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EXECUTIVE SUMMARY

Improving Azerbaijan’s maritime security is integral to promoting U.S. interests in Europe and the Caucasus. As the only route through which Caspian Sea oil and gas can pass to Europe while avoiding Russia, Azerbaijan occupies a key geopolitical location for the United States. This paper aims to address the question, “In what ways can ICITAP provide assistance to the Government of Azerbaijan to increase maritime security in the Caspian Sea?”

Through primary interviews and secondary literature review research, the team has compiled background on Azerbaijan’s political situation, relations among the Caspian Sea littoral states (Russia, Azerbaijan, Iran, Turkmenistan, and Kazakhstan), past and current maritime security efforts, and U.S.-Azerbaijan cooperation. Interviews were conducted with seven maritime security professionals and subject matter experts (one of whom requested anonymity).

Through a synthesis of the literature review and the interviews, three recurring themes became the basis for this analysis. First is the need for continuous capacity building in the form of pointed trainings, education, and equipment modernization. Second is the role of the private sector in protecting and promoting maritime security. The energy sector is inextricable from maritime security due to the Caspian Sea’s vast resources, but the U.S. has limited reach in influencing it due to the fact that it’s privately owned/operated off U.S. soil. And, third is technology. Modern technology has created a new way of approaching conflict – namely cyber war and the “gray zone,” and Azerbaijan could benefit from U.S. training on cyber defense as well as modern drones. From those themes, the research team proposes the following policy recommendations:

1. Invest in staff training to build Azerbaijan’s capabilities to the level required of new equipment/technology, including cybersecurity, radar systems, and electronic warfare weapons.
2. Continue to work with Azerbaijani security personnel at the tactical and operational levels, including deep-water diving training, disaster response, and illicit activity detection/interdiction.
3. Partner with the Government of Azerbaijan, specifically the State Customs Committee, to develop strong and strategic trade/export laws.
4. Work with the Government of Azerbaijan and border/security officials to conduct risk assessments of private energy extraction companies in Azerbaijan Caspian territory on how to best protect their critical infrastructure

5. Invest in Azerbaijan’s cybersecurity infrastructure and drone capabilities to ensure Azerbaijan stays secure as the landscape of conflict changes.
INTRODUCTION

Azerbaijan occupies a strategic geopolitical space for the United States. As a strong U.S. ally bordering the Caspian Sea, Russia, and Iran as well as the only non-Russian route through which to transport Caspian Sea energy resources to Europe, increasing maritime security in Azerbaijan is a key international policy partner for the United States. Europe currently relies almost exclusively on Russian oil, which is of concern to the United States. As the United States promotes energy security for Europe, so too does it focus on Azerbaijan as a conduit to achieve that independence from Russian oil. This paper aims to answer the question, “In what ways can ICITAP provide assistance to the Government of Azerbaijan to increase maritime security in the Caspian Sea?”

METHODOLOGY

To best assess the existing research on Azerbaijan maritime security and U.S. cooperation, we conducted a literature review followed by interviews with a second follow-up literature review to fill in gaps in our research.

LITERATURE REVIEW | INITIAL REVIEW

The initial literature review consisted of articles provided by ICITAP as a foundation and then scholarly literature and articles accessed through various databases. The initial review was used to build context for the history and geopolitics of Azerbaijan and the Caspian Sea, U.S. interest in Azerbaijan, and previous U.S.-Azerbaijan cooperation.

LITERATURE REVIEW | SECONDARY REVIEW

The second literature review took place once interviews were complete. The intent of this phase of the literature review process was to fill in the gaps in our pre-interview research. Many of the interviewees also gave suggestions on further literature and resources to review, so these were incorporated into the literature review process as well. These pieces predominantly focused
on U.S. security funding in Azerbaijan, Azerbaijani foreign policy, littoral state politics, and gray-zone warfare.

PRIMARY INTERVIEWS | INTERVIEWEE SELECTION PROCESS

In choosing interviewees, we sought diverse perspectives on the topic from established professionals in the field of maritime security and U.S.-Azerbaijan relations. Thus, we chose to interview staff from the U.S. Department of State and Department of Justice, Azerbaijani nationals working in government and academia, as well as academics whose work focuses on maritime security, resource extraction, and military cooperation. Seven individuals were interviewed, one of whom requested anonymity.

PRIMARY INTERVIEWS | INTERVIEW METHODOLOGY

We wrote interview questions catered to each interviewee’s expertise and sent the questions prior to the interview in order to give each interviewee time to formulate thoughtful responses to each question. Often the interviews led to unplanned follow-up questions to further illuminate the nuances of the situation. Interviewees were asked whether they could be quoted directly and were assured that this document is for internal use only and would not be published external to the U.S. Department of Justice and its direct partners working on U.S.-Azerbaijan issues.
KEY PLAYERS

This document is focused on U.S. interests in Azerbaijani maritime security. With that said, the main stakeholder in this document is the United States government (specifically the U.S. Departments of Justice and State). The government of Azerbaijan is the secondary stakeholder for our analysis because this topic naturally requires their cooperation and considers their interests as a sovereign state. The other four littoral states have a stake in what happens regarding Azerbaijani maritime security, but their interests are not accounted for unless necessary when making policy recommendations in this document. Their interests are used solely as guiding mechanisms for understanding the United States’ and Azerbaijan’s options moving forward.

UNITED STATES

As stated in many of our interviews, the United States’ main interest in Azerbaijani maritime security is to thwart Russian (and to a lesser extent, Iranian) influence in the Caspian Sea. Historically, Azerbaijan took a more U.S.-looking approach due to fears that post-Soviet Russia would try to re-extend its influence over Azerbaijan. However, more contemporarily, because Azerbaijan occupies the small tract of Caspian shore between Iran and Armenia to the south and Russia to the north, it is the key country through which oil and natural gas must flow to Europe without crossing into Russian or Iranian territory. Because U.S. security extends to the energy security of Europe, it behooves the U.S. to advocate for Europe’s energy independence from Russia.

AZERBAIJAN

Azerbaijan is a key geopolitical partner of the United States as its main partner on the Caspian Sea. Azerbaijan has its own relations to manage and tends not to disrupt the careful balance that is Caspian Sea relations among the littoral states. As concerns regarding drug smuggling and terrorism rise, Azerbaijan has expressed the need to increase its maritime security capacity. Azerbaijan’s current capacity is not enough to defend its land and maritime borders, nor is it enough to protect critical infrastructure such as oil platforms. Thus, the United States
and Azerbaijan are the two major stakeholders for this document and the policy recommendations put forth within.

OTHER LITTORAL STATES

Throughout the document, the interests and actions of the other four littoral states – Iran, Kazakhstan, Russia, and Turkmenistan – will be referenced. While they are major actors in the Caspian Sea, they are not key stakeholders for the recommendations put forth in this paper. Thus, while our analysis takes them into account, U.S. interests in their geopolitics are separate from this document.

BACKGROUND

AZEBAIJAN

Azerbaijan is rich with natural resources, especially oil and natural gas that form the base of the country’s wealth. After gaining independence in 1991, the country began to establish close political and economic relationships with Western countries such as the U.S. and E.U. countries. Cooperation with the respective countries began in 1994 when Azerbaijan’s oil and gas resources became the foundation for Azerbaijan’s economic development. “The Contract of the Century,” signed in 1994, has an undeniable place in the economic development and energy security of Azerbaijan. The contract explicitly details Azerbaijan’s internal and external oil assets, providing the basis for the country’s economic growth in the following years. The Contract of the Century enabled the country to establish energy security as its main national security issue. Energy security is defined as fuel and energy supplies that ensure the internal security of Azerbaijan. It enabled eleven oil companies from the U.S., Saudi Arabia, Russia, Turkey, Norway, and the U.K. to operate as contractors, setting up the legal and technical infrastructure to extract oil from Azerbaijan. This contract heavily influenced the process of extracting fuel and energy needs not only for the country’s economy, but also for the world’s energy needs. The contract was worth $7.4 billion with the expansion of external contractors.
A part of the Russian Empire since 1813, the Republic of Azerbaijan declared its independence in 1918 upon the Empire’s collapse. Azerbaijan then became the first secular, democratic, Muslim-majority state. In 1920, the country was the independent Azerbaijan Soviet Socialist Republic and formally merged with the USSR in 1922. It regained independence when the Soviet Union collapsed at the end of 1991. The modern Republic of Azerbaijan proclaimed its independence shortly before the dissolution of the USSR in the same year. but it faces challenges to its stability, including the long-running Nagorno-Karabakh conflict involving Armenia.

Azerbaijan elected its first president, Ayaz Mutallibov, in 1991, and a second president, Abdulfaz Elchibey, in May 1992. Just over a year later he was replaced by Heydar Aliyev, the leader of Azerbaijan’s Nakhchivan region and head of the New Azerbaijan Party. In July 1994, a ceasefire agreement was signed in the Nagorno-Karabakh conflict. Heydar Aliyev served until October 2003 when he was replaced by his son, Ilkham Aliyev. Before being elected president, he was the deputy, then first deputy chairman of the ruling New Azerbaijan Party from 1999-2003. In August 2003, he was appointed prime minister then was elected president in October 2003 and re-elected in 2008. He appointed his wife as vice president, a position that wields political influence; a strategic move that consolidates power within the Aliyev family.

In 2012, Freedom House rated Azerbaijan as “not free” with regard to political rights and civil liberties. The government has condemned many journalists, media groups, lawyers, and human rights activists for their criticism of the current leadership, authorities, and corruption across the government. There is no academic freedom or transparency in the banking sector, social, education, and health systems in the country. The government regulates all major economic activity and discriminates against foreign companies save for oil and gas extraction companies. Many U.S. and other international companies conduct business in the country but only through franchises and other arrangements. The government controls the entire market through one of the major entities of Pasha Holdings, which belongs to the President’s wife restricts competition. Azerbaijan’s corruption is likely tied to the nepotistic nature of the government, which allows a hereditary transfer of power, leading to systemic corruption.
CURRENT MARITIME EFFORTS & PRIORITIES

Energy resources in the Caspian Sea represent a primary strategic asset of the country and they also play a very important role for other regional players and global investors in the region. The security of energy extraction and transportation infrastructure is fundamental to the importers of Caspian energy resources. The governments of Azerbaijan and exporter countries are concerned about serious damage, sabotage, or attacks against Azerbaijan’s energy infrastructure in the Caspian Sea. These kinds of threats could cause environmental catastrophes in the sea as well. The country is interested in international and regional cooperation to build up appropriate protection capabilities against cyber-attacks and drugs/illicit good trafficking, providing effective protection to the energy infrastructure in the Caspian Sea.16

Azerbaijan has a close relationship with the U.S. as a strong strategic partner against Russia and Iran to increase maritime security in the region.24 With the support of Export Control and Related Border Security (EXBS) program funding, Azerbaijan has identified major security gaps its northern and southern borders. Sabir Alisgandarov, a locally-employed staff member of the U.S. Embassy in Baku stated that Azerbaijan currently lacks the necessary defense capabilities to protect its maritime and land borders.24 The U.S. has taken actions to provide modern equipment to mitigate the potential risks and threats; however, Azerbaijani professionals need additional training, mentorship, and advising on how to utilize the technical and modern equipment that the U.S. provides.24
Azerbaijan lies in the Southern Caucasus and is unique because of its strategic geographic location. It borders the Caspian Sea which allows it access to oil and natural gas resources. After the breakup of the Soviet Union in 1991, there were five littoral states around the Caspian Sea: Russia, Kazakhstan, Turkmenistan, Iran, and Azerbaijan. Azerbaijan has 15.2% of the Caspian Sea coastline, while Kazakhstan has 30.8%, Iran has 18.7%, Russia has 18.5%, and Turkmenistan has 16.8%. The Caspian Sea is a significant economic asset for the littoral states, especially Azerbaijan, where rising gas and oil exports catalyzed a rise in Azerbaijan’s GDP from 1995 to the early 2000s.

The Caspian Sea has been a point of contention for the littoral states as it has fueled decades of discussion and debate on ownership and rights to its resources. Not until the five states signed the 2018 Convention on the Legal Status of the Caspian Sea was a consensus
reached. The main issues of contention are maritime border demarcation of the central areas of the sea and the construction of pipelines across the sea. The demarcation of the borders plays a role in the access each littoral state has to energy resources in the Caspian. The pipelines, on the other hand, expand access to oil resources outside of the littoral states and can open up the market to outside regions like the European Union. Both issues are political priorities in Azerbaijan. During the late 1990s the Littoral States agreed to a sectoral division of the Caspian Seabed but the agreement was not formalized.\textsuperscript{27} The sectoral division of the Caspian Sea is the proportional demarcation of borders in relation to the respective country’s coastline proportion. The 2018 Caspian Sea Convention addressed the issue of border demarcation formalizing the sectoral division of the Caspian seabed from the 90s. The Convention kept the maritime demarcations intentionally vague allowing 15 miles of sovereign waters and 10 miles of fishing area, with the rest being called common waters.\textsuperscript{27} The distinction of common water was done to solve the disputes over who owns the central areas of the Caspian Sea.

The 2018 Caspian Sea Convention allows a 300km Caspian pipeline from Azerbaijan to Turkmenistan which would open up the oil and gas market to the European countries, of which many have to currently rely on a single source of oil and gas. The convention also contains a legally binding clause that prevents the military presence of non-littoral states within the borders of the littoral states. While minor skirmishes amongst the littoral states took place occasionally prior to the Convention, none have taken place since its signing. There continues to be, however, debate about the potential pipeline from Turkmenistan to Azerbaijan.

US-AZERBAIJAN COOPERATION | PAST COOPERATION EFFORTS

The relationship between Azerbaijan and the U.S. began when Azerbaijan gained its independence from the Soviet Union in 1992.\textsuperscript{33} Cooperation between the two countries aims to promote European energy security, expand bilateral trade and investment, as well as “combat terrorism and transnational threats.”\textsuperscript{33} As such, the U.S. and Azerbaijan have a Bilateral Investment Treaty and a Trade Relations Agreement. Occasionally, the U.S.–Azerbaijan Economic Partnership Commission meets to deliberate on their bilateral trade and investment. Azerbaijan has been a close ally of the U.S. and was among the first countries to join the
International Anti-Terror Coalition after the September 11, 2001 terrorist attacks. Over the years the U.S. has funded various programs in Azerbaijan to help build its naval and coast guard forces in the Caspian Sea. Since the two established diplomatic relations, the U.S. has supported Azerbaijan to build capacity to extract and export its oil and gas resources to world markets. According to the U.S. Embassy in Azerbaijan, “crude oil is the single largest U.S. import from Azerbaijan.” U.S. companies have undertaken offshore oil exploration and development in Azerbaijan since 1994 when “a consortium of Western oil companies signed an agreement with Azerbaijan to develop vast offshore oil deposits in the Caspian Sea.” The U.S. government also “seeks to increase the Azerbaijan-Euro Atlantic community cooperation and reduce Azerbaijan’s vulnerability to Russian or other outside aggression.” U.S.-Azerbaijan cooperation has not been without challenges. The Nagorno-Karabakh conflict, for instance, has influenced U.S. foreign policy towards Azerbaijan.

US-AZERBAIJAN COOPERATION | CURRENT COOPERATION EFFORTS

Azerbaijan is the United States’ largest trade partner in the South Caucasus, which includes Azerbaijan, Armenia, and Georgia. Last year, trade between the two countries was $818 million (the U.S. exported $313 million to Azerbaijan and imported $505 million worth of products). Top U.S. exports to Azerbaijan include aircraft, spacecraft, satellites, tanks, and heavy machinery, while top U.S. imports included oil, gasoline, other fuels, as well as aluminum goods. The U.S. also continues to provide security assistance to Azerbaijan. In the fiscal years 2018 and 2019, the U.S. provided over $58,605,000 and $42,910,000 respectively to Azerbaijan in equipment, training, and maintenance through the Department of Defense’s 333 program. The funding package included communications equipment such as radios, naval radar equipment, ship tracking systems, as well as underwater surveillance training. The aim of this assistance is to build the capacity of Azerbaijan’s security forces to conduct border security and maritime security operations. Azerbaijan’s strategic location makes it an important U.S. partner in countering the influence of Russia in the Caspian Sea as well as putting diplomatic pressure on Iran. The 2018 and 2019 U.S. funding to Azerbaijan is more than that provided to Georgia, which has generally been the closest U.S. ally in the South Caucasus.
also recently awarded a $10 million contract to VSE Corp. in Alexandria, Virginia for the “delivery of counterterrorism and intelligence equipment, and in-country training in support of the Azerbaijan Maritime Security Program for the Caspian Sea.” Modernizing its intelligence and counterterrorism capabilities will enable Azerbaijan to combat illegal smuggling of drugs and weapons of mass destruction through the Caspian Sea, further strengthening its alliance with the U.S. – the world leader in fighting terrorism and crime. According to the United States Department of State Country Reports on Terrorism 2018, “the Azerbaijani government actively worked to deter, detect, and defeat terrorist efforts to move people, money, and materials across its land and maritime borders and within the South Caucasus.”
KEY THEMES

Three themes recurred throughout the literature reviews and interviews, and it is those three themes around which we have modeled the policy recommendations. First, capacity building is the main focus of ICITAP’s work and much of the work of other partners such as EXBS. Sustainable training, education, and skill-building exercises are key to strengthening Azerbaijan’s maritime security capabilities.

Second, trade and the private sector are integral to Azerbaijan’s military security due to the vast oil and natural gas resources in the Caspian Sea. Because the U.S. has such a vested interest in transporting these energy resources to Europe, energy security and its associated stakeholders play a large part in how the U.S. should approach Azerbaijan’s maritime security.

Third, technology and cybersecurity are modern challenges to which Azerbaijan must adapt. With ever-advancing military technological capabilities and risks to Caspian Sea energy infrastructure, the U.S. should consider investing in Azerbaijan’s cyber-capabilities in order to thwart “gray zone” risks that extend beyond traditional warfare.
POLICY RECOMMENDATIONS & ANALYSIS

POLICY RECOMMENDATION 1 | CAPACITY BUILDING

Invest in staff training to build military capability to the level of new equipment/technology, including cybersecurity, radar systems and electronic warfare weapons.

- The 333 Funding and military aid provided to Azerbaijan are most beneficial coupled with comprehensive staff trainings and technical assistance for new equipment and technology.
- Ensuring local comprehensive Customs and Border Service trainings would enable Azerbaijani officials to stay up-to-date with the equipment U.S. funding provides. This allows local officials to utilize the equipment to its full extent and capacity.

In fiscal years 2018 and 2019, Azerbaijan received security and defense assistance from the U.S. worth $101.5 million through the Department of Defense’s Section 333 program, according to Security Assistance Monitor, a Washington-based watchdog.26 The State Border Service Coast Guard and the State Customs Committee of the country in Azerbaijan received 59 high-speed boats and other maritime equipment, 60 ATV motorcycles and other vehicles, 401 surveillance radars and other electronic equipment, and 450,516 outer tactical vests and other individual equipment, thanks to the assistance package.26

Azerbaijan military personnel are indeed partaking in educational trainings. Through EXBS, the U.S. government cooperates with the Azerbaijan State Customs Committee and State Border Service to identify technical/training needs and to provide strategies and support for how to meet those needs along Azerbaijan’s Caspian Sea borders. So far, EXBS has provided over $26 million in training/support legal, licensing, outreach, intelligence, international coordination, and enforcement activities for Azerbaijan.20 Through previous efforts, those involved in the 333-funding proposal (as intimated by Sabir Alisgandarov) identified gaps along the northern and southern boundaries of Caspian Sea security and border protection.24 Azerbaijani officials have, in the past, attended trainings at the National Defense University in Washington, D.C. as well as the International Military Education & Training (IMET) through the Defense Security
Cooperation Agency.\textsuperscript{22} There is also demand for specific training on export control electronic licensing systems for border personnel in the country, which Sabir Alisgandarov stated is in the works.\textsuperscript{24} All the past initiatives and programs built vast border security capabilities for Azerbaijan, but there is still room for improvement.

Specific training on how to best utilize the equipment the U.S. provides is less evident. There continues to be a skills gap between the equipment that U.S. aid provides to Azerbaijan and local officials’ capacity to use the equipment properly.\textsuperscript{24} Surely there is existing education for Azerbaijanis on how to use equipment, but the existing trainings may not have been thorough enough to ensure that Azerbaijani officials feel confident using equipment to its maximum capacity. When the United States provides aid used to purchase equipment such as radar systems, licensing systems, and cybersecurity equipment, among others, it is imperative to pair it with proper training to ensure Azerbaijanis are able to utilize the equipment to its full extent. Perhaps the most helpful trainings would be customs and border service trainings since State Border Service employees (who are in charge of maritime security) often do not know how to best utilize equipment.\textsuperscript{24} Thus, they should be involved in local operations trainings on how to use equipment they will receive later. It would also be sustainable to “train the trainer” in order to train Azerbaijanis to implement the trainings themselves to avoid perpetual U.S. aid for training purposes.
POLICY RECOMMENDATION 2 | CAPACITY BUILDING

Continue to work with Azerbaijani security personnel at the tactical and operational levels, including deep-water diving training, disaster response, and illicit activity detection/interdiction.

- Work at the tactical and operational levels helps to develop the hard and foundational skills needed for maritime security.
- The U.S. should develop a working relationship with Azerbaijani security personnel by providing assistance through smaller defense initiatives while implementing sustainable practices and teachings that can be continued sustainably without U.S. financial support.
- There is room for U.S. assistance in these areas because of U.S. expertise as well as its oppositional alignment towards Russia, who Azerbaijan suspects is sending weapons of mass destruction to Iran.

During interviews conducted with Brianne Todd and Dr. Roger Kangas of the National Defense University, capacity building in the form of trainings were identified as an important resource provided by the U.S. government.\(^\text{22}\) Without training, Azerbaijani officials are left without the foundational skills needed to implement a comprehensive maritime security strategy.

Azerbaijan has been able to develop their defensive strategies through U.S. aid and advice in the form of equipment and training.\(^\text{25}\) The new equipment and training is useful (as explained in the first recommendation), but is best complemented with foundational training on a tactical and operational level.

According to Professor Brianne Todd and Dr. Roger Kangas, the biggest threat to Azerbaijan is protecting its critical oil and gas infrastructure in the Caspian Sea.\(^\text{22}\) These include protecting drilling platforms, boats, and fishing rights while also combating illicit activity in the sea. The threats include Iranian drug smuggling and the suspicion of Russian transportation of weapons of mass destruction.\(^\text{24}\) The relationship between Azerbaijan and the U.S. is unique as they share the same goal of preventing Russian and Iranian influence on the flow of Azerbaijani energy.\(^\text{24}\) There is room for U.S. assistance in these specific areas because of U.S. expertise as well as the shared oppositional alignment towards Russia. This is an opportunity for further U.S. support in developing a working relationship with Azerbaijani security personnel by providing
assistance through smaller defense initiatives, while implementing sustainable practices and teachings that can be continued forth in the future without U.S. support.

The U.S. has not provided as much aid to Azerbaijan in comparison to its other allies. Its strategy thus far has been to offer the advice, tools, and skills necessary for Azerbaijan to protect its own infrastructure for its defense capabilities. This strategy should be continued but with the intent of developing a working and sustainable relationships with local border guard personnel. The U.S. Coast Guard residency in Baku, which lasted for 4-5 years, was a successful example of sustainable training. The U.S. Coast Guard trained and worked with Azerbaijani border officials with basic skills while teaching them U.S. Coast Guard practices. This was successful in training local naval and border security forces with a set of skills used to mitigate a perceived threat. The benefits of a residency and working with the officials, rather than just providing one-time training, is that it teaches officials how to assess a threat.

The use of equipment is necessary, but smaller threats can be assessed through tactical and operational level initiatives. Tactical training, like deep sea diving, is useful if there is tampering of an oil rig so that it can be easily checked. Operational level assistance is useful in knowing how to respond during an attack and for developing disaster response plans and systems. The key to the tactical and operational levels of assistance is to be able to teach local officials how to assess the importance of a threat to ensure that resources are not wasted on smaller threats.
POLICY RECOMMENDATION 3 | CAPACITY BUILDING

Partner with the Government of Azerbaijan, specifically the State Customs Committee, to develop strong and strategic trade/export laws.

- The 2018 Caspian Sea Convention defined the littoral states’ maritime borders. Trade and export laws would reinforce these borders and the Convention by enforcing repercussions (e.g. Russia encroachment on others’ territory).
- Developing trade and export laws for Azerbaijan would enable them to enforce U.N. Security Council Resolution 1540, which prevents non-state actors from acquiring nuclear, biological, and chemical weapons, their means of delivery, and related materials. This will also address the threat of Russia and Iran transporting weapons of mass destruction.
- Anti-corruption/bribery would be important features to include in strong trade laws since non-U.S. companies can bribe as they wish for influence in the Caspian Sea, whereas U.S. companies are barred from doing so. Addressing this through trade laws is integral to combatting potential security threats.

Strong trade and export laws would help Azerbaijan create a system of accountability and repercussions to reinforce the 2018 Caspian Sea Convention and U.N. Security Council Resolution 1540 while combating corruption and bribery. Currently, Azerbaijan does not have strong trade and export laws. As a result, there’s room for corrupt activities, endangering not only maritime security but also disadvantaging American companies that want to do business in Azerbaijan. Corrupt practices might include bribery of port officials so they can turn a blind eye to the smuggling of goods in and out of the country. Smuggling goods into the country would endanger Azerbaijani citizens in cases where smuggled goods include dangerous weapons that might make their way to criminals or terrorist groups. If smuggled weapons land in the hands of criminals or terrorists, they might end up being used in the Nagorno-Karabakh armed conflict, further fueling a long-protracted conflict. Currently, the United States government has a travel advisory urging its citizens to exercise increased caution while traveling to Azerbaijan due to the risk of terrorism.
Weak trade and export laws also mean that Chinese companies can bribe Azerbaijani officials to win contracts while American companies cannot bribe due to the regulatory environment in the United States which prohibits bribery of foreign government officials. This places American companies at a competitive disadvantage against their Chinese counterparts.\textsuperscript{22}

Before the 2018 Caspian Sea Convention, the littoral states marked their territories by increasing their military presence.\textsuperscript{1} The Russian Flotilla, prior to the agreement, was perceived as one of the greatest threats to the Caspian Sea as it deterred Azerbaijan, Turkmenistan, and Kazakhstan from conducting any activity in the Caspian beyond their approved limits. After the formal demarcation of borders, the Russian Flotilla has less of an impact, leaving countries like Azerbaijan, Turkmenistan, and Kazakhstan able to formalize and continue the development of pipelines to transport Caspian oil and gas resources to Europe. By potentially introducing Europeans to the market, Azerbaijan will need to strengthen their trade and export laws and prevent Russian intimidation tactics.

Developing trade and export laws for Azerbaijan would also enable them to enforce U.N. Security Council Resolution 1540 which prevents non-state actors from acquiring nuclear, biological, and chemical weapons, their means of delivery, and related materials. Illicit activity can be masked under the guise of trade as it is hard to identify the intentions of Iranian speed boats. By having strong trade and export laws Azerbaijan would be able to assert its independence, developing an international reputation. This will also address the threat of Russia and Iran transporting weapons of mass destruction.
POLICY RECOMMENDATION 4 | PRIVATE SECTOR

Work with the Government of Azerbaijan and border/security officials to conduct risk assessments of private energy extraction companies in Azerbaijan Caspian territory on how to best protect their critical infrastructure.

- Private companies already undertake risk assessments to determine the level of threats they face. Drone attacks threats cannot be underrated because they are fairly inexpensive devices that inflict major losses. Any attacks on drilling platforms, and pipeline infrastructure will have crippling consequences on Azerbaijani maritime activities.

- Working with the private sector to understand and address the concerns in their risk assessments would enable the U.S. to determine how vulnerable Azerbaijan’s oil and gas pipelines are and how to address that vulnerability. This is important because pipeline routes are near regions prone to conflict such as Russia, Armenia, and Georgia.

Because maritime security is so intertwined with energy security, it is necessary to assess and discuss the role of the private energy sector in Azerbaijan’s Caspian Sea territory. There are currently various private American energy extraction companies operating in Azerbaijan that have invested billions of dollars in developing oil and natural gas resources including Halliburton, Chevron, and ExxonMobil.7 Previously, the American companies Hess Corporation and Devon Energy operated in Azerbaijan before selling their Azerbaijan assets to ONGC (India) and BP, respectively, as did Amoco and McDermott before their mergers with BP.10,14 Despite being a British company, BP is noteworthy to U.S. interests because it is one of the largest extractors in Azerbaijan and, as the U.K. is a close U.S. ally, is key to achieving the U.S. goal of bypassing Russian and Iranian influence in transporting energy to Europe. The strength of Western energy companies in the Caspian Sea is of considerable concern to Russia.2

Among the challenges that the U.S. government faces in maritime and energy security in the Caspian Sea is its inability to influence private energy companies.22 Because Chevron and ExxonMobil are privately held, the U.S. can only recommend the companies take certain actions. In a sovereign state like Azerbaijan, the U.S. government has even less sway. The final decisions of companies like Chevron and ExxonMobil are ultimately in their own hands. Furthermore it
might be inappropriate for the U.S. to approach the issue of maritime and energy security in this way.\textsuperscript{22} The U.S. is not promoting energy security, per se. Rather, it is promoting diversifying energy partnerships to lessen European countries’ dependence on Russian and Chinese oil.

The proposed Trans-Caspian Pipeline, which would supply energy to Europe, is much more dependent on Turkmenistan than it is on Azerbaijan, given Turkmenistan’s reluctance to become involved. The 2018 Convention on the Legal Status of the Caspian Sea also requires consensus in deciding whether a Trans-Caspian Pipeline will be built at all – unlikely given Russian interests. The Convention “is also silent on the issue of private sector involvement, and the extent to which private sector entities themselves may apply for, or benefit from, an ‘agreement’ reached under Article 14(3) of the Convention.”\textsuperscript{39}

Perhaps a more pressing issue in the private sector is the Foreign Corrupt Practices Act, which bars U.S. citizens from bribing foreign officials for business interests in their country. Because U.S. companies are aware of this regulation, they avoid this. However, for many foreign companies there is no equivalent domestic law barring such activity. Thus, U.S. companies have a disadvantage in how they can compete in the Caspian Sea energy sector versus Chinese companies, for example, who can bribe as they see fit.

Despite the inability of the United States to influence the actions of U.S. energy companies, U.S. sanctions against Iran have seemingly already influenced the oil and natural gas sector in Azerbaijan. While Azerbaijan and Iran had previously agreed to jointly develop oil and natural gas fields in the Caspian Sea, U.S. sanctions against Iran led SOCAR (Azerbaijan’s state oil company) to suspend implementation.\textsuperscript{34} Thus, U.S. trade policy can strategically help or hinder development of the energy sector in Azerbaijan depending on alignment with U.S. interests.

Currently Azerbaijan is more interested in deep water exploration and drilling. This tends to be outside the capacity of the Azerbaijan government and companies, so U.S. companies fill the gap in human resources and capital to push forward these efforts. However, U.S. companies can only fill the gap that fits Azerbaijani interests, not necessarily the U.S. interests. Among the challenges that Azerbaijan faces in energy infrastructure protection is its relatively small
bargaining power in relation to Russia and Iran.\textsuperscript{23} Often Azerbaijan finds itself agreeing with these two Caspian powers out of necessity to preserve amicable relations.

With that said, the U.S. interest as it relates to the private energy sector is limited to the interests of those companies themselves: protecting critical infrastructure.\textsuperscript{22} This includes full-scale physical attacks, flotillas, and drone attacks on all types of energy infrastructure including oil rigs, oil processing facilities, and pipeline infrastructure. Similar to the September 2019 attack on Saudi Arabia’s Aramco oil processing facilities, U.S. and allied nation companies operating in Azerbaijan must be vigilant to the small, but real threat of violent attacks. In fact, threats to energy companies operating in Azerbaijani waters took place in 2001, when “Iranian jets and a warship threatened a BP research vessel prospecting on behalf of Azerbaijan in waters that Baku considered its own.”\textsuperscript{25} A border dispute in 2009 with Iran additionally showed that, as Azerbaijani officials stated, Azerbaijan did not have enough capacity to stand up to Iran when confronted with a dispute (though the 2018 Convention on the Legal Status of the Caspian Sea may have solved the issue of this type of border dispute in the future). As Nurlan Aliyev, a postdoctoral researcher at the University of Warsaw, suggested, there is also a small threat of radicalization among Azerbaijani nationals who may then view American companies’ energy projects as undue Western influence.\textsuperscript{23} Drone attacks in particular are relatively inexpensive but cause major losses. This threat is not limited to the Caspian Sea, but affects pipelines crossing vulnerable areas of Azerbaijani territory, such as the “Ganja Gap,” located near the disputed Nagorno-Karabakh region.\textsuperscript{6,29} U.S. companies already do risk assessments to mitigate risks and plan for response to such threats. Threats to Azerbaijan’s oil supplies could increase oil prices and deter investment.\textsuperscript{7} Today, threats of drone attacks cannot be underrated because adversaries can use fairly inexpensive devices to inflict major losses. Attacks on drilling platforms and pipeline infrastructure would have crippling consequences to Azerbaijani maritime security.

The U.S. Government is already working with Azerbaijan to mitigate and plan for the risks associated with energy infrastructure such as oil platforms and pipelines.\textsuperscript{20} For example, in 2005 the U.S. Department of Defense installed maritime radars that serve to not only detect illicit Caspian Sea activity, but also threats to oil and gas infrastructure from state and non-state actors.\textsuperscript{38} Unfortunately, the research team for this report was unable to reach private sector
partners to discuss maritime and energy security needs in detail. It is also possible, as described above with the SOCAR pipeline suspension, for the U.S. to influence the Caspian Sea energy sector, and thus maritime and energy security, through trade policy. This allows the U.S. to halt energy projects that do not align with U.S. interests in the Caspian Sea. However, given the volatile nature of the relations between the littoral states, this may not be advisable.

While work has been done, deeper coordination efforts are needed to improve the protection of critical energy infrastructure in the Caspian Sea. Specifically, the U.S. should work with the Government of Azerbaijan, border/security officials, and private sector companies to conduct a risk assessment and to identify the needs of private energy extraction companies in protecting their critical infrastructure. This will allow the U.S. to better direct its funds and programmatic activities to the most pressing needs that private companies have identified. Doing so will ensure that Azerbaijan and private companies are well-prepared to ward off and respond to threats in the Caspian Sea and better protect U.S. interests in Caspian Sea energy production and European energy diversification.
POLICY RECOMMENDATION 5 | TECHNOLOGY

Invest in Azerbaijan’s cybersecurity infrastructure and drone capabilities to ensure Azerbaijan stays secure as the landscape of conflict changes. This would include cooperation with the Cybersecurity and Infrastructure Security Agency (CISA) housed under the U.S. Department of Homeland Security

- Developing cybersecurity infrastructure and drone capabilities is a strategic move for Azerbaijan in securing the upper hand against Russia, a step forward in attaining independence from their influence.
- The Cybersecurity and Infrastructure Security Agency (CISA) could help Azerbaijan to progress preventative, protective and defense cyber capabilities through Comprehensive Cyber Protection program.

With the rise in technology, military conflicts have evolved from traditional military combat to what is called conflict in the gray zone. In the gray zone, countries wage cyber warfare and use advanced weapons technology (such as drones) to fight each other. This new approach to conflict is where countries now compete with each other, providing a plane in which Azerbaijan needs to further develop its defensive capabilities.

Fast and rapid technological advancements have changed the way in which societies wage war against each other. The new frontier in conflicts between states/countries is the gray zone. Gray zone activities include hacking of information systems to meddle with elections and the use of unconventional forces such as unmanned vehicles (drones). Gray zone conflicts are hard to define and manage because it is difficult to pinpoint a battlefield, delineate physical boundaries within which this war is waged, or even “articulate circumstances in which such a war might end.” According to Dr. Gawdat Bahgat, a political science professor at the National Defense University, gray zone conflicts are a challenge because while armies are not fighting, there is no peace either. Yet, countries are increasingly competing to get an advantage over each other in the gray zone. “Cyberattacks can cause massive political and economic disruptions; propaganda campaigns can spread at warp speed through social media channels.” In the recent past, we have witnessed criminals use cyberattacks to infiltrate electoral systems in the United
States and elsewhere. We have also seen unmanned drones, launched from thousands of miles away, cause huge damage and destruction to people and property. One example is the recent alleged drone attack by Iran on Saudi Arabia’s oil rigs, which led to a significant reduction in Saudi Arabia’s oil supply capacity. Azerbaijan is not known to be a power in the cyber domain.\textsuperscript{21} In light of this, we will analyze how the United States can partner with Azerbaijan to improve its preparedness to protect itself against any future cyberattacks which might affect its maritime and other operations.

Azerbaijan, like many other countries, has embraced modern technology and incorporated it into many spheres of its social, political and economic infrastructure. These include: “development of e-government services, computer-controlled systems in finance and oil and gas sectors and in its information and communication technologies,” among other areas.\textsuperscript{31} The Innovation Agency housed under The Ministry of Transport, Communications and High Technologies promotes “sustainable development and competitiveness of the ICT sector, the expansion of innovative and high tech industries based on modern scientific and technological achievements, the development of modern technologies for conducting research and development of new technologies.”\textsuperscript{17} The Azerbaijan Cyber Security Center was established under the Ministry of Communication and Information Technologies of the Republic of Azerbaijan on 26 September 2012.\textsuperscript{9} The Center coordinates information infrastructure projects, reports about existing and potential cyber risks at the country level, educates the public, private and other institutions in the field of cyber security and provides any necessary assistance to them. Cyber Security is necessary to combat the threat of cyber-attacks which pose a threat to information systems. The Computer Emergency Response Team (CERT), under the Special State Protection Service of Azerbaijan Republic was also formed in 2013 and is responsible for “securing all government networks in the country.”\textsuperscript{31} Azerbaijan also recently developed a cyber-security strategy for 2019-2022\textsuperscript{3} Azerbaijan has also partnered with various international cyber security companies to develop its cyberspace capabilities. These include: Forum for Incident Response and Security Teams (FIRST), Anti-Phishing Working Group (APWG), The Cybersecurity Alliance for Mutual Progress (CAMP) among others. In addition to that,
Azerbaijan this year held International Cyber Security Week – bringing to the public and private companies’ knowledge on cyber security threats and security approaches to such threats.

Although Azerbaijan has made some progress in building cyberspace capabilities and defensive measures, we did not find evidence that the country is sufficiently protected from cyber and gray zone attacks. We strongly believe that its cyberspace is vulnerable to cyber-attacks. In 2015, Ali Abbasov, the Minister of Communications and Information Technologies, said that “the number of cyber-attacks on information systems in Azerbaijan on average increase annually by 30%.” The Minister also said that “90% of cyber-attacks are made from abroad and that each week about 2,000 personal computer and tablet users are infected with a virus.” It should also be noted that in 2008, the Baku-Tbilisi-Ceyhan pipeline exploded and it took 19 days to bring it back to functioning at full capacity. That explosion was attributed to a cyber-attack and according to Bloomberg News, “the main weapon of the attackers was a keyboard, as they hacked into the control room and maximized the pressure in the pipes.” These attacks not only disrupt the flow of operations, but they can disrupt an entire economy. Azerbaijan’s economy is highly dependent on energy resources and it needs to invest heavily in defensive capabilities in cyberspace in order to avoid an eventuality that might target its energy resources and cripple its economy. Developing cybersecurity infrastructure and drone capabilities is a strategic move for Azerbaijan in securing an upper hand against Russia, which the United States has at many times accused of engaging in cybercrime against other countries, for example Ukraine.

None of our interviewees had specific recommendations as to how the U.S. can help strengthen Azerbaijan’s cyber security. We therefore examined how the United States has built its own cybersecurity and put forth this recommendation based on those findings. Through the Cybersecurity and Infrastructure Security Agency (CISA), housed under the Department of Homeland Security, the U.S. could assist Azerbaijan in developing preventative, protective, and defensive cyber capabilities since one of CISA’s objectives is to provide comprehensive cyber protection. CISA's National Cybersecurity and Communications Integration Center (NCCIC) provides cyber response and defense assistance to all levels of government, the private sector,
and international partners. We believe that CISA has the capacity to train personnel and help build stronger cyber protection capabilities.

In regard to military technology, Azerbaijan has increasingly worked to modernize its military and defensive capabilities. Recent purchases include: LORA ballistic missiles, Spear-Mk.2 mortars, Spike-ER anti-tank rockets, Hermes-900 surveillance drones, Sky-Striker autonomous long-range loitering munitions, and Sky-Capture advanced radars (EL/M-2106-ATAR) from Israel; the Polonez tactical missile complex, 2A36-Giatsint-B howitzers, and the Groza-S electronic-warfare (EW) system from Belarus; İHTAR anti-drone system and SOM-B1 cruise missiles from Turkey; and NTW-20 anti-materiel sniper rifles from South Africa; and BTR-82A modernized combat vehicles from Russia.”

Enhanced military technology helps Azerbaijan to keep its borders secure and to protect its maritime interests in the Caspian Sea. Azerbaijan and Armenia are still in a dispute over the Nagorno-Karabakh region and superior weaponry would give Azerbaijan a further advantage over Armenia if a war breaks out. Stronger defensive capabilities also mean that Azerbaijan can defend its ownership and control over its portion of the Caspian Sea. Azerbaijan could not do much to deter a much more powerful Iran, in particular during previous encounters with Iranian gunboats near Azerbaijani platforms in disputed areas. However, with better modern weapons, it could flex its muscle more to protect its territorial waters in the Caspian Sea. Nurlan Aliyev stated that coastal missile defense systems might be useful for Azerbaijan. In the past, Azerbaijan tried to acquire such systems from Russia, but they refused. This refusal by Russia to supply coastal missile defense systems provides a window for the U.S. or one of its allies such as Israel to help Azerbaijan acquire this equipment. Aliyev also mentioned ongoing Azerbaijani military education by U.S. and NATO forces, the specifics of which only the Minister of Defense could provide.
CONCLUSION

As the United States continues to work with Azerbaijan, many questions still must be considered. Among them is the Nagorno-Karabakh conflict. This conflict currently uses much of Azerbaijan’s military capabilities, which could otherwise be diverted toward maritime security. If maritime security is to become a larger priority for Azerbaijan, this conflict must be resolved. While this is a lofty goal given the circumstances, the United States could still play a diplomatic role in encouraging a mutually beneficial resolution for Armenia and Azerbaijan.

Given its size, Azerbaijan’s aim is not to threaten any littoral state. Up to this point, Azerbaijan has endeavored to preserve amicable relations among the Caspian Sea’s littoral states while also boosting its military capabilities at a rate deemed appropriate to its neighbors. Thus, despite the benefits of engaging in bolstering Azerbaijan’s maritime security capacity, there may be threats as well. Should Azerbaijan be too bold in its maritime military activity, Iran and Russia may take offense. This could escalate not only the fragile balance that was struck in the 2018 Caspian Sea Convention, but also flare up other conflicts like the aforementioned Nagorno-Karabakh conflict (which Russia plays a key role in perpetuating).

Azerbaijan also faces the same challenge that other oil-exporting countries face, which is the need to diversify its economy. As the world’s energy production landscape shifts and fossil fuel reserves are exhausted, Azerbaijan will need to adapt to changing economic demands. The sooner Azerbaijan can diversify its economy, the more resilient it will be to impending changes in the energy sector. If it does not prepare, Azerbaijani maritime security may be adversely affected as possible economic strife exacerbates conflict.

We recognize the limitations of this paper as we were limited in the number of experts and officials we were able to contact as well as the sensitivity of the information those officials were allowed to intimate. There are other case studies that may be referred to for further comparison to Azerbaijan’s unique situation, including: The Gulf of Aden and the Arctic for energy concerns, the South and East China Seas for U.S. strategy, and the Caribbean and Gulf of Guinea for combating illicit activity. The research team believes that the policy recommendations put forth in this paper, given the resources at our disposal, strike a balance between the capacity-building needs of Azerbaijan and its geopolitical realities.
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- Karen Chaisson, Export Control and Related Border Security
- Dr. Gawdat Bahgat, National Defense University
- Dr. Roger Kangas, National Defense University
- Brianne Todd, National Defense University
- Nurlan Aliyev, University of Warsaw
- Sabir Alisgandarov, U.S. Embassy Baku

And others who wished to remain off-the-record.

ABOUT ICITAP

An office of the U.S. Department of Justice, the International Criminal Investigative Training Assistance Program (ICITAP) “works with foreign governments to develop professional and transparent law enforcement institutions that protect human rights, combat corruption, and reduce the threat of transnational crime and terrorism. ICITAP provides international development assistance that supports both national security and foreign policy objectives.” ICITAP’s budget comes largely from the U.S. Department of State, USAID, and the Department of Justice. ICITAP’s work includes “on-the-ground, pre-program assessments; program planning, management, and review; curriculum development; classroom training, seminars, and workshops; internships; equipment donations; donor coordination; and on-the-job training and mentoring provided by embedded long-term advisors.” As a small office, ICITAP relies on the work of capstones such as this to inform their work, and we take seriously the task to contribute to their work.


