the Caucasus and Central Asia and also to keep the region from becoming an arc of crisis, the United States should continue to help Azerbaijan act as a needed partner in fighting international drug trafficking, trafficking in persons, and other multilateral threats. This cooperation must include combatting the proliferation of weapons of mass destruction, a program which has been highly successful. While there may be calls at home to cut back on U.S. security cooperation—which has long included America's refusal to supply military support that could be used in a war with Armenia—pulling back on security cooperation in areas where Azerbaijan is a needed partner would be a mistake.

The incoming Biden Administration should also boost direct contacts between Washington officials and Azerbaijani partners at all relevant levels. Russia and others have often bested American diplomacy in the frequency, intensity, and effectiveness of direct contacts between capitals. The frequent phone calls, congratulatory messages, and high level visits between Moscow and Baku—and between Moscow and other capitals—pay off in terms of increased influence. Washington has been comparatively stingy in terms of such contacts. However, COVID 19 has shown effective conversations can take place electronically. Yes, there are security concerns, but 2020 proved officials can engage comfortably and with needed effect using electronic media.



These conversations should not just focus on bilateral issues, but should also look at information sharing and advancing engagement on broader regional and multilateral issues for a number of good reasons, including the fact that Azerbaijan currently chairs the Non Aligned Movement. For example, Azerbaijan could be useful in developing a new relationship with America's key NATO ally and growing regional player Turkey.

Second, **build peace between Armenia and Azerbaijan.** The November statement halting the kinetic conflict between Armenia and Azerbaijan is silent on the future of Nagorno Karabakh. Although the armistice ends the fighting, it does not establish peace. Moreover, in addition to concerns that Armenian anger over its defeat will lead to revanchism and future conflict, there is also the sense that Russia will want to utilize and benefit from further animosity between Armenia and Azerbaijan, as it has with other protracted conflicts.

It is important that the United States and other countries actively engage both Armenia and Azerbaijan to help them build real peace. Emotions are high on both sides, but for the good of both countries Yerevan and Baku will need to find ways to live together in peace, security, and prosperity. It will not be easy, but it can be done. After all, there was no guarantee in 1945 that there would not be another Franco German war and it is well worth noting that any list of close, strong U.S. allies includes countries like the United Kingdom, Germany, Italy, and Japan—each of which fought bloody, vicious wars against the United States in the past.

The United States has considerable experience, capabilities, and expertise in peace building around the world. Americans should bring these resources to bear in working with both Armenia and Azerbaijan in finding ways to rebuild understanding, live together peacefully, and shape a future that benefits both peoples. Moreover, America has the capacity to convoke international meetings to engage other countries in the peace building effort, including to help encourage the investment and other economic engagement that will be needed. The incoming Biden Administration should assume a substantial role, engaging Armenians and Azerbaijanis to solicit their input and buy in in moving forward to realize an effective, and greatly needed peace building process.

Third, **focus on Azerbaijan as a key to greater regional connectivity.** America's Central Asia strategy document restates U.S. interests in the region's development and prosperity, which includes encouraging connectivity in Central Asia and between Central Asia and Afghanistan. The United States has also supported the Three Seas Initiative to facilitate interconnectivity on energy, infrastructure, and digitalization projects in Central and Eastern Europe, seeing it as a way to reduce these countries' dependence on Russian and Chinese economic overtures. Moreover, the United States has long encouraged the Lapis Lazuli corridor to expand Afghanistan's trade and

other links with the west as well as construction of a Trans Caspian pipeline to enable Turkmenistan to expand the range of customers for its natural gas and also to boost further European energy security. A land bridge across the South Caucasus is crucial for the success of each of these projects.

The United States should engage Azerbaijan more vigorously in boosting such interconnectivity. In addition to the realities resulting from Azerbaijan's geographic position, there is also the fact that Azerbaijan takes the initiative in building such interconnections. The further expansion of the new port at Alat is one example. Another is Azerbaijan's engagement with Georgia, Kazakhstan, Turkey, and Turkmenistan in building the needed infrastructure and systems that are key to boosting the interconnection the United States advocates and that the region's prosperity and stability need.

Moreover, the focus on interconnectivity includes digitalization and expanding communications and internet links. Azerbaijan has worked with Kazakhstan and seeks to work with Georgia to realize a Trans Caspian fiberoptic cable that would connect to Germany as well as China. This would improve connectivity globally as well as within the region. The fact that Azerbaijan used its hydrocarbon dividends rather than turning to China for financing—as others in the region have done—is also noteworthy.

Each of the aforementioned projects present commercial opportunities for U.S. firms. Thus, for commercial as well as foreign policy reasons, the United States should be sitting down with Azerbaijan and discussing efforts to boost interconnectivity.

Fourth, **build on years of cooperation of energy matters, including to foster stronger U.S. Azerbaijan business and economic ties.** Strong U.S. Azerbaijan communication and cooperation in the energy sector—and the important contributions to energy and regional security they have produced—should be broadened into a more vibrant and mutually beneficial set of economic and business relationships. Strong business ties not only promote prosperity, they also produce constituencies in each country interested in and looking to further build stronger bilateral relations.

Even as much of the discussions in international fora, government agencies, and various think tanks focus on climate change and the need to reduce greenhouse gas emissions, Azerbaijan's oil and natural gas reserves will remain important to Israel, much of Europe, and other regions home to U.S. allies and partners. Action to address climate change is crucial, but at the same time, the world will continue to depend on oil and oil derived products in the coming years as well as look to natural gas as a needed, cleaner energy source. The latter, in particular, is seen as a transition fuel for electricity generation as well as feedstock for needed chemical products.

In other words, a transition will take place, but not overnight. The United States will almost certainly continue to look to Azerbaijan as a source for diversified, secure energy for Italy, Turkey, the Balkans, and others, even if this topic is not the headliner it was in previous years. Moreover, another Russian move to cut off Ukraine or others could quickly catapult European energy diversification and security back into the forefront of regional and global diplomatic and security discussions.

The growing populations of the Caucasus and Central Asia, these countries' mineral and other resources, and the development of the region's economies all mean commercial and other economic opportunities. Washington has had a history of good bilateral discussions with Azerbaijan on economic and business matters, including on what is needed to build a stronger, more attractive commercial environment. Those talks should continue, but with heightened direct input from the business community and other stakeholders. Sparked by concerns over Chinese intentions and examples of predatory business practices, in the past few years the United States reenergized agencies such as the Export Import Bank (EXIM) and created the new Development Finance Agency (DFC). These agencies should keep a focus on Azerbaijan and others in the region.

A further area for bilateral engagement is supporting economic reforms. Reforms in Azerbaijan, based on sound free market principles, remain essential for diversifying the country's economy; fostering innovation and the establishment and growth of new businesses; and enabling Azerbaijani businesses to attract capital in an increasingly competitive global financial environment and marketplace. American and other potential foreign business partners will be watching Azerbaijan's efforts to fight corruption, strengthen the integrity and fairness of its courts and legal environment, and how it looks to reshape and strengthen its economy as it emerges from the COVID 19 pandemic with the economic contraction it has induced, and brings into motion plans to rebuild its newly liberated territories.

Finally, *address governance concerns through more effective dialogue*. It is premature to speculate in much detail on the new administration's foreign policy, but U.S. experts generally agree that the Biden Administration will again have a strong focus on human rights and democratic development. The President elect, for example, has already talked about a democracy summit, with more initiatives likely to follow.

The human rights component of the bilateral relationship does not have to be handled as it was in the past; rather, both Baku and Washington should learn from that experience. Each side knows where the problems lie. As in other areas of effective bilateral engagement, quiet and reasoned discussions, in which each side shows

respect for the other, have had—and will have—greater beneficial impacts than “naming and shaming” or “billboard diplomacy.”

## **Better Engagement**

For the United States, a presidential transition traditionally represents an opportunity to re examine issues, review priorities, and design new approaches. Events— ranging from the challenges to the rules based international system and the revived competition among some key global actors to the COVID 19 pandemic, the Second Karabakh War, and the need to address the new situation in the South Caucasus—make this a time ripe for both re evaluation and deliberation on new ways for the United States and Azerbaijan to engage.

For the United States, this review will probably take place in the course of examination of the numerous broad challenges the Biden Administration will need to address. However, even without a specific U.S. Azerbaijan policy review, U.S. officials should step back, look at where relations stand, and consider how we can better engage one another.

Baku, too, should use this moment to revise how it engages with the United States, including in light of recent developments and extant challenges in its region.

Both sides could also use this moment to identify some long standing matters of little strategic importance and sweep them out of the way. Doing so would allow each to concentrate on matters where cooperation can considerably advance both countries’ interests in ensuring stability, prosperity, and a peaceful, secure region.

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