

The Role of SOCAR in Azerbaijan's Foreign Policy: A Company Dedicated to its Country?

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In 2006, after the first Russian-Ukrainian gas crisis, the Council of the European Union argued that the European Union might diversify its energy supply¹. Then, the European Commission turned towards the Caspian region, which represents around 4% of the global oil reserves and around 6% of the global gas ones². Now, this region may become the core producing area for the South Corridor³, which would fulfil part of the European energy needs since 2015.

Three countries hold significant oil and gas reserves within the Caspian region: Azerbaijan, Kazakhstan and Turkmenistan. These countries are petro-states, which means that energy is at the centre of their economy. Oil and gas resources account for large shares of total exports and the gross domestic products⁴. Powerful national oil and gas companies also characterize petro-states. For instance, in Azerbaijan, SOCAR is the second largest taxpayer of the country, employs around 60 000 people and is responsible for the housing of all its families' employees. This company is what may be called an Emerging National Oil Company (ENOC), as it is based in a developing country. This company is state-owned and the board members are very close to the presidential administration. In the recent years, the main goal of SOCAR was to transnationalize its activities, following the StatoilHydro model (under the name of the Norwegian oil company). This research project intends to evaluate this process and how the interests of Azerbaijan and SOCAR are related. It would then contribute to understand to what extent ENOCs help their state owners to reach their foreign policy's objectives.

This research focuses on three hypotheses. Firstly, as energy issues are becoming more and more sensitive on the international scene, producing and transit states take advantage of their resources to obtain legitimization and recognition on the international scene. For instance, Azerbaijan is looking for taking advantage of the European gas dependency to obtain Western support and to be considered *in* the global society.

¹ Council of the European Union, *Brussels European Council, 15/16 June 2006. Presidency Conclusions*, Brussels, July 17, 2006.

² BP, *BP Statistical Review of World Energy*, London, June 2009.

³ This energy corridor reunites the Baku-Tbilisi-Ceyhan oil pipeline, the South Caucasus gas Pipeline and the Baku-Supsa oil pipeline. In a near future, the Nabucco pipeline project and the Interconnector Turkey-Greece-Italy would also be part of this corridor.

⁴ Theresa SABONIS-HELFF, "The Rise of the Post-Soviet Petro-States: Energy Exports and Domestic Governance in Turkmenistan and Kazakhstan", in Dan BURGHART and Theresa SABONIS-HELFF, eds, *In the Tracks of Tamerlane: Central Asia's Path to the 21st Century*, Washington, D.C: National Defence University, Centre for Technology and National Security Policy, 2004, pp. 159-185.

Then, ENOCs are the main tool of producing countries to develop transportation infrastructures and to increase cooperation with their neighbours. Baku aims at assuming a role of economic leader in this region in order to ensure the implementation of an energy strategic transit corridor between Central Asia and Europe. In this perspective, SOCAR is increasingly active in Georgia (a subsidiary of SOCAR is in charge of the supply of commercial gas to the whole country) and in Turkey (SOCAR bought in 2007 the very strategic petrochemical company Petkim). Also pursuing their very own interests (SOCAR has to transnationalize its activities to develop its presence on the energy market), ENOCs serve the interests of the country they belong to.

Finally, ENOCs are a mean both for producing countries to get closer to the European Union and for Brussels to promote good governance within these producing countries. On the one hand, both DG RELEX (External Relations) and DG TREN (Transport and Energy) deal with SOCAR on the implementation of the Nabucco pipeline project, looking for the strong and official support for this strategic gas pipeline project from the Azerbaijani company. On the other hand, the Commission hopes that its regular interactions with Azerbaijan and SOCAR may spread good governance practices within this country⁵. But, as any state-owned ENOC, SOCAR is not an oil company like others: while pursuing its very own objectives, it has to take into account the interests of the Azerbaijani government. And this point may be crucial while Azerbaijan and the European Commission discuss Europe's energy security.

This research project aims at evaluating the role of SOCAR in Azerbaijan's foreign policy, especially within the South Caucasus and towards the European Union. It may highlight the very importance of SOCAR in European energy security. Indeed, this company not only stands as a producing company but also as a key investor in Georgia and in Turkey, which are two cornerstones of the European South Corridor. Therefore, it is important to understand what is the role of this company in the definition of Azerbaijan's foreign policy. Adopting an approach based on International Political Economy, this research may evaluate both the convergence and the blurring of Azerbaijan's and SOCAR's interests, contributing to a better understanding on the interactions between public and private actors in the globalization age.

⁵ European Commission, *Action Plan ENP EU-Azerbaijan*, Brussels, November 14, 2006.