Senator Lugar delivers opening remarks at the US-Azerbaijan Convention

May 29, 2013

By: Richard G. Lugar

29 May 2013

I am delighted to join in opening this important gathering on the future of partnership between the United States and Azerbaijan. I thank President Aliyev for welcoming us to Baku and for his courageous commitment to our nations’ bilateral relationship. Let me also thank Kemal Oksuz and the Turquoise Council for organizing this impressive event.

I first came to Baku to meet President Heydar Aliyev in the late 1990s when the country was in transition from Soviet rule. At that time, Azerbaijan's future as an independent nation was uncertain. Its oil reserves offered an economic lifeline, but transforming those natural resources into prosperity for the people was a daunting task. We also knew that efforts to build a robust relationship between our two nations would be challenged by some that preferred to maintain Azerbaijan's dependence on Russia.

Today, less than two decades later, there is no doubt that Azerbaijan is a strategic ally, a commercial partner, and a friend of the United States. Citizens of both of our countries reap security and economic benefits from our bilateral relations, but those benefits will grow if we pursue opportunities to more deeply engage.

At least three areas are critical for deepening our bilateral relations.

Security concerns in this region will not stay contained within this region. Through the Nunn-Lugar Global Cooperative Threat Reduction program, the United States and Azerbaijan are working side-by-side to counter proliferation concerns at sea and by land and to stop potentially devastating biological threats before they occur. These efforts are of increased importance with trafficking networks for illicit materials operating in the region and threats to infrastructure in the Caspian Sea. We should also be clear that a nuclear armed Iran would be an intolerable menace both to the United States and to Azerbaijan.

Second, market opportunities and strategic interests align in extending energy trade. Opening of the Baku-Tbilisi-Ceyhan oil pipeline was a windfall for stability in the region and for solidifying Azerbaijan’s international standing. Yet, natural gas is the primary energy tool with which Moscow extracts political gains from gas supply countries in Central Asia and consumer countries in Europe. Diversity in national energy portfolios will help rebalance power dynamics and encourage Russian gas trade to be
more market oriented.

As early as next month, a decision may be made on whether the next stage of Azerbaijani gas will go to Central and Eastern European nations that have felt the brunt of Russian intimidation. The choice between the Nabucco West pipeline to Central Europe or TAP pipeline to Italy is not simply a commercial decision, although commercial viability is a necessary component. The geographic disposition of gas is fundamentally a strategic decision for Azerbaijan. As the two projects are currently conceived, in my view, Nabucco West offers substantially greater strategic benefits. It is a lifeline to particularly vulnerable countries and failure to open trade soon could give Gazprom an opening to intensify its grip on southeast Europe with South Stream. Approval of Nabucco West would also greatly amplify the strategic interests of the United States in Caspian energy development, which is critical for convincing Congress to maintain Shah Deniz’ exemption from Iran sanctions.

With unexpected increases in unconventional gas production at home, the United States also has the opportunity to allow natural gas trade with allies in need of supply diversification. Simply by allowing markets to function, U.S. LNG would help our allies reduce their physical gas dependence on Russia and Iran and improve their bargaining positions. Our closest strategic allies should be given the same preferential treatment for automatic LNG export licenses as is currently enjoyed by our free trade partners.

A third area in need of attention is improved governance. In too many countries, energy wealth is a curse that quashes other industries and entrenches corruption. President Aliyev has institutionalized transparency mechanisms so that citizens can see energy revenues coming into the government and how they are being spent, and this is an important example for countries with new-found oil wealth. A needed next step is to expand the ability for civil society and the press to publicly engage in political life in the country.

I am confident that our countries can continue to build a robust relationship and am delighted that Ambassador Morningstar is leading our efforts in Baku.

I look forward to working with many of you to continue that effort in Washington. Regrettably, too few members of Congress devote extensive study to foreign affairs and some view such study as a political liability. Meanwhile, diplomatic missions often do not understand the role of Congress in foreign affairs. That is why I am working with the German Marshall Fund of the United States to establish an institute that will help improve understanding between Congress and foreign missions.

Thank you for the opportunity to converse with you this morning, and I look forward to our conversations today.