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## Russia and Eurasia Meeting Summary

# Azerbaijan: External Relations, Internal Realities

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This is a summary of an event held at Chatham House on 11 January 2013. A roundtable of experts discussed recent developments in Azerbaijan's domestic and foreign policies.

### **Session 1: Domestic Politics**

According to the first speaker, the political environment has been worsening steadily. President Ilham Aliyev's control over the system is tighter than his father's was; he has consolidated power in his own hands and introduced mechanisms for preventing NGOs, businesses etc. from challenging his authority. Journalists routinely practise self-censorship; few dare touch the taboo topic of the presidential family's business activities. The right of assembly is consistently denied and there has been no sanctioned demonstration in Baku since 2005. The number of political prisoners has increased and there are serious consequences for those who break taboos. The government releases a few political prisoners in response to international pressure from time to time, but immediately imprisons new ones. Criminal defamation charges are commonly used against journalists. Khadija Ismailova, a journalist who investigated the ruling family's offshore businesses, has stated that she received threats that a sex video of herself would be released if she did not desist from publishing work uncovering the first family's corruption. Perpetrators of attacks against journalists are rarely punished; the official investigations into the murder of Elmar Huseynov (March 2005) and the attack on Rafiq Tagi (November 2011) are still ongoing. Nakhichevan, dubbed 'Azerbaijan's North Korea', is known for cases of forced incarceration of journalists in psychiatric facilities.

Over 5,000 NGOs are registered in Azerbaijan, but the majority of these are GONGOs. The Azerbaijan Human Rights House was shut down by the authorities in 2011. There are only around 800 lawyers in Azerbaijan (population approximately 9.5 million), and very few of them are willing to defend clients in politically motivated cases as they fear disbarment. The government's reforms are self-serving and concentrate resources in the hands of the regime. The new Freedom of Assembly Law, adopted in November 2012, penalizes attendance at unsanctioned demonstrations with a \$1,000 fine. Political restrictions are likely to remain in place with the approaching presidential (2013), municipal (2014) and parliamentary elections (2015). All local governors are appointed by the president – the same men rotate in these roles; their main goal is enrichment and there are no checks and balances on their power. Monitoring the regions is becoming impossible, which was not the case five years ago.

The second speaker outlined the government's priorities: a solution agreeable to Azerbaijan in the Nagorno Karabakh conflict and preservation of Azerbaijan's independence. Energy security remains the major tool to achieve these goals. Cooperation with the West is a related strategic priority. The regime's domestic priorities include partial modernization, focusing on big projects with little regard for social problems. There is currently no public transport service in the regions – buses are prohibited and most people do not own cars, which means there are often no means of transport in the villages.

Many institutions do not correspond to international norms. Society remains closed; politics has turned into a market with open bargaining. Officials' salaries in Azerbaijan remain small compared to the other post-Soviet states, which provides fertile ground for an informal economy and corruption. 60 per cent of the state budget consists of transfers from the state oil fund (in contrast to Norway, where no more than four per cent of the budget can be transferred); Baku accounts for 95 per cent of state revenues. Spending levels are high, around \$1 billion monthly. Oil production is decreasing and gas production will not pick up before 2016-17. The slow economic growth may not be sufficient to prop up the state. The past decade has witnessed greater commercialization of the state and an increasing reliance on the State Oil Company of Azerbaijan Republic (SOCAR) money. SOCAR is increasingly becoming an agent of state. The previous president used the country's energy resources to consolidate Azerbaijan's independence. Nowadays the energy sector is all about increasing the inflow of money. The current stagnation may become problematic if the population unites under a banner of social justice and the fight against corruption and the corrosion of values.

Clearly unnerved by developments in the Arab world, President Aliyev declared an anti-corruption initiative in early 2011. However, the initiative, as well as the Human Rights Action Plan, has remained largely on paper, despite being routinely referred to in media interviews given by government officials. The minor changes introduced in 2011, such as the 'one window' business registration system, have not helped to curb corruption.

Most of the population remains secular, though the role of Islam is growing. All unregistered religious activity is banned and all religious literature is subject to censorship. The Fethullah Gülen movement is quite successful in Azerbaijan. Its schools are popular because of their higher standards and integrity. Their ideology is not imposed and there is no political agenda. Most political activists were educated at Fethullah Gülen schools. The Kavkaz

University, run by the Fethullah Gülen movement, is the only university in Azerbaijan not tainted by corruption. In addition to having built the biggest mosque in Baku, the Gülen group owns several newspapers and popular radio and TV stations; however, these outlets never express anti-government sentiments and their activities are closely scrutinized by the authorities.

Regime cohesion is undergoing a shakeup ahead of the presidential election due in October 2013 and changes in clan patronage groups can be expected. The two main clans are the Nakhichevani clan and the Yeraz clan (consisting of Azerbaijanis from Armenia). However, the Pashayev clan is on the rise, controlling big business holdings and slowly overshadowing the Nakhichevani clan. It has been suggested that the recently leaked videos exposing the corruption of government officials may, in fact, have been targeted at the Nakhichevan clan. Are there any modernizing voices among the elite? The problem is systemic; President Aliyev brought some of his friends into his inner circle but the system remained basically unchanged. The system does not tolerate dissent: Farhad Aliyev, the former minister for economic development, was jailed in 2005 on charges of plotting a coup – his peers turned against him because of his criticism of the de facto economic monopolies that have been created in the country. Most ministers are over 65 and have been in power since the Soviet era. Still, some in the older generation show mixed feelings about adjusting to work for the regime; the younger generation, educated abroad, is more aggressive.

Despite the massive defence expenditure, there are reasons to be worried about the state of the Azerbaijani army. Morale is low, corruption is pervasive and the issues of malnutrition and health and safety have not been attended to despite the increased expenditure. 70 per cent of last year's fatalities in the army occurred in non-combat situations.

The opposition is often criticized for not modifying their tactics and for their failure to unify. However, the 2003 presidential exit polls showed that 46 per cent of voters supported Isa Gambar, compared to 24 per cent supporting Aliyev. The main opposition parties have formed a so-called Public Chamber in preparation for the 2013 presidential election. But their assets are frozen and they have no access to radio or television. Social media and youth activism have brought some positive change to opposition politics, though conceivably too much hope is placed on the younger generation, while the focus should be on uniting the majority of the electorate – coordination among the activists is important. The opposition parties are likely to focus on the constitutional illegitimacy of President Aliyev's third term in their campaign.

The Georgian elections in October 2012 were inspiring for the Azerbaijani population; they proved that change is possible.

The government is only willing to pursue integration with the West to a degree that would not threaten the substance of the regime. The regime expects a friendly attitude from European states; Germany and Norway's criticism of the human rights situation in the country led to their being demonized in the Azerbaijani media. The state oil fund serves a political goal and the income from gas exports will be used in the same way. There is no effort to diversify the economy. At the moment, the state is not receiving as much oil revenue as it thought it would. State spending of the oil income has not been managed well, and it is not clear how well Azerbaijani officials understand this. For example, Russia's economic problems are largely presented as an effect of Europe's economic crisis. At the moment, the EU is not implementing even a basic level of conditionality in its relations with Azerbaijan. The EU should shift the Eastern Partnership funds from the non-complying government to civil society – this would be unlikely to alienate the government.

## **Session 2: Foreign Policy**

Strengthening relations with the West has been the key focus of Azerbaijan's foreign policy since the collapse of the Soviet Union. The country wanted to be recognized by the international community and in 1993 it started signing international treaties and applying to become a member of international organizations. At the time it was not purely a foreign policy issue but a matter of the country's self-identification. International recognition was important for the state's legitimacy and credibility, and to position itself as a democracy. At a later stage the government realized that there existed a gap between its obligations and its capacity and willingness to fulfil these commitments. The case of Azerbaijan's membership at the Council of Europe (CoE) is a good example. When the country joined the CoE the Azerbaijani government announced it had become an equal member of a respectful community. However, elections in Azerbaijan have hitherto not met international standards and democratic norms, and the key condition for entering the CoE – the release of all political prisoners – has not been met. In 2009 the CoE's Special Rapporteur was not let into the country. The Azerbaijani authorities claimed there was no definition of what 'political prisoner' meant, and, therefore, there was nothing for the CoE official to look for. However, no reaction from international institutions ensued. Azerbaijan has a strong lobby in the European institutions, including the CoE.

Relations with the EU and NATO are heavily influenced by Azerbaijan's cooperation with Russia and Iran. Before the Russian–Georgian war in 2008, President Aliyev pursued a policy of a gradual NATO integration. However, after the war, a sense of fear towards the NATO process appeared among the Azerbaijani elite. Furthermore, the government strongly disapproves demands by the OSCE and the CoE to implement recommendations and changes and regards this as interference in the country's domestic affairs. The ruling elite realize that a closer relationship with the EU and NATO would bring unwanted changes to the country. At the same time disengagement on the part of the West can be observed due to the worsening situation with human rights and democracy. This, in turn, has reduced western influence in the country and the wider region. In order to avoid double standards the EU should adjust conditionality and engage with Azerbaijan as it does with other non-democratic countries, even though this may be controversial in a country where the West looks for oil and gas. For its part, and in particular since 2005 when the Baku-Tbilisi-Ceyhan oil pipeline was completed and state oil revenues went up, Azerbaijan has become much more critical towards the EU and demanded a special relation to itself. The country recently joined the Non-Allied Movement which signals a further drift from the European vector, and more power and control for the ruling elite.

An existential threat to Azerbaijan comes from Iran, which reacts negatively to the improvement of its northern neighbour's relations with the United States, its strong secular policies and its arms purchases from Israel. The Azerbaijani government chooses a delicate and very selective rhetoric with Iran, and tries to minimize its influence at the domestic level where Iranian religious propaganda can be seen on TV and radio in the southern parts of the country. Iranians medical services and shopping are popular with Azerbaijanis, too. Nonetheless, relations between Azerbaijan and the United States have developed positively in recent times. While the former plays an important role for the United States, given its presence in Afghanistan, the latter recognized the other as a young democracy despite the existing concerns about human rights situation and democratic nature of the state system.

Today Azerbaijan is involved in a number of international infrastructure projects which the government regards as political, not just commercial undertakings.