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# Russia Moves To Repair Ties With Azerbaijan.

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Russian leader Vladimir Putin is intent on reducing tension with Azerbaijan, one of the Caspian Basin's key energy producers.

During an informal get-together March 27 in Moscow, Putin was unusually solicitous toward Azerbaijani President Ilham Aliyev. "I am grateful to the president of Azerbaijan for using any opportunity for meeting," the Itar-Tass news agency quoted Putin as saying. Putin went on to say that Aliyev "always was a welcome guest."

Putin's charm offensive is linked to geopolitics and Russia's unstinting efforts to maintain its commanding Caspian Basin energy position. Starting in late 2006, Azerbaijani-Russian relations took a nosedive after the Kremlin-controlled conglomerate, Gazprom, attempted to dramatically raise the price of natural gas exports to Azerbaijan. [For background see the Eurasia Insight archive]. At the time, Aliyev essentially told Russia to take a hike, saying that Azerbaijan would not tolerate "commercial blackmail."

Most former Soviet states are energy-dependent on Russia, and thus have little leverage in pricing negotiations with Russian energy suppliers. Not Azerbaijan, which is projected to more than double its oil production over the next three years, from 237 million barrels to 476 million barrels, according to a report published by the Moscow Times. Baku is also expecting to significantly increase in gas production over the same period.

The Aliyev administration reacted to the Gazprom move by declaring that Azerbaijan would cease importing Russian gas, and suspend oil exports via Russian pipelines. Baku's action got the Kremlin's attention. Increasing the pressure on Russia to make amends was Azerbaijan's zealous efforts to establish good relations with Turkmenistan, which, if successful, could pave the way for a trans-Caspian gas pipeline. [For background see the Eurasia Insight archive]. That potential export route would break Russia's stranglehold over Central Asian gas exports, potentially dealing a severe blow to the Kremlin's energy policy. [For background see the Eurasia Insight archive].

Details of the March 27 discussions between Aliyev and Putin proved elusive, but the two appeared to ease the bilateral chill. Putin invited Aliyev to attend St. Petersburg's 11th International Economic Forum and an informal CIS summit this June. In response, Aliyev said Baku was ready to discuss bilateral issues. He added that the two countries enjoyed "stable, friendly and cooperative relations," and indicated that he would attend the events in St. Petersburg. The Azerbaijani news agency APA, quoted Aliyev as saying the two presidents had a "fruitful exchange."

Strategic considerations perhaps prompted Aliyev to mend fences with Moscow. Azerbaijan has in recent months sought to bolster support for its negotiating position in the Nagorno-Karabakh peace talks. A settlement has eluded Azerbaijan and Armenia in the long-running negotiations. Nevertheless, international mediators hope that a breakthrough can be achieved in 2007. Aliyev and members of his administration insist that any settlement must leave the disputed

territory under Azerbaijani control. Armenian leaders are equally adamant that a peace deal leave Karabakh independent of Baku.

During a March 28 visit to Baku, Russia's Federation Council Speaker, Sergei Mironov, characterized the lack of a Karabakh settlement as a "wound that does not heal." In comments broadcast on Azerbaijani television, he went on to express confidence that "Russia will do its best to help resolve the issue as soon as possible."

In Baku, Mironov also discussed economic issues with Parliament Speaker Ogtay Asadov and Prime Minister Artur Rasizade. "Our positions on international problems coincide," Mironov said, noting that bilateral trade turnover experienced a surge in 2006 and stood at over \$1.5 billion for the year. Russia runs a healthy trade surplus with Azerbaijan.

Russian officials have moved to reassure Baku over a new law that went into effect April 1 that imposes a ban on foreign citizens from selling goods at markets in Russia. Mironov announced during a March 28 news conference that the legislation would not impact the large number of Azeris in Russia, many of whom sell produce and other goods at market across Russia. "Nothing will change in the lives of Azerbaijanis in Russia," Mironov insisted.

Editor's Note: Sergei Blagov is a Moscow-based specialist in CIS political affairs.

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