Azerbaijan under geopolitical scrutiny: Escalation dynamics and strategic considerations

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Annotation

ARVAK analyzes the escalating pressure on Azerbaijan from key regional and global actors. It argues that Baku's previously successful policy of complementarity is becoming untenable in an increasingly polarized global environment.

The commentary examines the multi-vectored nature of this pressure: Moscow is leveraging its migration and diaspora policy, alongside economic sanctions, to compel Baku toward the "North–South" project. Concurrently, the West is applying financial-economic measures, striking at Azerbaijan's most critical source of revenue – oil exports. These actions are interpreted as a response to Baku's attempts to evade open confrontation with Russia.

The analysis delves into the dilemma facing Ilham Aliyev, who must choose between cooperation with Russia and Iran and a role as a strategic foothold for Western initiatives. The conclusion posits that, recognizing the risks, Baku is taking steps to minimize its dependence on "toxic" partners, which may signal preparation for a fundamental revision of its foreign policy doctrine.

Keywords: *Azerbaijan, geopolitical pressure, Russia, West, Iran, North-South, complementary policy, sanctions, diaspora, oil export.*

1. The end of Baku's "Complementary policy"

A series of events in recent months, with Azerbaijan at their center, indicates that regional and global centers of power are increasing pressure on Baku. This trend of comprehensive coercion will likely persist until Ilham Aliyev, having exhausted his final resources for maneuver, settles in a definitive strategic direction. Baku is faced with a choice: either to support the Moscow–Tehran initiative for the "*North–South*" mega-project, whose primary goal, beyond its trade and energy purpose, is the continental containment of expansion towards Central Asia; or to allow its republic to serve as a deactivator of the Russian-Iranian allied synergy and serve as a strategic foothold for exporting Western initiatives, such as "*Turkic NATO*", the "*Abraham Accords*", and "*Sustainable Development Goals*" (SDG)[2], into the heart of the continent. These initiatives are designed to disorganize the "*Global South*" and its integration projects, like the Shanghai Cooperation Organization (SCO).

Baku will have to make a final choice, as events in the region and around the world are rapidly evolving along the logic of a "*North*" and "*South*" polarization. Azerbaijan, which holds a key location on this geopolitical fault line, has diminishing opportunities to continue its multi-vector foreign policy. Until recently, Baku felt itself to be in a zone of geopolitical comfort, benefiting from the provision of energy and logistical services to nearly all regional and global actors. However, the differentiation of global geopolitical interests, which became acutely apparent after the start of the Russian-Ukrainian and Iran–Israeli wars, has, to some extent, transformed Azerbaijan's geographical and export-resource advantages into disadvantages, creating a security deficit for both the republic and its ruling regime.

[1] The original (in Rus.) was posted on our website on 05.08.2025.

[2] "SDG Platform for Central Asia funded by the European Union: final meeting of the Steering Committee, June 25, 2024". INDR, 25.06.2024, https://www.undp.org/kazakhstan/press-releases/sdg-platform-central-asia-funded-european-union-final-meeting-steering-committee (download date: 02.08.2025).

Baku's effective maneuvering and complementary policy, which was a consequence of its successful use of energy resources and logistical potential, is evidenced by the consensus among regional and global powers on the military solution to the Karabakh issue. I. Aliyev succeeded in persuading key geopolitical players of the need to eliminate the Karabakh factor in the interest of energy cooperation and the security of global trade routes in the region, with which each interested party (the U.S., the EU, Turkey, Russia, Iran) linked the prospects of its own geopolitical plans. However, this very "*Karabakh concession*" later became the key reason for all sides to demand a definitive choice from Baku as the actors' regional interests began to diverge dramatically.

I. Aliyev is under pressure from all sides to "pay the bill" for both the "green light" given for Karabakh's capture and for his regime's authoritarianism, a behavior that has been in stark dissonance with the declarative criteria of democracy for decades. Essentially, Aliyev received a collective credit for authoritarianism in Azerbaijan and the de-Armenianization of Artsakh from global and regional powers, but he is unable to repay his loyalty to all of them at once, as the "creditors" now link Baku to diametrically opposed plans. Therefore, it seems that in their rush to collect what is owed, the "creditors" are acting preemptively.

2. Moscow's tactic: financial & migration pressure

In this context, it is particularly important to note that the arrests of representatives of the Azerbaijani diaspora in Ekaterinburg, Russia, began just two days after the truce between Tel Aviv and Tehran in the so-called "*12-Day War*". Evidently, using technical surveillance and intelligence assets, Moscow registered the fact that Azerbaijan's territory and military infrastructure were actively utilized by Israel and the U.S. to carry out strikes on Iran. For Russia, this served as a signal to urgently initiate strong political and financial pressure on Baku, which was involved in a project aimed at dismantling the emerging Moscow–Tehran axis. In doing so, the Russian Federation warned Azerbaijan that it did not welcome its de facto departure from neutrality in the Israeli-Iranian conflict and suspected its intention for a deeper and more substantive involvement in the anticipated next phase of the anti-Iranian campaign.

Baku's vigorous response to Moscow's messages prompted the Kremlin to expand the geographical scope of its review of the criminal activities within Azerbaijani diaspora structures. This included moving to dismantle the ethnic Azerbaijani fruit-and-vegetable-syndicate that had developed over decades in the Russian Federation, which is a primary source of stable transfer payments from Russia to individuals in Azerbaijan. Furthermore, Moscow tightened the criteria for the residence of Azerbaijani migrants on its territory and, according to insider sources, is preparing to scrutinize the large-scale businesses of individuals from the Caspian republic who have established schemes for transferring "*black money*" from Russia to Azerbaijan and a number of Western countries.

At the same time, the Kremlin and the Russian Foreign Ministry have been extremely cautious in their political assessments of the current escalation, leaving both themselves and I. Aliyev room for political-diplomatic maneuvering and de-escalation. Moscow's tactic is clear: to use financial and migration pressure to create the preconditions for a social crisis in Azerbaijan and public discontent with the political elite's behavior toward Russia. Simultaneously, it aims to prevent a situation in which I. Aliyev, under pressure from his

Western partners, would be forced to declare an open confrontation with his northern neighbor.

A detailed analysis of the course of events suggests that Moscow, in a paradoxical way, is not only creating difficulties but also throwing I. Aliyev a “lifeline”. This allows him to maneuver and justify his avoidance of involvement in dangerous anti-Iranian and, potentially, future anti-Russian campaigns, by citing the complications of Azerbaijan’s socio-political internal situation.

3. Western pressure: economic & image-related blows

It is evident that Russia's tactics have had some success, contributing to a noticeable decline in radical rhetoric from Baku and the presentation of a formula that allows for the de-escalation of relations with “minimal losses”. A telling example of this is the statement by I. Aliyev's foreign policy advisor, Hikmet Hajiyev, in an interview with the German newspaper *Berliner Zeitung* on July 26, 2025. H. Hajiyev effectively implied that Russia's acknowledgment of its accidental destruction of the AZAL aircraft on December 25, 2024, and the payment of compensation under international law, would be sufficient for a full restoration of “friendly” relations between Baku and Moscow[3]. Notably, Hajiyev did not mention the events in Ekaterinburg or the subsequent harsh measures by Russian law enforcement against diaspora structures and Azerbaijani migrants across the Russian Federation.

This statement from a high-ranking official within the Azerbaijani president’s inner circle indicates that Baku has assessed both the potential financial and economic costs of a prolonged crisis with Moscow and the opportunity provided by the Kremlin to return to the previous level of relations. Russia's acknowledgment of responsibility for the civilian aircraft’s downing is the minimal condition official Baku has put forward to Moscow to “save face”. This leads to the conclusion that I. Aliyev has backed down under pressure from Russia’s measures and is trying to demonstrate to the West that he has no objective alternative to such a decision.

It seems likely that this decision by I. Aliyev—which essentially represents his refusal to further escalate the conflict with Moscow—was the reason for the sudden claims made by the West regarding Baku's energy cooperation and the announcement of trade and economic sanctions.

On July 26, 2025, it was reported that the EU had imposed sanctions against 105 oil tankers, including the vessels “*Shusha*” and “*Karabakh*”, whose owning companies (*SA Susha Shipholdings* and *SA Karabakh Shipholdings*) are registered in Baku[4]. For several years, these tankers had consistently operated between Russia’s Primorsk and Turkey’s Nemrut port, transporting Russian crude oil into the Mediterranean. The inclusion of two Azerbaijani tankers in a lengthy sanctions list might not have been considered a sensation.

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[3] “Hajiyev: Baku expects Russia to take responsibility for downing of AZAL flight”. Report.az, 26.07.2025, https://report.az/en/foreign-politics/hajiyev-baku-expects-russia-to-take-responsibility-for-downing-of-azal-flight/ (download date: 02.08.2025).

[4] “The European Union imposed sanctions against the Azerbaijani tankers “Karabakh” and “Shusha”. Caucasus-Chronicle (in Rus.), 26.07.2025, https://caucasus-chronicle.com/2025/07/26/4268/ (download date: 03.08.2025).

However, given that the West had traditionally been lenient with Baku on the issue of Russian-Azerbaijani oil re-exports and had largely turned a blind eye to the “grey schemes” that brought high revenues to companies affiliated with SOCAR, the current decision can be considered, at minimum, unexpected. This is especially so given that the entire “international shadow fleet” working for Russia was not included in the sanctions list. Considering Baku’s “special relationship” with Brussels, the “Shusha” and “Karabakh” tankers could have been exempted once again, but the EU, guided by what are clearly new circumstances, found it expedient to create problems for Azerbaijan.

Another and more tangible financial and reputational blow to Baku in the European market was the incident involving large batches of contaminated Azerbaijani oil. According to *Bloomberg*, just one day before the announcement of the “*sanctions tanker list*”, it became known that the British company British Petroleum and the Italian company Eni accused Azerbaijan of pumping large volumes of crude oil contaminated with organic chlorides through the Baku–Tbilisi– Ceyhan pipeline[5]. The next day, *Reuters* reported that the Austrian company OMV, also a purchaser of Azerbaijani crude oil, made similar claims[6]. While organic chlorides are typically used to increase extraction volumes from aging oil wells, these chemical substances can rapidly damage refinery equipment. Consequently, the relevant authorities in the purchasing countries initiated an investigation into the matter, and information has already emerged indicating that Baku is facing a price collapse on at least the batches of contaminated oil that have already been pumped.

For this analysis, the technical questions of how and why the chlorides ended up in the oil are less important than the timing of the incident, which coincided with an intensifying trend of Western political pressure on Azerbaijan. It is also significant that the protest was publicly voiced by *BP* and *Eni*, which are traditionally known for lobbying for Azerbaijani financial, economic, and political interests in the UK, Italy, and Europe as a whole.

Another notable fact should be mentioned in this regard,. The protest by the Italian oil company Eni coincides with Baku’s decision to withdraw from the previously agreed-upon purchase of Europe's largest steel plant, ADI, in Taranto, Italy. On July 22, 2025, I. Aliyev, while meeting with Italian Minister of Enterprise and Made in Italy (*Ministro delle Imprese e del Made in Italy*) Adolfo Urso in Mingachevir, stated that Baku was no longer interested in investing in the plant, purportedly due to fears of bureaucratic and legal barriers imposed by the Apulia authorities and opposition from the traditionally active environmental activists in that Italian region[7].

Back in March of the current year, the Azerbaijani metallurgical company *Baku Steel Company*, with government support, intended to acquire the plant’s shares and invest approximately €2 billion in its relaunch. In the competition for this right, Azerbaijan had

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5 “Two companies accuse Azerbaijan of supplying contaminated oil”. RBC (in Rus.), 24.07.2025, https://www.rbc.ru/economics/24/07/2025/6881897c9a79472690e30579 (download date: 03.08.2025).

6 “Austrian OMV also found chloride in Azerbaijani oil”. *“Natsionalnaya Asotsiatsiya Neftegazovogo Servisa”* (in Rus.), 28.07.2025, https://nangs.org/news/markets/oil/tsena-nefti-brent-na-ice-prevysila-usd70-za-barrel-vpervye-s-18-iyulya (download date: 03.08.2025).

7 “Details of Ilham Aliyev’s meeting with Italian minister revealed: Azerbaijan refuses to buy metallurgical plant in Taranto”. Haqqin.az (in Rus.), 22.07.2025, https://haqqin.az/news/354708 (download date: 03.08.2025).

even outmaneuvered the Indian steel giant *Jindal Steel*, apparently by offering the Italian side a more compelling investment package. However, this was followed by a sudden withdrawal from the original agreements, which inevitably caused irritation in Italy. Thus, the public scandal involving organic chlorides, one of whose initiators was Italy, may be a consequence of both the strained Rome–Baku relations and the broader context of Western pressure on Azerbaijan stemming from I. Aliyev's attempts to avoid a direct confrontation with Vladimir Putin.

This complex of facts, indicating a complication in trade and energy cooperation between Europe and Azerbaijan, is further supported by the news that Baku intends to sell its oil and petroleum products transshipment terminal in the Aegean Sea[8]. This port terminal, owned by a subsidiary of Azerbaijan's state oil and gas company *SOCAR Turkiye Energy AS* (STEAS), is also a key link in the logistics of delivering Azerbaijani oil to Europe. It is hardly a coincidence that the news of the terminal's sale emerged on July 25, 2025, right in the midst of the organic chloride scandal. According to Azerbaijani media reports, the Aegean terminal is not the only SOCAR asset outside Azerbaijan that Baku wants to sell. There is no open-source information yet on the sale of other foreign assets, but it can be assumed that these assets are also related to trade and energy cooperation between Azerbaijan and Europe. It is interesting that, almost 10 days after the news of the impending sale, Azerbaijani media refuted their own reports, only adding to the intrigue[9].

4. Conclusion: a strategic dilemma & attempts at adaptation

Thus, the combination and analysis of the above information led to the conclusion that the collective West, and particularly its European component, is showing signs of financial and economic pressure on Baku. While Moscow is focused on demonstrating its ability to obstruct transfer payments, cut off Azerbaijani access to the Russian labor market, and halt the import of Azerbaijani agricultural products, Western partners are delivering a preemptive blow to Azerbaijan's most significant source of revenue – oil exports. Moscow is showing its capability to target the individual budgets of the general population in Azerbaijan, whereas Western partners are targeting the state budget of the republic itself. In either case, the consequences could lead to social unrest and internal political destabilization for Azerbaijan's ruling elite.

It is clear that Baku has found itself in an extremely difficult situation. Should the dynamics of escalating tension persist around the most sensitive points on the international agenda (Ukraine, the Middle East), which are shaping the future global security architecture, it will be forced to sacrifice its multi-vector foreign policy. The dilemma facing the Azerbaijani authorities is not about choosing a winning path, but about choosing the lesser of two evils. This is a very difficult task, as it requires accurately calculating how far each of the opposing camps is willing to go in the conflicts in Ukraine and Iran and whether they are ready to go all-in.

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[8] "SOCAR sells its terminal in the Aegean Sea". Haqqin.az (in Rus.), 25.07.2025, https://haqqin.az/news/354941 (download date: 03.08.2025).

[9] "SOCAR is not going to sell its container port in Turkey, on the contrary…". Haqqin.az (in Rus.), 04.08.2025, https://haqqin.az/news/355949 (download date: 04.08.2025).

For now, before reaching a critical threshold of pressure, I. Aliyev is attempting to extricate himself from the complex "web" of interests of regional and global actors – a web that he personally helped to entangle his republic in. It is perhaps for this reason that Baku is selling off foreign assets, withdrawing from investment commitments, reviewing its financial resources, and reconsidering spending projects. In doing so, it is trying to maximally reduce its dependence on its now "toxic" partners and, where possible, minimize the force of the destabilizing shocks that are brewing within the country.