

# U.S.-Azerbaijan Relations

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Thank you for that kind introduction and for organizing such an important conference. It's an honor to join you today, especially Deputy Foreign Minister Azimov, Ambassador Aliyev, and my friend and former colleague David Kramer.

I was asked to discuss the U.S.-Azerbaijan relationship in about 15 minutes. That reminds me of a story involving George Bernard Shaw, the famous author, which highlights the challenge of brevity in public speaking. It seems that Shaw was hosting an event one day in London, and the first speaker came up to him and asked him how long he should speak for. Shaw told him he should probably limit his remarks to about fifteen minutes. "Fifteen minutes!" the speaker replied in horror. "How am I supposed to tell them everything I know in fifteen minutes?" Shaw paused, and then responded: "In your case, I

would advise you to speak very slowly."

In my case, you don't have to worry about me going much beyond fifteen minutes, even if I speak very slowly.

Let me start by asking a simple question: why does Azerbaijan matter to the United States? Since you're all attending this conference, I'm sure you already have a good sense of the importance of Azerbaijan, but sometimes the obvious bears repeating.

The U.S. views Azerbaijan as a strategic partner sitting at the crossroads of the Middle East, Europe, and Asia – regions whose future will shape American interests and foreign policy for many years to come. After gaining independence in 1991, Azerbaijan chose to open its rich oil and gas resources to Western markets and develop commercial partnerships with foreign investors, including U.S. companies. As a result, Azerbaijan has emerged as a key player for diversifying and securing global energy supply. Its pipelines have become main arteries connecting the Caspian Sea to the West. Its commitment to building its governing institutions and a modern economy has bolstered the country's stability and stimulated economic growth.

A more stable and prosperous Azerbaijan promises a more stable and prosperous Caucasus. It promises more opportunities for peace in a complex region. And it promises a more reliable partner for fighting global threats - from terrorism to financial crises - which no single nation can overcome alone.

That's why the United States places such importance on our relationship with Azerbaijan. We want Azerbaijan to succeed in becoming a market-based economy and a democratic state. We want it to live

in peace with its neighbors and play a central role in bringing stability to the region. These goals are not only in Azerbaijan's self-interest, but in our common interest.

My next question is then: how is the United States helping Azerbaijan achieve these objectives? Our bilateral agenda focuses on three main areas: security cooperation, energy, and economic and democratic reform.

## **Security**

In the security realm, one of our highest priorities is fighting the threat of violent extremism. Azerbaijan – a moderate, secular state with a majority Muslim population – has been a key ally in this campaign. It has shared information, increased efforts to combat terrorism financing, and apprehended and prosecuted suspected terrorists.

As an active participant in NATO's Partnership for Peace program, Azerbaijan is developing multifaceted security relationships with its neighbors in the region. It has made steadfast contributions to NATO and coalition efforts in Iraq, Afghanistan, and Kosovo, which, Mr. Ambassador, we greatly appreciate. In 2008, Azerbaijani troops completed five years of service in Iraq, often serving next to U.S. Marines. This year, the number of Azerbaijani peacekeepers in Afghanistan doubled from 45 to 90. Azerbaijan also provides valuable overflight, refueling, and landing rights for U.S. and coalition aircraft bound for Afghanistan and Iraq.

While Azerbaijan has made critical contributions to international security efforts, we recognize that the country has security concerns closer to home. Key to long-term stability in the region is achieving a peaceful resolution of the Nagorno – Karabakh conflict. Let me assure you that the President and Secretary Clinton are committed to doing everything possible to support that goal. We want to see Azerbaijan and Armenia living side-by-side in a peace that fosters mutual prosperity.

Towards that end, we recently announced the appointment of Ambassador Bob Bradtke as the next U.S. co-chair of the OSCE Minsk Group. Bob brings more than 36 years of Foreign Service experience to the position, reflecting the importance the United States places on this process.

We hope that the recent progress made in talks between Presidents Aliyev and Sargsian will lead to tangible results when they meet next month. The outline of a possible settlement has been clear for some time, though as with all things, the devil lies in the details and further discussions will be needed to satisfy the concerns of both sides. We trust that all parties will show the political will necessary to close negotiations and bring the conflict to its desired end. And we will devote considerable time and effort towards this goal.

Likewise, the historic steps being taken by Turkey and Armenia towards normalizing relations are very encouraging. Although this rapprochement is not linked to the Nagorno-Karabakh negotiations, both processes are critical for resolving the long-standing problems that have divided the South Caucasus and limited opportunities for regional growth. Settling these disputes will open doors to new levels of cooperation, trust, and commercial development region-wide.

## **Energy**

Speaking of commercial development brings me to our next area of bilateral cooperation - energy. The U.S. and Azerbaijan have a long partnership in major strategic energy projects that have created linkages between West and East.

This week Azerbaijan is celebrating the 15<sup>th</sup> anniversary of the “Contract of the Century,” which eventually led to the construction of the Baku-Tbilisi-Ceyhan oil pipeline. Today this pipeline exports about 1 million barrels of oil per day. Having also completed the South Caucasus Gas Pipeline, Azerbaijan is now on the threshold of a new and even more promising phase of energy sector development. The recent signing of the Nabucco Intergovernmental Agreement was a major milestone for opening up a new natural gas corridor to Europe. It is important that Turkey and Azerbaijan build on this momentum and soon reach an agreement on gas pricing, transit, and any remaining issues needed to make the Southern Corridor a reality.

Such projects have not only unlocked Caspian energy resources for the world, but have also fueled Azerbaijan’s economy and secured a more independent economic future for the Azerbaijani people.

I realize that some have described U.S. and Russian energy policies as the next Great Game in Central Asia. This depiction is misleading. While there are always elements of competition in energy matters, as in any commercial area, the U.S. does not believe that energy security is a zero-sum game. We can gain more by working together than against one another. It is our firm belief that greater interconnectivity maximizes diverse sources and routes, ensures better market pricing, and protects against supply disruptions, for the good of all countries.

In that vein, we hope that Azerbaijan and its neighbors will continue to develop their production of oil and gas. We encourage ongoing discussions between Azerbaijan and Turkmenistan, Kazakhstan, Turkey, and other partners to find reliable, transparent ways to help this production reach European and other markets. And I assure you that the United States stands ready to keep working closely with Azerbaijan, our other friends in the region, and the private sector to strengthen and expand global energy supply.

### **Economic and Democratic Reform**

While several major U.S. firms, such as Chevron and Exxon, operate in Azerbaijan’s energy industry, we’d frankly like to see more U.S. investment in the non-oil sectors. American companies can help Azerbaijan diversify its economy by bringing new technologies and skill sets. I’m confident that investment will flow as long as Azerbaijan continues its program of economic and democratic reform, which is the third pillar of our shared agenda.

Azerbaijan has already made significant strides in improving the country’s infrastructure and regulatory environment. These efforts earned it the distinction of being the “Top Reformer” in the World Bank’s Doing Business Report in 2009. Azerbaijan also became the first country to comply with the Extractive Industries Transparency Initiative, which sets the global standard for transparency in oil, gas, and mining. But more work remains to implement these reform processes and put into place the laws and institutions needed for businesses to thrive and oil wealth to improve the lives of all citizens.

Joining the World Trade Organization – an aspiration that Azerbaijan has pursued and the U.S. strongly supports – promises to be one of the fastest ways for the country to seize the benefits of foreign markets and attract international investors. At the same time, WTO rules require world class business standards, transparency, and a level playing field for all enterprises – small and large.

This means tackling the problem of corruption. Transparency International noted in its 2008 Corruption Perceptions Index that corruption remains a serious challenge in post-Soviet states, including Azerbaijan. Corruption effectively acts as an extra tax that weighs most heavily on small businesses. It corrodes the rule of law and cripples law enforcement. It robs citizens of the wealth derived from economic growth. Sadly, corruption is a common failing of human nature worldwide, the

United States included. But a democratic government has the responsibility to ensure it doesn't become a failing of the entire system by going undetected and unpunished.

And this begs the question: how do you fight corruption, as the Azerbaijani government has promised in its National Strategy, without an independent media that can bring problems to light? Free press and a strong civil society are some of the most effective tools for combating corruption and protecting our citizens. The continued detentions of opposition journalists, as well as the blocking of Radio Free Europe/Radio Liberty, Voice of America, and BBC broadcasts in Azerbaijan, have raised significant concern in these areas. We've urged the Azerbaijani government to consider the impact of such actions in terms of its broader developmental and democratic goals.

Increased transparency in governance will help Azerbaijan realize the democratic principles it endorses and economic well-being it seeks. The United States provides technical assistance and training to help improve public expenditure planning, enhance the capacity of the commercial finance system, and strengthen private sector competitiveness. Our assistance activities support election reform and fund education for journalists. They also back NGOs that battle corruption and help youth groups that seek to create new spaces for democratic debate on the web. We believe that an active civil society complements the role of government and cultivates a dynamic nation.

## **Conclusion**

The U.S., as a strong and steady friend of Azerbaijan, is committed to working together with the Azerbaijani government and its people to support the development of a secure, prosperous, and democratic state. It is increasingly obvious that Azerbaijan has become much more than a trading stop on the Silk Road. As Azerbaijan progresses down its chosen path of reform, its influence will continue to extend into political, economic, and cultural spheres, and its connections with the United States will continue to deepen.

A strong U.S.-Azerbaijan partnership is more important today than ever before. There are significant global challenges which neither of us can tackle alone. As with all bilateral relationships, there may be times when our interests do not coincide. But I hope I've clearly conveyed where we share common ground. Whether in the realm of security, energy, or economic and democratic reform, we have an historic opportunity to transform the region and help it achieve its geopolitical and economic potential. We need each other to accomplish this extraordinary task, and I'm optimistic that we'll live up to the challenge.

Thank you and I wish you a successful conference.