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AZERBAIJAN: VULNERABLE STABILITY

Europe Report N°207 – 3 September 2010

International Crisis Group
WORKING TO PREVENT
CONFLICT WORLDWIDE

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

Ilham Aliyev's presidency has been marked by stabilisation of the political life of the country and economic growth driven by oil exports. This stability, however, has come with the consolidation of authoritarian rule, greater suppression of freedoms and an increased reliance by elites on corruption and patronage networks to dominate virtually all aspects of public life. With a marginalised and demoralised opposition, little independent media and rent-seeking elites who have vested interests in the preservation of his power, Ilham Aliyev has a level of control over society that his father never possessed. The international community has little leverage with which to pressure the regime, but it should do more to persuade the leadership to see that even its own self-interests lie in gradual but genuine liberalisation.

The government has developed effective methods for keeping political forces, non-partisan civil groups, media, religious communities and independent business alike from becoming self-sustainable challengers. It appears to have deliberately promoted a sense of impunity so as to ingrain self-censorship in the public and discourage any unsanctioned collective action. Due to restrictive readings of the existing laws, it denies the right to freedom of assembly. Opposition demonstrations are regularly prevented and sometimes violently broken up. Civil activists often find themselves at the mercy of local authorities and are occasionally denied the right to hold activities outside of the capital. The denial of registration for NGOs and religious communities has been used as a tool to restrict their activities. Mosques have also been shut down by the government on questionable grounds, raising the spectre of pushing them underground and stoking radical tendencies.

Although President Aliyev exerts firm control over the government, he is not all-powerful. He depends on the elite to preserve his power, and unless a direct challenge is involved, he is not interested in revising the delicate balances within the system by removing powerful subordinates, even if he is unsatisfied with performance. As a result, domestic politics are shaped less by unequal opposition-government contests than by internal dynamics and occasional power struggles within the ruling elite.

Oil revenues have further entrenched a stagnant political system, making it even more resistant to reforms. But the oil revenues are levelling off and are projected to gradually decline within a few years, which could lead to economic problems and growing public frustration. The closed political system prevents meaningful debate on Azerbaijan's long-term challenges and stimulates a sense of apathy and distrust. To protect state stability, a start on economic and political reform is essential.

The continuation of "business as usual" runs the risk that Azerbaijan could squander an historic opportunity to use its energy resources to build a more durable state system and a prosperous nation. The growing over-reliance on the energy sector, discrepancies in wealth distribution and public disenchantment with both the government and traditional opposition parties increase the likelihood of a surge in radicalism and instability in the medium to long term. It is in the regime's own interest to open up political space, take steps to rein in corruption and demonopolise the economy, while it still stands on solid financial and political ground. Azerbaijan has already reached the peak of its oil-driven GDP growth rates, which ran as high as 35 per cent in 2006 but are expected to slow to about 3 per cent in 2010 and 0.6 per cent in 2011. If the authorities further delay reform, they may lose the ability to control future developments and meet growing public expectations.

President Aliyev could reinforce both his domestic and international credentials by embracing deeper structural change. Genuine steps towards reform could also engender a more sympathetic attitude from the international community towards his most important policy problem, the conflict with Armenia over Nagorno-Karabakh. In the meantime, continued backsliding on human rights, including politically motivated arrests and the persecution of government opponents, casts a shadow over Azerbaijan's relations with important allies. International actors need to impress on the leadership that they run counter to both the country's international commitments and the government's own interests.

RECOMMENDATIONS

To the Government of Azerbaijan:

1. Allow citizens true freedom of assembly, including the right to stage public demonstrations in city centres which do not disrupt public order; and end arbitrary limitations on opposition and NGO activists' free movement and the holding of events outside the capital.
2. Engage in a real debate with the political opposition, including allowing regular access to state television and radio; permit private media to broadcast alternative viewpoints; and institute a regular government-opposition dialogue, possibly under the umbrella of the local office of the Organisation for Security and Cooperation in Europe (OSCE).
3. Release political prisoners immediately, including journalist Eynulla Fatullayev and youth activists Emin Milli and Adnan Hajizade.
4. Reinstate broadcasts of the Azerbaijani services of the BBC, RFE/RL and Voice of America on national frequencies.
5. Ease the registration of NGOs, applying procedures similar to those for business entities.
6. Relax religious tensions by allowing the reopening of mosques recently closed; avoid further social confrontations by not repeating recent demolition of mosques; and facilitate registration of non-traditional religious communities, such as those of non-violent, local Salafis.
7. Foster transparency and accountability in the government by:
   a) lifting restrictions on parliamentary consideration of the state budget; and allowing public access to state investment plans;
   b) ensuring competitive tenders for state contracts, regularly disclosing information regarding tenders with domestic subcontractors and avoiding conflict of interest in the granting of state contracts; and
   c) enforcing laws obliging senior state officials, including the president, to regularly submit financial declarations to the anti-corruption commission and instituting a mechanism for independent and impartial verification of such disclosures.
8. Establish a sustainable and diversified market-based economy by:
   a) limiting the size of transfers from the State Oil Fund to the state budget so as to ensure fiscal sustainability; and
   b) instituting an independent regular audit by reputable international auditors of construction and infrastructure projects financed from the State Oil Fund and regularly publishing the results.

To international organisations, particularly the Organisation for Security and Cooperation in Europe, the Council of Europe, the European Union and individual foreign governments:

9. Keep human rights high on multilateral and bilateral agendas with Azerbaijan, in particular by regular review of its commitments and by high-profile statements.
10. Insist on follow-up from the government in cases in which a judgment has been entered against Azerbaijan in the European Court of Human Rights.
11. Monitor closely and with a large contingent the November 2010 parliamentary elections.

Baku/Tbilisi/Istanbul/Brussels,
3 September 2010

International Crisis Group
WORKING TO PREVENT CONFLICT WORLDWIDE

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AZERBAIJAN: VULNERABLE STABILITY

I. INTRODUCTION

Ilham Aliyev succeeded his father, Heydar, as president of Azerbaijan in 2003 in a vote that international observers said was tainted by irregularities. Despite this, it was widely assumed in Azerbaijan and abroad that his presidency could lead to gradual reforms.[1] Many believed the younger Aliyev, who had limited experience and was not known to have a deep interest in politics, lacked his father's charisma and would not be able to preserve a similar iron grip. This led many to conclude that he would be forced to rely more on consensus, and thus rule more moderately than his father. Some governments and international organisations displayed a muted reaction to the electoral fraud that facilitated Ilham's election in the belief that a young, English-speaking president with great power would bring the former Soviet republic closer to the West, embrace gradual liberalisation and build stability.

There is no doubt that Ilham Aliyev has consolidated his authority and brought stability to Azerbaijan, at least for the short to medium term. However, the top-heavy, patronage-dependent nature of the system means that stability is vulnerable in the longer term to potential clan rivalries. The unsustainable oil-driven nature of economic development aggravates the risk, particularly as revenues are levelling off and set to begin a gradual decline.

The anticipated reforms have failed to materialise.[2] Each subsequent election has resulted in more concentration of power in the hands of the executive. Civil and political freedoms have been drastically curtailed. As a result, Azerbaijan has gone from a semi-authoritarian to a fully authoritarian state.[3] The November 2010 parliamentary elections offer the leadership another chance to take badly needed steps towards political liberalisation and sustainable development, but they are more likely to reinforce the establishment's rule, while failing to meet basic international standards.

Debate within and about the regime is highly politicised, and many issues remain taboo for open discussion. As a result, there is no broad analytical consensus among policy analysts. Perceptions are often heavily influenced by political sympathies, with little in the way of a middle ground. The absence of a free and constructive exchange of information and ideas breeds an atmosphere of distrust and resentment. This report examines the evolution and inner workings of the ruling system, identifying long-term systemic challenges and suggesting measures that could help build a genuinely stable and efficient state guided by principles of good governance and the rule of law. Given the reluctance of Azerbaijani officials to engage with Crisis Group on these issues, most of the information for the report has been drawn from unofficial sources.

[1] See Crisis Group Europe Report N°156, *Azerbaijan: Turning over a New Leaf?*, 13 May 2004; and Europe Briefing N°40, *Azerbaijan's 2005 Elections: Lost Opportunity*, 21 November 2005.

[2] "Ilham Aliyev turned out to be stronger than his opponents thought of him back in 2003", confessed an opposition politician. Similarly, a foreign observer said the initial impressions of Ilham "proved spectacularly wrong". Crisis Group interviews, Baku, June 2010.

[3] Since 2003, when Ilham Aliyev came to power, Freedom House has consistently listed Azerbaijan as a "non-free" country, in contrast from the earlier years when it was ranked as "partially free". Azerbaijan's ranking in the Economist Intelligence Unit's Democracy Index fell from 129th place in 2006 to 135th out of 167 in 2008. Reporters Without Borders Press Freedom index listed Azerbaijan in 136th out of 167 in 2004 and 146th out of 175 in 2009.

II. POLITICAL PORTRAIT OF THE REGIME

A. CONSOLIDATION OF ILHAM ALIYEV'S POWER

1. Formation of a leader

Regime consolidation under Ilham Aliyev took place in tandem with his growth as a political leader. During the years of his presidency, the younger Aliyev's public image has undergone dramatic transformation from inexperienced president to strong and crafty leader reminiscent of his father. In the first two years, the domestic opposition openly ridiculed him as a playboy and gambler, a pale political clone of his sire, awkward and with poor public speaking skills. It was widely assumed he would be unable to govern. Some even saw him as a transitional figure, who would ensure a smooth succession before handing over to another member of the ruling clan.[4]

However, Ilham proved to be a more sophisticated politician than his detractors expected. He understood that the greatest challenge to his rule came not from the weak opposition, but from within the ruling elite. Heydar Aliyev's death untied the hands of many powerful members of this old guard, which wished to control the young and inexperienced president. It was led by the president's uncle, Jalal Aliyev, and his close associate, Ali Insanov – the minister of health, a chief of the powerful Yerazi clan[5] and a founder of the ruling New Azerbaijan Party (YAP).

In his initial efforts to consolidate power, Ilham Aliyev stressed continuation of his father's policies and refrained from making major changes to the government. At the same time, to boost his domestic and international image, he positioned himself as a "new generation", pro-reform leader, whose rivals were old and backward-looking conservatives. The struggles at the advent of the new era were not solely along generational lines, however, and even less so over a reform agenda. Rather, they were centred – among older and younger elites alike – on personal political and financial advancement.

The president found a reliable ally in Ramiz Mehdiyev, another powerful member of the old guard, who had been head of his father's presidential administration and who, to protect his power and influence, opposed Jalal Aliyev's and Insanov's ambitions.[6] Rivalry between two younger members of the elite – Kemaleddin Heydarov, the head of the customs committee and a key presidential confidant, and Farhad Aliyev (not related to the president), the pro-reform economic development minister – increasingly threatened the stability of the regime.

Ilham dealt sharply with his political rivals. Insanov and Farhad Aliyev were arrested on charges of coup plotting and convicted of corruption and embezzlement, and the government violently repressed the opposition following the November 2005 parliamentary elections.[7] These measures helped erase the perception of the president as weak, but they also damaged his reformist image. The opposition began to portray him as a Machiavellian manipulator, who in many respects exceeded his father in suppressing dissent. The domestic and international consensus became that he was firmly in control.[8]

In recognition of his authority and in spite of the irregularities surrounding the 2005 elections, Ilham received a long-awaited first official invitation to visit Washington the following April. This was widely seen by the opposition as the international community again turning a blind eye to Azerbaijan's democratic shortcomings in order to pursue geopolitical and economic interests, chiefly the security of energy supplies and routes, such as the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum natural gas pipeline.

2. From clan politics to bureaucratic-oligarchy

Almost immediately after the elections, which cemented a rubber-stamp parliament controlled by the YAP and his own dominance, Ilham Aliyev began his first major political reshuffle. He targeted the parliamentary leadership, including influential legislators close to Jalal Aliyev and Insanov, as well as a number of ministers and heads of local government in Baku and the provinces.[9] This al-

[4] "Ilham Aliyev: Azerbaijan's playboy turned strongman", Agence France-Presse, 15 October 2008; also Elmar Huseynov, "Семейные тайны" [Family secrets], *Monitor journal*, 13 March 2004, www.monitorjournal.com/arxiv/51-aile.htm.

[5] Yerazis (derived from the somewhat pejorative term "Yerevan Azerbaijanis", were a client network of Azerbaijanis originally from Armenia and with the Nakhchivani clan formed the core of the Azerbaijani ruling elite. See Crisis Group Report, *Azerbaijan: Turning over a New Leaf?*, op. cit.

[6] Emin Djahrinsky, "Старые песни о главном" [Old songs about the most important], *Monitor journal*, 6 December 2003, www.monitorjournal.com/arxiv/40-do-svidaniye.htm; Ramiz Enverov, "Цунами не за горами" [Tsunami not far off], *Monitor journal*, 29 January 2005, www.monitorjournal.com/2005-1/83/83-politika.htm.

[7] For details see Crisis Group Briefing, *Azerbaijan's 2005 Elections*, op. cit., pp. 9-11.

[8] Alman Mir-Ismail, "President Aliyev's shake-up: a changing portrait", *CACI Analyst*, 2 November 2005, www.cacianalyst.org/?q=node/3517.

[9] For example, Ogtay Asadov, former head of the state water supply company Azersu replaced Murtuz Aleskerov, an influential member of the old guard, as speaker of the parliament. Kemaleddin Heydarov, former chief of the customs committee

lowed him both to appoint more of his confidants (and Heydarov's) to key posts and to send a signal to those associated with the ruling elite that they all owed their positions personally to him.[10]

Ilham relied less than his father had on regional clan affiliations, the client networks based on regional identities, in particular natives of Nakhchivan and Azeris from Armenia (the latter the so-called Yerazis). The arrest of Insanov, a Yerazi leader, marked a symbolic end of regional clans as a determining factor in Azerbaijani politics. Nakhchivani and to a lesser degree Yerazis continued to hold most of the key jobs, but personal loyalty and proximity to the president became more important than regional affiliation. Unlike his father, Ilham preferred to have more urbane, Baku-raised individuals, often successful businessmen, near him.

Massive revenue from oil exports further facilitated consolidation of the president's power and increased the dominance of oligarchs and business networks. Oil started to flow in the Baku-Tbilisi-Ceyhan (BTC), Azerbaijan's main export pipeline, in May 2005. By July 2006, it was fully operational. The booming oil exports, at record world prices, produced high GDP growth rates. While the 2002-2005 annual average was around 10 per cent,[11] the rate reached 26.4 per cent in 2005 and spiked to 34.5 per cent the next year, before returning to 25 per cent in 2007.[12] Azerbaijan was thus one of the fastest growing economies in the world three years in a row.

Azerbaijan currently produces just over 1 million barrels of oil daily (bpd).[13] The huge oil windfalls, which have been calculated at roughly $350-$400 billion over the next two decades,[14] have allowed the government to maintain an unprecedented public spending campaign. In 2009, its expenditures were 34.8 per cent of GDP, up from 22.7 per cent in 2005.[15] Most of this is dependent on transfers to the state budget from the State Oil Fund (SOFAZ).[16] Billions of dollars are being invested in large infrastructure and reconstruction projects. So long as oil revenues remain in SOFAZ, they are well-monitored via Azerbaijan's participation in the Extraction Industries Transparency Initiative (EITI), but EITI does not cover spending from the fund, and it is widely alleged that large sums are thereby lost through misappropriation and inefficient spending.[17] Some civil society activists call for transfers from SOFAZ to be subject to parliament rather than presidential discretion and for laws to restrict the spending of oil money.[18]

Oil gives Aliyev opportunities to expand his patronage network,[19] and the booming economy and massive public spending boost his popularity at the same time as they provide a social cushion and raise expectations that the average citizen's life will gradually improve.[20] The government claims 840,000 jobs have been created during Ilham's presidency.[21] The official poverty rate has decreased from 45 per cent in 2003 to 11 per cent in 2010.[22] A recent World Bank assessment agreed that living standards "improved considerably", between 2001 and 2008[23] and said per capita income rose by over 90 per cent in 2001-2005, then doubled in the next three years to $3,830.[24] But it also cautioned that without social transfers, the

was charged to head the new emergencies ministry. Among new faces in the establishment, Azad Rahimov and Rovnag Abdullayev, both successful businessmen, were appointed to head, respectively, the youth and sports ministry and the State Oil Company (SOCAR).

[10] Rovshan Ismayilov, "Azerbaijan: Recent shake-ups reinforce president's power", Eurasianet.org, 6 February 2006.

[11] "Strategy for Azerbaijan", The European Bank for Reconstruction and Development (EBRD), 18 September 2007, p. 6, www.ebrd.com/downloads/country/strategy/azerbaijan.pdf.

[12] "Republic of Azerbaijan: 2010 Article IV Consultation – Staff Report", International Monetary Fund (IMF), May 2010, p. 14, Table 1, www.imf.org/external/pubs/ft/scr/2010/cr 10113.pdf.

[13] "OPEC increases Azerbaijani oil production forecasts", Today.az, 17 June 2010.

[14] Crisis Group Europe Briefing N°50, *Azerbaijan: Defence Sector Management and Reform*, 29 October 2008, pp. 4-5.

[15] "Republic of Azerbaijan: 2010 Article IV Consultation", op. cit., p. 20, Table 7.

[16] The transfers in 2009 were nearly equal to the total transfers of the preceding eight years. Vugar Gojayev, "Resource Nationalism Trends in Azerbaijan, 2004-2009", RussCasp Working Paper, March 2010, p. 22. In 2010 state budget transfers from SOFAZ accounted for some 51 per cent of the state budget. "Law of the Republic of Azerbaijan on the 2010 state budget" (as amended in June 2010), e-qanun.az.

[17] Crisis Group interviews, Baku, June 2010. The IMF in May 2010 recommended to the government that it abstain from using more oil resources to increase public spending, "given the available room to improve the quality and efficiency in spending" and "the need to significantly reduce the non-oil deficit to secure medium-term fiscal sustainability". "Republic of Azerbaijan: 2010 Article IV Consultation", op. cit., p. 6.

[18] Crisis Group interview, Baku, June 2010.

[19] See Section IV.A below for details.

[20] Government increased social protection funds threefold from some 383 million AZN [$478 million] in 2006 to some 1.2 billion AZN in 2010. Figures taken from the state budgets of 2006 and 2010, e-qanun.az.

[21] "Son 6 il ərzində Azərbaycanda 840,000 iş yeri açılmışdır" [840,000 jobs have been created in the last 6 years in Azerbaijan], Azertag state agency, 19 January 2010.

[22] "Republic of Azerbaijan: 2010 Article IV Consultation", op. cit., p. 3, Table 7.

[23] "Azerbaijan: Living Conditions Assessment Report", World Bank, 1 March 2010, p. xi, 7

[24] Ibid, pp. xi, 7.

overall poverty incidence would increase significantly.[25] Much of the population is thus heavily dependent on government allowances. With 55 per cent of GDP derived from hydrocarbons,[26] taxes are marginal to the budget, and Azerbaijan increasingly resembles a typical oil-dependent state.

While increasing oil revenues and populist spending have bolstered Aliyev's political standing, they have also shielded him from domestic and international criticism. Unlike his father, he feels less incentive to pretend that Azerbaijan is a progressing democracy. His government has enacted serious restrictions on the opposition and the small surviving independent media. These seem aimed at removing the already fragmented opposition as a credible political force and encouraging the few media outlets with a modicum of latitude to engage in strict self-censorship.

3. A one-man show

Aliyev won a virtually unchallenged second five-year term in October 2008, with 89 per cent of the vote.[27] The major opposition parties boycotted the election, saying the authorities had done nothing to provide for a fair competition. Six candidates – dubbed by the boycotters the "puppet opposition" – offered little criticism of the president's policies and received between 1 and 3 per cent of the vote apiece. None disputed the results.

Overall, the presidential election was the most passive and least challenged contest in Azerbaijan's modern history. There was little election atmosphere during the run-up. Unlike in 2005, no public demonstrations or rallies were held by opposition candidates. Afterwards, international observers noted "considerable progress" in the conduct of the election but added it "was characterized by a lack of robust competition and vibrant political discourse".[28] Andres Herkel, then co-rapporteur of the Council of Europe for Azerbaijan, offered the sharpest judgement, saying it was "a very good swimming exercise, but unfortunately, it's an empty pool".[29]

As in 2003 and 2005, any expectations of subsequent reform were dashed. Aliyev reappointed virtually his entire cabinet,[30] and almost immediately the ruling party introduced constitutional amendments to, inter alia, remove the two-consecutive-term limit for the presidency and permit indefinite postponement of presidential and parliamentary elections in the event of war. The proposals came as a surprise, since they had not been mentioned during the campaign, but they were approved overwhelmingly in March 2009 in a hastily organised referendum.[31]

It is widely believed that the presidential term limit was scrapped to impress on competing factions within the ruling elite that the leadership would not change hands anytime soon.[32] The opposition cried foul, accusing Aliyev of trying to turn the country into a monarchy. Many of its members now pejoratively refer to him as "Shah".[33] The European Commission said the step "signalled a serious setback" for the development of democracy.[34] Government proponents argued that it was undemocratic to prohibit citizens from choosing whom they wished as president.

There was little public debate before the referendum. Public television allocated only three hours per week to debates about the 48 proposed constitutional amendments, others of which restricted media rights and the functioning of local governments. By law, the campaign lasted four weeks. As in other recent elections, the authorities allowed no mass protests or demonstrations. Police frequently detained activists campaigning against the amendments.[35] As a result, the opposition boycotted the vote, but again with little practical impact.[36]

[25] Ibid, p. 112. The report also stressed that the poverty figures are very sensitive to where the poverty line is fixed and that the officially-defined poverty line is kept artificially low.
[26] "Asian development outlook 2010: macroeconomic management beyond the crisis", Asian Development Bank, April 2010, p. 109 (Azerbaijan chapter), www.adb.org/Documents/Books/ADO/2010/AZE.pdf.
[27] Official results of the 2008 presidential election on the Central Election Commission's website, www.infocenter.gov.az/v3/president2008.php. Turnout was said to be 75 per cent.
[28] "Statement of preliminary findings and conclusions", International Election Observer Mission, 16 October 2008, www.osce.org/documents/html/pdftohtml/34414_en.pdf.html.
[29] Sabrina Tavernise, "Vote monitor faults election in Azerbaijan", *The New York Times*, 16 October 2008.
[30] The only exception was the economic development minister, Heydar Babayev, who like his predecessor, Farhad Aliyev, was said to have fallen victim of an internal struggle with the powerful emergencies minister, Kemaleddin Heydarov.
[31] The proponents of the removal of term limits argued it was undemocratic to limit people's choice and widely cited the lack of term limits in many European countries. Critics pointed out, however, that most of those countries have systems of government that are parliamentary republics, not a very strong presidential system as in Azerbaijan. Azerbaijan thus joined Belarus as the only European states with a strong presidential system of government whose chief executive is not subject to term limits.
[32] "Referendum was aimed at forcing loyalty … because some people felt the field was open", Crisis Group interview, Western diplomat, Baku, June 2010.
[33] Crisis Group interviews, Baku, June-July 2010.
[34] "Azerbaijan's Progress report on implementation of the European Neighbourhood Policy", 12 May 2010, p. 3, http://ec.europa.eu/world/enp/pdf/progress2010/sec10_519_en.pdf.
[35] Leyla Yunus, a prominent Azerbaijani human rights defender, claimed "hundreds" of opposition and civil activists were detained by the police during the campaign, a charge officials denied. Mina Muradova, "Azerbaijan: referendum to abol-

The constitutional amendments finalised Ilham's process of consolidating power. With a marginalised and demoralised opposition, almost no influential independent media and elites who have vested interests in the preservation of his power, he has gained a level of control over society that his father never possessed. An Azerbaijani analyst wrote: "Oil and gas exports have enriched the government's coffers and contributed to regime stability, allowing the government – through patronage, public spending and rent-seeking – to buy public support and to keep the society immobilised and disorganised".[37] The general public, even many of those who criticise him, see no alternative today to Ilham Aliyev.[38]

B. SEARCH FOR AN "AZERBAIJANI MODEL"

When Ilham came to power, the ruling establishment redoubled efforts to boost its ideological credentials and devise an effective communication strategy for enabling it to exercise greater control over the public. The search for an ideology is part of an effort to construct and legitimise a managed state with a democratic façade, where the political process is reduced to a formal and predictable exercise. Ramiz Mehdiyev, the regime's major ideologist and the president's chief of staff, has termed this type of governance an "Azerbaijani model" and a "responsible democracy", somewhat like the "sovereign democracy" concept coined in Putin's Russia.[39] The government's discourse revolves around two major sets of ideas. One is the cult of personality, in the first instance that of Heydar Aliyev and in lesser proportions that of his son. The other is the need for a strong presidency, which essentially comes down to statist authoritarianism.

1. Cult of personality

The Aliyev cult of personality is the most significant manifestation of the state's top-down control. Official propaganda portrays the late Heydar Aliyev as a "national leader" and saviour, who brought stability and rescued Azerbaijan from the chaos of the early 1990s, when war raged with Armenian forces over Nagorno-Karabakh, and powerful warlords threatened the state's integrity.[40] Displays of the cult of personality have drastically increased since 2003. Images of Heydar are omnipresent. All cities and towns are dotted with his statues and portraits, often featuring him with his son. Most towns have central avenues renamed after him, as well as museums and parks. The BTC oil pipeline and Baku's international airport carry his name. Portraits and busts can be seen in prestigious business offices, small shops and private cars, used like talismans, in the popular belief that they might lessen the chance of unwelcome attention from tax inspectors, police or other government bureaucrats.

The authorities have come up with a number of ceremonies aimed at engaging the masses in commemorating Heydar Aliyev's legacy. 15 June, the day Heydar returned to power in Baku in 1993, is celebrated as a "National Day of Salvation". His birthday – 10 May – although not an official holiday, is lavishly celebrated as the "Flower Festival", when the authorities import over a million blossoms, and fireworks fill the sky in a gala that is among the most expensive of the year.[41] Open-air concerts, Soviet-style gatherings, sports events and organised mass visits to Heydar's grave are attributes of the officially-sponsored veneration of his legacy.

Visiting foreign officials are required to contribute to the national myth-making rituals: diplomatic protocol obliges them to visit Heydar Aliyev's grave first, then the Alley of Martyrs, where the victims of the independence struggle are buried. The authorities also promote the erection of monuments to Heydar abroad. In recent years, statues and busts have gone up in Georgia, Turkey, Russia, Moldova, Ukraine, Romania and Egypt.

The promotion of Heydar Aliyev's cult has gradually spilled over to his son, whom official propaganda portrays as a strong leader and successor, who has built upon and developed his father's legacy. As in Heydar's time, every major government activity or construction project

ish presidential term limits sparks criticism of Baku", Eurasianet.org, 28 January 2009.

[36] The amendment scrapping presidential term limits received almost 92 per cent approval, the other amendments between 87 and 89 per cent. Central Election Commission website, www.infocenter.gov.az/v3/referendum_09.php.

[37] Farid Guliyev, "End of term limits: monarchical presidencies on the rise", *Harvard International Review*, 28 February 2009.

[38] Reflecting the widespread mood, a local political observer said, "there is no alternative to Ilham Aliyev, and this needs to be taken into account". Crisis Group interview, Baku, June 2010.

[39] Ramiz Mehdiyev, *Demokratiya yolunda: irs haqqında düşünərkən* [On the path to democracy: thinking about the heritage] (Baku, 2007); Ramiz Mehdiyev, "İctimai və humanitar elmlər: zaman kontekstində baxış" [Social and humanity sciences: a perspective in the context of [contemporary] time], *Azerbaijan* (state newspaper), 16 July 2009.

[40] A politician said, "the country is governed on behalf of Heydar Aliyev", Crisis Group interview, Baku, July 2010.

[41] In 2010 festivities, 1.5 million flowers were imported, including specially cultivated Dutch tulips named after Heydar Aliyev. The festivities cost millions of dollars each year, though the authorities have refused to disclose the exact amount. Anna Zamejc, "A million flowers for Heydar Aliyev", RFE/RL, 10 May 2010.

is associated with the president's name.[42] Negative or unpopular decisions and developments are always blamed on bad bureaucrats, while Ilham is portrayed as a wise ruler.

The cult of personality and the increasing suppression of criticism have distorted social interactions. Submission to the cult of personality, voluntary or forced, has become a norm for the majority as well as a method of control. Social discourse influenced and manipulated by the cult of personality ingrains a political culture of obedience and servility. Asking for favours, including directly addressing the president and the first lady, rather than demanding one's rights in relevant state bodies, is standard practice and often the only way to solve problems. Expressing gratitude to the president for his care of the people is a recurring motif on state-controlled television. Few dare to publicly criticise Heydar Aliyev's legacy for fear of Ilham. The opposition press has significantly toned down its criticism of the father and generally avoids the epithets it once regularly employed.[43]

2. Statist authoritarianism

Officials and pro-government politicians often repeat that democracy in Azerbaijan should develop taking into account the "national particularities" or "national mentality". Democracy, they say, is new to the country and will need time to reach the Western level. Some practices may even be destabilising. "Everything has its time", a government official said. "If we allow democracy now, we'll end up like in Kyrgyzstan [referring to recent riots and ethnic violence]".[44] Azerbaijan's "difficult neighbourhood" – conflict with Armenia, neighbouring Russia and Iran – is also usually cited.

Proponents of the above line argue a strong presidency is necessary to retain stability, while ensuring economic and social development, and as in many societies with little democratic experience, the notion has won some popular support. Many Azerbaijanis regard stability and development as greater priorities than political rights and freedoms. Dissenters are often accused of lacking patriotism and acting, whether deliberately or carelessly, against the national interest. This is at the expense of checks and balances. Both the Milli Majlis (parliament) and the judiciary have come under increasing control, as Ilham has strengthened his presidency by laws that formally weaken the other branches of government. "The government has become more sincere", a local observer remarked sarcastically. "It no longer plays a game of democracy. It now acts according to a proverb 'be what you seem, and seem what you are'".[45]

The 2009 constitutional referendum described above was followed by laws that removed term-limits on the general-prosecutor, the ombudsman and the chairmen of the courts, all presidential loyalists. In June 2010, the parliament approved a law "On Standard Normative Acts", which requires it to "co-ordinate" its legislative agenda with the presidential administration's in a jointly-agreed annual work plan. The opposition argued that it undermines the body's theoretical independence, essentially legalising its actual status as a rubber stamp. "This law effectively turns the parliament into a 'ministry of parliament'", a legislator said.[46]

Another recent development, which may reflect a new trend in Ilham's ruling style, is the increasing number of former military and security officers appointed to lead provincial governments. Since September 2009, ex-security officers have become the chief executive in Agdam, Salyan, Gabala and Udjar regions, in what the opposition press has described as an effort to further strengthen authoritarianism, particularly in the provinces.[47]

The restrictions on free communication through media and public assembly keep citizens uninformed and predisposed to conspiracy theories. This gives the government greater opportunity to manipulate opinion and weaken the impact of international criticism. In recent years, it has increasingly accused critical states and international organisations of double standards and using democracy as a pretext to demand concessions on unrelated matters ranging from the Nagorno-Karabakh conflict to multilateral security cooperation.

[42] In an extreme example of adulation, a governor called him "Ilham the Builder", recalling an eminent twelfth century Georgian king, David the Builder. See, "Gəncə beynəlxalq hava limanının açılış mərasimi" [The opening ceremony at the Ganje airport], *Azerbaijan*, 1 November 2006.
[43] Crisis Group interview, Baku, May 2010.
[44] Crisis Group interview, Baku, June 2010.
[45] Crisis Group interview, Baku, May 2010.
[46] Crisis Group interview, Baku, June 2010. The law is expected to enter into force by the end of 2010.
[47] Natiq Gulahmedoglu, "Xunta quruculuğu istiqamətində daha bir addım" [Yet another step towards establishing a junta], *Azadliq*, 10 April 2010.

III. RELATIONS WITHIN THE RULING ELITE

Knowledge of the regime and relations among its factions is critical for understanding the logic, motives and trends of government policy. Domestic politics is shaped less by the unequal opposition-government contest than by the dynamics and occasional power struggles within the ruling elite. Like many authoritarian governments, the Azerbaijani regime is highly insular and opaque. Little information about its inner workings can be fully trusted. Most is obtained through gossip or the small opposition press. The former is often unverifiable; the latter frequently highly filtered, exaggerated or manipulated, reflecting the outlet's agenda or that of individual members of the ruling elite using it for their purposes.

A. POWER BALANCE WITHIN THE SYSTEM

In the absence of formal checks and balances, the government relies on an informal division of powers in which multiple groupings balance and compete with each other. Political power is used as a currency to gain more money and vice versa. The style of government bears some characteristics of a neo-feudal system: the president distributes rents – lucrative sectors of the economy, the right to collect informal fees (which often comes down to bureaucratic bribery and extortion) and even control over certain regions – to his coterie in exchange for loyalty and a large share of the profits.

This system is replicated from top to bottom. The elite create around themselves similar patronage networks by buying loyalties and placing their confidants, often relatives, in key positions. Change in the leadership of a government agency is usually accompanied by a major purge inside it, because the new boss wants to replace the old team with his own trusted agents.[48] In the absence of the rule of law and guaranteed property rights, loss of a ministerial position often implies not only loss of income, but also expropriation of most assets and sometimes arrest.[49] All this hinders creation of a professional, non-politicised bureaucracy but is effective in developing vested interest in preserving the political status quo.

The president acts not only as distributor of power and rents, but also as fine-tuner and problem-solver. On one hand, he holds the system together by mediating and adjudicating competition among elite members. On the other hand, like his father, he employs sophisticated "divide-and-rule" tactics to ensure that no single power centre is strong enough to challenge him.

Virtually no member of Ilham Aliyev's team is popular. It is difficult to determine whether this is a deliberate policy to prevent competition from underlings, but there is a visible contrast in the way the public views the president and those around him. The general perception is that the members of the elite are oligarch-bureaucrats, interested only in personal power and enrichment. Anecdotal evidence suggests, however, that many citizens believe Ilham Aliyev could and would do more for the people if it were not for corrupt officials surrounding him.[50] Surveys consistently give him an over 80 per cent favourable rating.[51]

President Aliyev has shown his political savvy in managing the complex patronage network, but although he exerts firm control, he is not all-powerful. He has to abide by the informal rules of the game which he himself seeks to reinforce. He depends on the elite to preserve his power, and unless a direct challenge is involved, he is not interested in revising the delicate balances within the system by removing powerful subordinates, even if he is unsatisfied with performance.[52] "The system", a foreign observer

[48] For example, following the arrest of ex-health minister Ali Insanov in October 2005, ten senior ministry officials, including Insanov's deputy, Nazim Ibrahimov, were also arrested on corruption charges as well as sued.

[49] After being sentenced in 2007 on corruption and embezzlement charges, most of the assets of ex-health minister Insanov and economic development minister Farhad Aliyev were expropriated and sold. See, for example "Əli İnsanovun əmlakı hərracda satıldı" [Ali Insanov's property was sold at auction], *Yeni Musavat*, online edition, 18 July 2010. The nominal ownership of Azpetrol, the largest domestic retailer of automotive fuel, owned by Farhad Aliyev's brother Rafig, who was also arrested in 2005, was transferred to a person who owned 0.5 per cent of its shares. Rovshan Ismayilov, "Observers: Azpetrol shake-up could affect investments in Azerbaijan", Eurasianet.org, 9 January 2006. The opposition media has speculated, without providing any evidence, that the real ownership was transferred to the president's chief of security, Baylar Eyyubov, or Pasha Holding, owned by the ruling family. See, for example, "Azpetrolda qarşıdurma yaranıb" [Standoff in Azpetrol], *Yeni Musavat*, online edition, 20 May 2009; and "Paşa Holdinq Azpetrolu da udur" [Pasha holding swallows Azpetrol], *Yeni Musavat*, online edition, 2 August 2010.

[50] Crisis Group interviews, Baku, 2010.

[51] According to a poll conducted in March 2010 by a local firm, 52.8 per cent of respondents agreed, "Ilham Aliyev represents the interests of ordinary citizens", while 30.2 per cent said he "probably represents [them]". "Azərbaycanda seçicilərin 83,7%-i yenidən prezident İlham Əliyevə səs verməyə hazırdır" [83.7 percent of Azerbaijanis are ready to vote for Ilham Aliyev], Interfax-Azerbaijan (Interfax.az), 31 March 2010; critics frequently pointed out that in an illiberal society respondents may fear to express alternative viewpoints.

[52] According to some local observers, Ilham Aliyev tried to sack the interior minister, Ramil Usubov, in 2006, following the arrest of a gang led by Haji Mammadov, a former senior ministry official who was charged with numerous high-profile abduc-

said, "has become more self-reinforcing and the individuals less important …. Aliyev is as much a victim of the system as anyone else".[53] A local politician added: "The determinant [factor] is not Ilham Aliyev, but the bureaucratic-oligarchic system".[54]

B. MAJOR PLAYERS AND GROUPINGS

The Azerbaijani elite represent a symbiosis of family networks and bureaucratic/business interests. They can be divided into three groups: the faction led by the president's chief of staff, Ramiz Mehdiyev, which many refer to as the "old guard"; Ilham Aliyev's protégés, often called the "oligarchs", with whom he shares business interests and whom he uses to counterbalance other forces within the elite; and the extended "Family", the president's untouchable relatives. The power plays among and within these groups and their relations with the president largely shape domestic developments.

1. Ramiz Mehdiyev and his "old guard"

Mehdiyev's faction is the most consolidated within the ruling elite. It also includes the interior minister, Ramil Usubov, and the prosecutor-general, Zakir Garalov. All came to power during Heydar Aliyev's presidency.[55] Mehdiyev has been nicknamed by the opposition the "grey cardinal", for his influence on domestic policy. He advocates a centralised presidential government, similar to what in Russia is called the "power vertical". He is the main day-to-day supervisor of the administrative apparatus, including local executive authorities.

As chairman of the State Civil Service Committee, Mehdiyev has key decision-making power in virtually all civil service appointments, including in the legislative and judicial branches.[56] He leads the Anti-corruption Commission, while Garalov runs the Department for Combating Corruption. Control over these bodies gives the group significant leverage over all civil servants. Mehdiyev gives detailed instructions to the local executive authorities regarding the conduct of elections and reportedly approves the final list of the candidates that is passed to the parliament.[57]

2. The "oligarchs"

The "oligarchs" mostly consist of ministers who have been promoted by and are allied to the president because of close business interests. While Mehdiyev's group controls most of the state's administrative resources, this group controls its financial and economic resources. In common with other patronage/rent-based political systems, the president and his family are believed to receive a substantial portion of these revenues.[58]

The most influential members are the minister of emergency situations, Kemaleddin Heydarov, the transport minister, Ziya Mammadov, and the president of the State Oil Company, Rovnag Abdullayev. Heydarov is said to dominate most trade flows through control over taxes and customs.[59] His ministry is responsible for the lucrative construction sector, including distribution of safety permits and monitoring of safety standards in buildings. It is also in charge of civil defence and the fire and water rescue services. It has its own armed guard detachments and authority to conduct special investigations and operations in emergency situations.

Heydarov has built a large business empire and is widely believed to be the wealthiest person in the country after the president and his family. The companies that belong to his family members, like "Gilan Holding" (gilanholding.az) and its sister corporation, "United Enterprises International" (ueiholding.com), formally owned by his son, have monopolies in the fisheries and caviar markets and control large shares of the food-processing (particularly a near-monopoly in juice production with its "Jale"

tions and murders, but yielded to opposition from Usubov and Ramiz Mehdiyev. Crisis Group interviews, Baku, June-July 2010. In February 2009, following the still unresolved mysterious daylight murder in Baku of an air force commander general, Rahil Rzayev, Ilham was reportedly angry at the security and defence ministries and the prosecutor-general for failing to avert it. But all three remain in office. There was speculation the murder was connected to elite infighting, so to preserve internal stability it would never be solved. E. Gadimov, M. Mahrizli, "Müəmmalı qətl: məlumatlar, versiyalar" [Mysterious murder: information, versions], *Yeni Musavat*, online edition, 11 February 2009.

[53] Crisis Group interview, Baku, June 2010.

[54] Crisis Group interview, Baku, June 2010.

[55] Ramiz Mehdiyev has served as chief of staff to the president since 1994, the first years of Heydar Aliyev's presidency. Ramil Usubov has been interior minister since 1994 and Zakir Garalov prosecutor-general since 2000.

[56] "The speaker of the parliament cannot independently appoint even a middle-level civil servant in the parliament's apparatus [without the approval of the State Committee]", an opposition lawmaker commented. Crisis Group interview, Baku, June 2010.

[57] Crisis Group interviews, local observers and analysts, Baku, June-July 2010; also, Aydın Avşar, "Paşayevlərin parlament planı" [The parliament plan of the Pashayevs], *Yeni Musavat*, online edition, 7 May 2010.

[58] Crisis Group interviews, local analysts, Baku, June-July 2010. See further below at Sections III.B.3 and IV.A.

[59] Both the minister of taxes and the head of the customs committee were his deputies, when he headed the customs committee, 1997-2006.

brands) and construction sectors. Another large domestic corporation, AF Holding (afholding.com), engaged mostly in construction and real estate management, is also strongly associated with his business empire.[60] He is said to exert control over several regions of the country, most notably Gabala in north-central Azerbaijan.[61]

Ziya Mammadov's ministry and proxy companies control passenger transport and cargo shipments. The ministry is also widely believed to get a major share of state investments in large infrastructure and reconstruction projects, most of which is then directed to proxy companies. Mammadov's son formally owns "ZQAN" holding (zqan.com), which reportedly implemented a number of construction projects commissioned by the ministry, such as bus stations (including most notably the Baku international station), underground pedestrian passages, roads and bridges. Critics say that tenders for state contracts have not always been handled in a fully transparent manner.[62] Ministry officials deny any impropriety, however.[63]

Unlike Mehdiyev's group, the "oligarchs" are not a consolidated force. The ministers compete with each other for access to power and wealth.[64] At the same time, they are often used to offset the influence of other powerful members of the elite. For example, some local observers believe the president promotes Heydarov to counterbalance Mehdiyev.[65] The "oligarchs'" biggest disadvantage is that though they earn huge profits from the rents allocated by the president, they are still treated as a source for funding his interests and those of his immediate family.[66]

3. The "Family"

The president's extended "Family" is rather complex and fragmented. Two influential members, an uncle, Jalal Aliyev, and sister, Sevil Aliyeva, are virtually marginalised because they earlier questioned Ilham's power. Blood ties make them untouchables, however, unlike other top members of the elite, such as the imprisoned ex-health minister, Ali Insanov, who was previously allied with Jalal Aliyev. In terms of political and economic influence, the "Family" can be divided into two sub-groups: "conservatives", led by Baylar Eyyubov, the president's chief bodyguard, and "reformists", led by the first lady, Mehriban Aliyeva, and the Pashayev family.

Baylar Eyyubov is chief of the president's personal security, the same post he held under Ilham's father. He is one of the few people to have constant direct access to the president, but his biggest advantage is that he is also an untouchable because he is related to the "Family" by marriage.[67] Some consider him the most powerful member of the elite, after the president. The opposition press constantly refers to him as head of the "Kurdish mafia" in Azerbaijan, which it then goes on on to claim is a highly organised clandestine network linked to the Kurdish separatist PKK insurgency in Turkey,[68] but there is no evidence to support such claims.

Eyyubov allegedly controls, via relatives, most of the lucrative businesses and properties in the western part of the country, including the second-largest city, Ganje, and surroundings. They are said to control the tourism infrastructure, large farms and much cattle in the area, including in the Goygol national reserve.[69] Eyyubov is strongly

[60] Crisis Group interview, local observer/analyst, Baku, July 2010; the opposition newspaper *Yeni Musavat* newspaper claims Heydarov's Gilan Holding owns 98 per cent of the shares of AF Holding; see, Cavad Cahangirli, "Polad Ələmdarı Bakıya Taleh Heydərov gətirib" [Taleh Heydarov brought Polad Alemdar to Baku], *Yeni Musavat*, online edition, 19 March 2010.

[61] Heydarov's family controls most of the business assets in the region, including luxury hotels, plants for production of canned foods, juices, nuts processing, milk processing and construction materials. The local head of the executive authority is said to be Heydarov's proxy, appointed on his recommendation. Heydarov's son, Taleh, owns the local football club, "Qabala", which though far from the top in the national league, apparently possesses considerable financial resources and employs a number of highly-paid Western coaches and some foreign players. In an interview with a foreign journalist, the British coach of the club replied to a question on finances, "[Kemaleddin Heydarov] seems to own half of Azerbaijan, so financial resources [for sustaining the football club] shouldn't be a problem". Shaun Walker, "Tony Adams, a mysterious tycoon and their grand plan for small-town Azerbaijan", *The Independent*, 12 May 2010. See also "Tony Adams' grand plans for Azerbaijan football club", BBC News website, 11 May 2010.

[62] Kebiran Dilaverli, "Nazir Ziya Məmmədov, oğlu Anar Məmmədov və ZQAN holdinq" [Minister Ziya Mammadov, his son Anar Mammadov and the ZQAN holding], Azadliq.org, RFE/RL Azerbaijani Service, 5 December 2009. The name ZQAN is said to derive from the first letters of the names of Ziya Mammadov and three family members. Crisis Group interview, Baku, June 2010.

[63] Ibid. See also Section IV.A below.

[64] The opposition press constantly speculates about rivalry between Heydarov and Mammadov, the two wealthiest ministers.

[65] Crisis Group interviews, Baku, June-July 2010.

[66] See further below at Section IV.A.

[67] Eyyubov is married to President Ilham Aliyev's cousin's daughter (he is Heydar Aliyev's niece's son-in-law).

[68] Ervin Mirza, "Kürdlər Biləcəridə" [Kurds are in Bilajari], *Yeni Musavat*, online edition, 20 April 2007; Afgan Mukhtarli, "Bəylər Əyyubov Əli İnsanovun mülklərini zəbt edib" [Baylar Eyyubov seized Ali Insanov's properties], *Yeni Musavat*, online edition, 5 April 2009. The opposition press appears to exaggerate the risks to Azerbaijan's integrity posed by the "Kurdish factor" as part of its effort to undermine the ruling elite.

[69] See, for example, "Bəylər Əyyubov Əli İnsanovun mülklərini zəbt edib" [Baylar Eyyubov seized Ali Insanov's properties], *Yeni Musavat*, online edition, 5 April 2009; also "Bəylər

associated with the "Azersun Holding", one of the largest food-production and retail companies and is also said to have a share in the construction business and a monopoly over the import of certain goods.[70] Some observers suggest he is allied with Heydarov,[71] but unlike Heydarov, he keeps a low public profile and almost never appears in public. Nonetheless, persistent allegations of Kurdish ties and sponsorship of the resettlement of ethnic Kurds from Turkey, Iraq and Iran in the west of Azerbaijan make him one of the ruling elite's most controversial figures.

Another powerful member of the "conservative" wing is Vasif Talibov**,** who leads both the executive and legislative branches of the Nakhchivan Autonomous Republic, an exclave divided from the rest of Azerbaijan by a strip of Armenian land. In February 2010, his powers were further enhanced, so that Ilham must legally seek his consent before appointing top Nakhchivani authorities. Under Talibov, Nakhchivan is considered Azerbaijan's most repressive region.[72] Like Eyyubov, Talibov is related to the "Family". Eyyubov and Talibov are brothers-in-law, both married to the daughters of Ilham's cousin. Talibov is the only member of the establishment who can treat the president as an equal, hugging and kissing him publicly when welcoming him to Nakhchivan.

The "reformist" wing of the "Family" is led by the president's wife, Mehriban Aliyeva (nee Pashaeva), and consists of her relatives and their supporters. The Pashayevs are a new force in the ruling establishment, becoming genuinely powerful only after Ilham took office. Their company, Pasha Holding, is engaged in construction, tourism, insurance and banking.[73] They are also closely associated with the large Ata Holding (ataholding.az), said once to have belonged to Heydarov's business empire.[74] It is claimed that regular donations to the Heydar Aliyev Foundation, led by the first lady, or sponsorship of its cultural and charity projects, are expected from members of the ruling elite.[75]

Because the Pashayevs largely represent the Baku-raised intelligentsia, the popular perception is that they are relatively liberal-minded. However, they are still somewhat outsiders among the ruling elite, because they do not originate from Nakhchivan, the homeland of the Aliyev family. The cautious attitude of the Nakhchivanis toward them surfaced immediately after the 2008 presidential election. The increasingly frequent rumours that Mehriban Aliyeva could become president in 2013, due to the then term limits on her husband's presidency, worried virtually all other factions, including the conservative wing of the "Family", Ramiz Mehdiyev and Kemaleddin Heydarov. Local observers explained that the decision to scrap presidential term limits was aimed in part at quelling these concerns.[76]

In spite of its internal rivalries, the system looks stable for the near to medium term. Oil windfalls and high government spending provide significant benefits for the elite, who are not interested in doing anything that would put the political status quo at risk.[77] As long as easy money keeps coming in, the competition among elite members and groups is likely to be kept within limits.

Əyyubov Göygölü özəlləşdirib" [Baylar Eyyubov privatised Goygol], *Yeni Musavat*, online edition, 21 February 2009.

[70] A long-running rumour is that he has a complete monopoly over banana imports. See, for example, "Bəylər Əyyubovun gəlir mənbələri" [Baylar Eyyubov's sources of income], *Yeni Musavat*, online edition, 2 July 2009.

[71] Crisis Group interview, Baku, July 2010.

[72] See, "Azerbaijan's dark island: human rights violations in Nakhchivan", Norwegian Helsinki Committee, 29 January 2010.

[73] For example, the group owns the Pasha-Bank (pashabank.az), the second largest in the domestic market. Pasha-Construction is engaged in building luxurious business centres, residences and hotels, including the five-star Marriot and Four Seasons in downtown Baku (pashaconstruction.com).

[74] Crisis Group interview, local analyst, Baku, June-July 2010.

[75] Ibid. See also Section IV.A and fn. 94 below for claims made at trial by ex-health minister Ali Insanov.

[76] Crisis Group interviews, Baku, June-July 2010.

[77] "While money is rolling in, it is easier to satisfy the competing factions", noted an observer. Crisis Group interview, Baku, June 2010.

IV. CONTROL OVER PUBLIC LIFE

The regime has developed effective methods for keeping political forces, non-partisan civil groups, media, religious communities and independent business alike from becoming self-sustainable challengers. It appears to have deliberately promoted a sense of impunity so as to ingrain self-censorship in the public and discourage any unsanctioned collective action. Access to decent jobs, and even physical security, can often depend on how loyal to the regime one or one's family is perceived to be.

A. CORRUPTION AS A PILLAR OF CONTROL

International watchdogs have consistently ranked Azerbaijan as one of the world's most corrupt countries.[78] The government denies corruption is systemic, but as in many authoritarian states with clientelist systems, pervasive corruption is not a spontaneous phenomenon stemming only from low salaries, lack of competence and unawareness of rights. As much as a means for personal enrichment, it is also a powerful tool for maintaining political control from top to bottom, making everyone complicit in crime and thus vulnerable to co-optation.

It is commonly held in Azerbaijan that massive sums collected as a result of corrupt practices are transferred to the top echelons of power, that to keep his position, for example, a civil servant must collect bribes and pass a share to his boss, who in turn, sends a portion on up. Both greed and survival instinct fuel the process. The regime has manipulated the laws to make wider society complicit in its practices. It has done so by deliberately retaining legal loopholes and their selective application, intentionally overcomplicating procedures and setting draconian fines for minor offenses. As a result, many consider paying a bribe merely an extra tax or part of the cost of living.

The Anti-corruption Commission and the Department for Combating Corruption are entirely dependent on the government and have been unwilling to take on politically powerful interests or officials.[79] Many ordinary people are sceptical about them. Some even claim that since the government set them up, the cost of bribes has risen.[80]

Corruption has allowed the top leadership to expand its patronage networks and nurture vested interests in preservation of the political status quo. As the government finances major construction and infrastructure projects, top officials use legal loopholes to grant contracts to companies owned by family members and proxies. A draft conflict of interest law, which explicitly bars state contracts for relatives, passed the first reading of the parliament in 2006 but has been stalled ever since. Another legal grey area allows state bodies to withhold information on domestic tenders worth less than 10 million AZN ($12.5 million),[81] leading to allegations of lack of transparency in the awarding of many state contracts.[82]

Reconstruction of the 14km highway to the Baku airport, worth 360 million AZN ($450 million), is being carried out by a private company, Azvirt (azwirt.com), which is said to be a proxy for Jahangir Askerov, the president of Azerbaijan Airlines and the nominal subordinate and partner of the transport minister.[83] "Azbentonit", which is part of the minister's ZQAN conglomerate, also has a contract to provide construction materials for the project. In an October 2008 report, Al-Jazeera English TV compared the Baku airport highway project with a 22km road funded by the World Bank in Baku, which cost only $31 million. The government's claim that the bulk of the money for the airport road compensated people displaced by the highway was said not to be supported by the budget papers for the project.[84]

Using another legal loophole, senior officials have avoided financial disclosure. In 2006 the parliament adopted a law obliging such officials, including the president, to submit declarations to the new Anti-corruption Commission. However, the law has remained in limbo: the cabinet was charged with preparing the disclosure forms but has not done so.[85] As a result, no official information on the holdings of senior officials and their families is publicly available.[86] A recent article in *The Washington Post* revealed that individuals with the same names and ages as President Aliyev's three children owned luxury real estate in Dubai worth $75 million, roughly 330 times his sal-

[78] In its 2009 Corruption Perceptions Index, Transparency International ranked Azerbaijan 143th out of 180 countries, www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table.
[79] "Global Integrity Report – Azerbaijan 2009", http://report.globalintegrity.org/Azerbaijan/2009/scorecard/88.
[80] Crisis Group interviews, Baku, June 2010.
[81] "European Neighbourhood Policy: monitoring Azerbaijan's anti-corruption commitments", Transparency Azerbaijan, May 2010, p. 40.
[82] Crisis Group interview, local economist, June 2010.
[83] "Bakı-aeroport yoluna daha 62 milyon ayrıldı" [Additional 62 million is allocated to the Baku-airport road], Azadliq.az, 11 April 2010.
[84] See, "Lack of transparency for Azerbaijan's energy riches – 29 Oct 08", Al-Jazeera English TV video, www.youtube.com/watch?v=8HUfQnljZDA.
[85] "European Neighbourhood Policy", op. cit., pp. 30-31.
[86] Maarif Chingizoglu, "Məmurlar gəlirlərini niyə bəyan etmirlər?" [Why do the officials not disclose their assets?], Azadliq.org – RFE/RL Azerbaijan Service, 30 July 2010.

ary.[87] A senior presidential office official implicitly confirmed the reports, saying, "the revenues of Ilham Aliyev's family are not based solely on his salary" and citing past business assets and rich relatives.[88]

The government has generally refused to disclose, even to parliament, detailed information on state investments.[89] The legislature has thus approved billions of dollars under the budget item "state investments" without knowing how the money would be spent. State investments are 34 per cent of total expenditures (4.15 billion AZN, $5.2 billion) in the 2010 budget.[90] The Audit Chamber, charged with overseeing public expenditure, is weak and under political influence. Although it has occasionally disclosed misuse of funds, no lawsuit has been filed based on its reports.[91]

The corruption money that makes it to the top is likely channelled to several recipient groups. A part ends in the pockets of the leadership, including ministers and key presidential administration officials. Another portion, estimated by some observers to be as much as 3 billion AZN ($3.75 billion), is said to be handed over in envelopes as "grey" payments – extra salary – to low-paid civil servants.[92] Observers say such payments increase workers' dependence on superiors and are further incentives for corruption.

Another major destination is alleged to be the Heydar Aliyev Foundation's extensive charities. These have funded many projects at home and abroad, for example, construction of over 300 schools in Azerbaijan.[93] In a rare admission, ex-health minister Ali Insanov said at his 2007 trial that like many ministers, he was obliged to fund building of several schools which were presented as foundation projects.[94] The foundation has ignored inquiries about its income.[95] To strengthen its credibility as a charity and refute allegations it uses tainted money to boost Aliyev family prestige, it should reveal its income sources.

B. POLITICAL OPPOSITION

Over the last years, the once vigorous opposition has been reduced to internally feuding impotence. It cannot pose a serious threat to the regime in the near term, as it did in the early 2000s. Government officials and ruling party functionaries openly say they have no political counterparts to deal with.[96]

1. Narrowing margins for political activism

The introduction of restrictive electoral laws very close to the elections has been a notorious practice. The authorities have long ignored suggestions by international organisations and the opposition to allow parity between the ruling and opposition parties in electoral commissions. In June 2008, four months before the presidential election, the election period was suddenly reduced from 120 to 75 days and the campaign period from two months to 28 days.[97] Presidential candidates were barred from campaign slots on state-owned media. This in effect reserved the state media for the incumbent.

Similarly, in June 2010, the parliament slashed the election period to 60 days and the campaign period to 23 days. The opposition criticised the measure as another attempt to make elections a mere formality. "It seems that the government deliberately does everything to force the opposition to boycott the elections", an observer said.[98] The opposition finds itself between a rock and a hard place: it does not want to legitimise polls whose outcome is predetermined, but it worries that it makes itself increasingly irrelevant if it stays away.

To break out of this dead-end, the opposition has prioritised the issue of freedom of assembly, including the right to stage demonstrations and rallies close to city centres, in order to galvanise its supporters ahead of the November 2010 parliamentary elections. There is an old argument

[87] Andrew Higgins, "Pricey real estate deals in Dubai raise questions about Azerbaijan's president", *The Washington Post*, 5 March 2010.
[88] E. Pashasoy, "Əli Həsənov gündəmin ən aktual suallarını cavablandırdı" [Ali Hasanov responded to the most topical questions of the day], *Yeni Musavat*, online edition, 13 March 2010.
[89] Crisis Group interview, local economist, Baku, June 2010.
[90] "Law of the Republic of Azerbaijan on the 2010 state budget" (as amended in June 2010), e-qanun.az.
[91] Crisis Group interview, local economist, Baku, June 2010
[92] "Zərfdə verilən maaşlar …" [Salaries given in the envelopes], *Ayna*, 1 May 2010.
[93] Misir Mardanov (minister of education), "Azərbaycan təhsili: yaxın keçmişə, bu günə və gələcəyə bir baxış" [Education in Azerbaijan: a glimpse at the near past, today and the future], *525-ci qazet*, 20 March 2010.
[94] "Mən bu rejimə nifrət edirəm" ['I hate this regime' – shorthand report from Ali Insanov's trial], *Yeni Musavat*, 14 March 2007.
[95] "Heydər Əliyev fonduna pullar haradan gəlir?" [Where does the Heydar Aliyev Foundation's money come from?], Azadliq.org – RFE/RL Azerbaijani Service, 26 November 2009.
[96] "Hüseyn Paşayev: qarşı tərəf yoxdur" [Huseyn Pashayev: there is no counter party], Mediaforum.az, 1 December 2009.
[97] The law differentiates between the "election time" and the "campaign period". The former includes the period for candidate registration. By law, registered candidates should wait till the deadline has passed to start their campaigns.
[98] Another opposition figure agrees: "The government is not interested in the opposition's participation in elections", Crisis Group interview, Baku, June 2010.

with the government over whether it should have to ask for permission, or merely give prior notification. The authorities have used the discretion given them by the law on freedom of assembly in effect to ban any political demonstration or even small gatherings since 2005.

According to the law, public gatherings, regardless of type or size, can only be held in places specifically designated for such purpose by the authorities. The law further stipulates that time and place should be agreed.[99] In Baku, the government has designated eleven locations, all on the outskirts. Of these, only three can be used at present due to construction activity.[100] The authorities prohibit picketing or demonstrations near downtown, arguing this would paralyse heavy city traffic and inconvenience other citizens. These concerns, however, have not hindered them from organising free public concerts downtown on national holidays, which were used in effect as campaign events for the president. In some reported instances, a very restrictive interpretation of the law has been used to prevent opposition activists from travelling to provincial areas to meet with voters.[101]

To discourage or break up attendance at unsanctioned opposition rallies, the authorities have widely resorted to violence and intimidation, as well as in two documented cases to torture and other police excesses.[102] There are virtually no instances, however, of police being prosecuted for such actions.[103] At times, the government appears to have encouraged the use of force.[104] Plain-clothed individuals and so-called "sportsmen" with alleged links to some powerful officials have also been used to disperse protests.

2. A divided force

Lack of unity has contributed to the opposition's weakness and deepened public apathy and distrust. Their parties have failed to overcome rivalries and unite around an agreed set of issues. The government has successfully employed divide-and-rule tactics and co-opted many former activists. Such individuals are known as "soft" or "constructive" opposition, to differentiate them from the "real" or "radical" opposition, but this line has become blurred, as individuals switch sides or distance themselves from politics. As a result of repressive measures and co-option, four deputy chairmen of the Popular Front Party (PFP), the main target of recent repression, have resigned since 2005.[105]

The authorities have also used "clone" parties and candidates to distract attention from the mainstream opposition. The ruling party has employed these tactics especially against the PFP but also Musavat, forming a "United Popular Front Party" and "Yeni [New] Musavat" for this purpose. In the 2005 parliamentary elections, an opposition leader, Eldar Namazov, was challenged in his district by a candidate with the same name.

Some of the traditional opposition parties have occasionally sought to play by the government-imposed rules. Thus, following the 2005 parliamentary elections, Musavat decided to participate in the parliament, contrary to the earlier decision of its Azadliq (Freedom) bloc not to recognise the body's legitimacy. It also decided to take part in the May 2006 re-runs in ten constituencies. Some observers believed that it had an understanding with the government.[106] If so, it would have felt cheated when it failed to win a single new seat. Poor communication among the opposition parties at the time resulted in mutual recriminations and charges of collaboration, and Musa-

[99] Law on Freedom of Assembly, Article 9(VI), e-qanun.az.
[100] Ilqar Rasul, "11 yerdən cəmi 3-də" [In 3 places out of 11], Azadliq.org – RFE/RL Azerbaijani Service, 30 April 2010.
[101] In October 2009 during municipal elections, Musavat activists travelling from Baku to Yevlakh in central Azerbaijan were met at the town entrance by police, who blocked them and demanded they leave the region. The interior ministry spokesman justified the action, citing provisions of the law on freedom of assembly. See, Ulviyya Asadzade, "Müsavatçıları Yevlaxa buraxmayıblar" [Musavatists were not allowed to Yevlakh], Azadliq.org – RFE/RL Azerbaijani Service, 8 October 2009.
[102] The European Court of Human Rights (ECHR) criticised torture and excessive use of force respectively in the 2007 case *Mammadov (Jalaloglu) vs. Azerbaijan* and the 2009 case *Muradova vs, Azerbaijan*. The government paid the plaintiffs but has not complied fully with the decisions or investigated the perpetrators.
[103] Crisis Group interview, local human rights activist, Baku, May 2010.
[104] President Aliyev told officers on police day in 2007: "I remember the international organisations; circles tried to pressure us. They demanded the police officers who committed offenses be punished and arrested. I rejected all these demands and told them that no single police officer will be punished". Maarif Chingizoglu, "Sığınacaq üçün Gürcüstan dövlətinə mürciət edənlər var" [There are people who appealed to Georgia for refuge], Azadliq.org – RFE/RL Azerbaijani Service, 15 October 2009.
[105] These are: Asim Mollazade (a "soft" opposition deputy, who left the PFP in 2005, established his own party and won a seat in the parliament); Bahaddin Haziyev (editor-in-chief of an opposition newspaper but ceased his activities and left the party after being abducted and brutally beaten in 2006); Fuad Mustafayev (unexpectedly resigned from his post and party membership in 2009 and disappeared from politics; and Gulamhuseyn Alibeyli (left the party in 2008 and established his own "soft" opposition party).
[106] Rovshan Ismayilov, "Azerbaijan: Musavat party breaks with oppositions parliamentary boycott", Eurasianet.org, 7 February 2006.

vat's critics said this showed that the opposition would always be the loser if it submitted to the authorities.

The current opposition parties hardly offer a role model for the development of democracy in Azerbaijan. The way their leaders operate often differs little from the style of the government they criticise. The parties depend heavily on the leaders' personalities and often merely rubber-stamp their decisions. Three years before the 2009 constitutional referendum, Musavat scrapped term limits for its own leader, enabling Isa Gambar to be re-elected for a third consecutive term. Even many citizens who disapprove of regime policies do not believe the opposition would improve governance or living conditions. Reflecting a common conservative viewpoint, a local said, "people think we know what to expect from the present government; those that will come instead will be even more voracious [for power and money], so we are better off with what we have".[107]

To pose a credible alternative, opposition parties need to build issue-based coalitions and unite in election blocs. The election code promises free airtime during elections and referendums for political parties and election blocs, but to qualify, a party or bloc must put up candidates in over half the election districts (at least 61). In July 2010, the two main opposition parties – PFP and Musavat – announced they were forming a bloc for the November elections, and PFP dissolved its Azadliq bloc with two relatively minor parties. Overcoming the conflicting ambitions of the leaders of the new bloc will be a major challenge. Some observers, however, consider the alliance a relatively promising format. The two parties held their first joint – unsanctioned – protest action in downtown Baku on 31 July.[108]

C. MEDIA

Azerbaijan is near the bottom in international rankings on media freedom, which has been seriously deteriorating.[109] President Aliyev has consistently appeared since 2007 on Reporters Without Borders' list of "Predators of Press Freedom". The growing attacks against media perhaps best illustrate the state's intention to suppress the sources of dissent and control society.

1. Self-censorship

Through systematic attacks and intimidation, the authorities have largely succeeded in imposing self-censorship on the media, including the opposition press. Almost every journalist now exercises a degree of self-restraint when writing about the government and powerful individuals, particularly the president and his family.[110]

Since the unsolved murder in 2005 of prominent journalist Elmar Huseynov, physical attacks against reporters critical of the government have increased, including stabbings, beatings and kidnappings. Some have been left disabled. That not a single case involving an attack on a journalist has been solved perpetuates the sense of vulnerability and total impunity. In some instances, journalists claimed they knew the identity of the attackers but feared to make a public disclosure.[111] Some, like Fikret Huseynli and Aqil Khalil, reporters for the opposition daily *Azadliq*, left the country and obtained political asylum in France. Others have ceased critical activity, like Bahaddin Haziyev, who was kidnapped and brutally beaten in 2006. The U.S.-based international media watchdog Committee to Protect Journalists (CPJ) characterised Azerbaijan as "one of the region's [Europe and Central Asia] worst jailers of journalists".[112]

The authorities have also used arrests as a "crude form of censorship"[113] on news that could be detrimental to high officials. The majority of the journalists jailed since 2006 were convicted of criminal defamation. In other instances, the authorities have imprisoned journalists for drug possession, hooliganism and "inflicting minor bodily harm", or, in the case of Eynulla Fatullayev, terrorism, inciting ethnic hatred and tax evasion. Such cases appear to be politically-motivated and based on fabricated evidence,

[107] Crisis Group communication, Baku, May 2010.
[108] See, "Müsavat-AXCP birliyi: Kim nə fikirləşir?" [Musavat-PFP unity: who thinks what?], Azadliq.org – RFE/RL Azerbaijani Service, 20 July 2010.
[109] According to the Press Freedom Index of Reporters without Borders, Azerbaijan regressed from 113th (out of 166 countries) in 2003 to 146th (out of 175) in 2009, http://en.rsf.org/press-freedom-index-2009,1001.html. The Committee to Protect Journalists described Azerbaijan "as one of the region's worst jailers of journalists". "Attacks on the press 2009: Azerbaijan", http://cpj.org/2010/02/attacks-on-the-press-2009-azerbaijan.php.
[110] Crisis Group interviews, Baku, June 2010.
[111] Bahaddin Haziyev said he knew the identity of the person who ordered his kidnapping and brutal beating, but he did not specify. Rey Kerimoglu, "Bahəddin Həziyevi oğurlayanlar tapılıb" [Those who kidnapped Bahaddin Haziyev are located], *Yeni Musavat*, 17 November 2006. Uzeyir Jafarov, a journalist attacked in 2007, identified a police officer, but the interior ministry said he injured himself. "Üzeyir Cəfərov naziri məhkəməyə verib" [Uzeyir Jafarov filed a lawsuit against the minister], Azadliq.org – RFE/RL Azerbaijani Service, 11 May 2007.
[112] "Attacks on the Press 2009", op. cit. In its 2007 assessment, CPJ said Azerbaijan was the world's fifth largest jailer of journalists, with nine reporters and editors behind bars. "Attacks on the Press 2007: Azerbaijan", 5 February 2008, http://cpj.org/2008/02/attacks-on-the-press-2007-azerbaijan.php.
[113] "Attacks on the press 2009", op. cit.

designed to confuse domestic and international opinion and justify greater jail sentences for particularly troublesome critics.[114]

In 2008, the authorities launched a smear campaign against opposition journalist Agil Khalil, who reported on the alleged illegal business dealings of a national security official. Instead of investigating the beating and two stabbing attacks on him, the authorities claimed he was attacked by his homosexual lover. This was widely seen as an effort to discredit Khalil in Azerbaijan's homophobic society. Such tactics have been used before: in 2005 the pro-government media ran stories insinuating that Ali Karimli, leader of the PFP, was gay.[115]

The Huseynov murder remains a constant source of tension between the media and the authorities. In 2006 the trial of a criminal gang within the police exposed facts which compromised the law-enforcement agencies. The gang was led by Haji Mammadov, a former senior interior minister official charged with numerous high-profile abductions and murders, including Huseynov's.[116] The independent and opposition media covered the trial widely and often accused security and law-enforcement organs of complacency, hinting that the government or members of the ruling elite may have used the gang to settle scores with problematic figures. Many questions were left unanswered, including what a number of senior officials knew of the group. Some observers, including defence lawyers, suggested this was only the tip of the iceberg and that similar squads exist in the system to silence critics and rivals.[117] The interior ministry lodged numerous complaints against journalists, accusing them of defamation, which led to some arrests.[118]

The national security ministry (MNS), which is in charge of the investigation, has reported no progress on establishing the identity of those who ordered Huseynov's murder. It responds to all public queries by saying it sought the extradition of two Georgian citizens of Azeri descent on alleged involvement; however, it appears to have given Georgia no evidence on which it might try the suspects in its own courts.[119] In 2006, Azerbaijani journalists, including the now imprisoned Eynulla Fatullayev, met with one of those suspects, who was living at liberty in Georgia and denied involvement. Fatullayev has claimed his subsequent arrest was related to his investigation of the Huseynov case.[120]

In April 2010, the European Court of Human Rights (ECHR) ruled that Azerbaijan had violated Fatullayev's freedom of expression and right to a fair trial and called for his immediate release.[121] The government has appealed to the court's Grand Chamber. Already in December 2009, while still in prison, Fatullayev was charged with possession of drugs. He claimed the drugs were planted in order to hold him longer, regardless of the pending ECHR decision,[122] but in July 2010 he was sentenced to a further 2.5 years.

The MNS's lack of credible efforts to solve the case has drawn criticism, particularly since 2006, when the authorities tried unconvincingly to link arrested ex-economic development minister Farhad Aliyev to the murder. There have even been allegations that high MNS officers were involved in Huseynov's death. Apparently to intimidate critics, the MNS has several times summoned journalists for lengthy interrogations.[123]

2. Restricting public outreach

The government has employed a wide range of administrative, financial and legal measures against independent and opposition media. Discretionary suspensions and denial of broadcast licenses have been effective. Privately-owned ANS, once the only relatively independent elec-

[114] Crisis Group interview, local human rights/media activist, Baku, June 2010.
[115] Daisy Sindelar, "Azerbaijan: opposition journalist says he is victim of vicious smear campaign", Eurasianet.org, 12 April 2008.
[116] While Mammadov was charged with the murder of Huseynov, the authorties do not appear to be actively pursuing the case at this point.
[117] Ilgar Rasul, "Vəkil Adil İsmayılovun Hacı Məmmədovun işi ilə bağlı özəl açıqlamaları …" [Lawyer Adil Ismayilov's exclusive statements on Haji Mammadov's trial], Azadliq.org – RFE/RL Azerbaijani Service, 27 July 2006.
[118] In August 2006, the interior minister, Ramil Usubov, and his ministry filed four separate libel suits against opposition newspapers, which had claimed he knew about the existence of Mammadov's gang but did nothing to stop it.
[119] Crisis Group interviews, local human rights/media activist Baku, June 2010. Also see, Ulviyya Asadzade, "Elmar Hüseynovun qətlini açmağın yolları" [Ways to solve the murder of Elmar Huseynov], Azadliq.org – RFE/RL Azerbaijani Service, 2 March 2010; Georgian law, like Azerbaijanian, forbids extradition of citizens.
[120] See for details, "Court slams Fatullayev with another prison sentence", CPJ, 6 July 2010, http://cpj.org/2010/07/court-slams-eynulla-fatullayev-with-another-prison.php.
[121] *Fatullayev v. Azerbaijan*, 22 April 2010.
[122] "European court orders Fatullayev released", RFE/RL, 22 April 2010, www.rferl.org/content/journalists_in_trouble_european_court_orders_fatullayev_released/2021590.html.
[123] In April 2010, the MNS summoned six media captains for interrogation regarding coverage of the trial in which Fatullayev incriminated senior ministry officials in covering up Huseynov's murderers. "'Azadlıq' radiosunun Bakı bürosunun rəhbəri MTN-ə çağırıldı" [The head of the Radio Liberty's Baku bureau was summoned to the MNS], Mediaforum.az, 6 April 2010.

tronic media, has visibly toned down its critical coverage since the National TV and Radio Council (NTRC) suspended its broadcasts for two weeks in 2006. The suspension was motivated by the rebroadcasting of BBC, RFE/RL and Voice of America (VOA) programs, as well, it is suspected, by the outlet's balanced coverage of the November 2005 elections.[124]

Though the BBC, RFE/RL and VOA were granted broadcast licenses, restrictive amendments to media laws in December 2008 banned foreign broadcasts on national frequencies. They thus were forced to cease FM transmissions the next month. There were suspicions that the timing was deliberate, to remove the only remaining independent broadcasts on the eve of the March 2009 constitutional referendum. The Azerbaijani services of the three international broadcasters can now be received only through the internet, shortwave or satellite, so have lost most of their audience. While the BBC, RFE/RL and VOA are banned from local broadcasting, Iranian state-run Sahar TV continues to illegally transmit its broadcasts to parts of the country, often providing an alternative picture to that portrayed by the state-controlled TV channels. It publicised and criticised the government's demolition and closure of mosques in 2009, occasionally inviting human rights defenders to speak about the local situation.[125]

The print media requires no licensing, so has more pluralism, but its outreach is tiny in comparison with electronic media. Evictions from editorial offices have been one method of control. In 2007, soon after Fatullayev's arrest, the authorities removed the two papers for which he worked from their Baku offices, citing fire safety violations. Later in the year, the opposition daily *Azadliq* was evicted from offices that also hosted several media organisations and the headquarters of the opposition PFP.

According to the regulations which entered into force in October 2009, residential premises can no longer be used for non-residential purposes without prior permission. Because of high rents, many opposition papers and NGOs established their offices in residential premises. The new regulations have yet to be strictly implemented, however, leaving the authorities with discretionary power. "This is an open issue. They [the authorities] can evict any one of us at any moment", a media rights activist said.[126]

The government appears to deliberately perpetuate material dependence among media outlets. Pro-government outlets receive a disproportionately high share of advertisements, while more popular and widely-read opposition papers receive little or none, evidently because many domestic businesses otherwise fear official retaliation.[127] In an effort to undermine the quality of independent and opposition media, the authorities have also arranged to lure some of their best journalists to other outlets, where they are tasked with writing about less sensitive topics.[128]

Recently the government has increasingly adopted amendments designed to formalise previously informal supervisory mechanisms and restrictive practices. The March 2009 referendum approved a constitutional ban on filming, photographing or recording any person without the subject's express permission.[129] Officials denied that the amendments would impede proper journalism, saying they were meant only to protect privacy. However, their ambiguity leaves much room for interpretation.[130] In a few instances, journalists have been barred from photographing plainclothes security officers dispersing unsanctioned demonstrations.[131]

In March-April 2009, amendments were added to the laws on mass media and television and radio broadcasting that gave additional discretionary power to the government, while introducing stricter punishments for violations. For example, the amended mass media law requires a publishing house to submit anything published to specified government offices within ten days, while holding the media outlet liable to be closed for up to two months if it fails to do so. A vaguely-worded discretionary provision in the television and radio law implies that a foreign broadcaster reporting from Azerbaijan requires NTRC permission to use its own satellite transmission equipment.[132] The government established the "Media Assistance Fund" in 2009, apparently to counteract negative impressions of its media policy, but it has so far assisted only politically non-sensitive projects.[133]

[124] Crisis Group interview, local human rights/media activist, Baku, June 2010.
[125] Crisis Group interview/communications, local human rights activist, Baku, April 2010.
[126] Crisis Group interview, Baku, June 2010.
[127] Crisis Group interview, local observer/analyst, Baku, June 2010. "How can a newspaper which sells only 40 copies a day receive 250,000 AZN in advertisements in a year", a local interlocutor asked rhetorically, ibid.
[128] Ibid.
[129] In February 2010, the provisions were also made part of the Law on Mass Media and the Law on Obtaining Information.
[130] "It is not clear from the law, whether public activities of persons are exempt from this provision", an opposition lawmaker said. Crisis Group interview, Baku, June 2010.
[131] Crisis Group interview, local human rights/media rights activist, Baku, June 2010.
[132] For more, see, "Freedom of Expression in Azerbaijan", 2009 annual report of the Institute for Reporters' Freedom and Safety (IRFS), www.mediaforum.az/files/2010/03/30//1014205880.pdf.
[133] Crisis Group interview, local analyst, Baku, June 2010.

D. CIVIL SOCIETY

Azerbaijan's weak and still evolving NGO community has been relatively unhindered. The policy toward it has been "reactive containment", expressed mainly in arbitrary denials of registration and the creation of occasional hurdles for activities outside the capital. But over the last three years, the government's approach toward civil society has become more proactive, designed to actively shape and co-opt the NGO sector. This change has been reflected in direct government funding and amendments of relevant laws.

1. Increasing control over NGOs

The first signs of a changing policy came in July 2007, with adoption of "The Concept for State Support for NGOs". It set three major priorities: improving the legislative framework governing NGO activities; increasing NGO-government cooperation mechanisms; and direct state financing. Following up later in the year, the authorities established a Council on State Support for NGOs under the president, consisting of eight (mostly loyal) NGO activists and three officials and charged with promoting partnership and distributing government funds based on a competitive application process. In 2009, 199 local NGOs received a total of 1.5 million AZN ($1.9 million).[134] The concept and council were well received by the NGO community and produced some good public relations for the authorities, but the positive impression did not last long. Deterioration began in 2008 and climaxed with the adoption of restrictive legal provisions in 2009-2010.

In May 2008 the authorities revoked the registration of the largest domestic election monitoring NGO, the Election Monitoring Centre (EMC), thus significantly impairing its ability to function. The justice ministry sought this measure after media reports that the U.S. embassy allegedly planned to ask the EMC to conduct a parallel vote tabulation of the October presidential election.[135] In December, parliament increased fines 50-fold (up to 2,500 AZN, $3,125) on NGOs that failed to report grants from international donors within one month.[136]

In June 2009, the government submitted to parliament controversial amendments to laws governing NGO operations.[137] These envisaged a ban on all unregistered NGOs and significant fines for anyone speaking or acting on behalf of such an entity. The proposals could also severely restrict foreign funding by prohibiting operations of a foreign NGO unless there was an agreement with its home country; creating burdensome reporting requirements; and introducing ambiguous language with respect to government authority to deny or revoke registration and otherwise prevent NGOs from performing public oversight functions. Responding to international and domestic criticism, parliament first postponed debate, then adopted a somewhat softened version, which retained, however, a number of restrictive provisions and gave the authorities broad discretionary powers.

Thus, the government obtained a free hand in effect to ban virtually any NGO activity related to public policy on the grounds that it was an unlawful "appropriation" of or "interference" with the state's powers.[138] NGOs are now obliged to provide lists of members, thus raising privacy concerns. Stricter financial reporting procedures allow the authorities to revoke registration on technicalities.[139] A December 2009 presidential decree further toughened these provisions, formally banning bank transactions involving NGO grant money, unless the grant is registered by the justice ministry.[140] Though the various amendments and the presidential decree do not outlaw unregistered NGOs, as initially proposed, they put them in limbo, at the government's mercy. "The unregistered NGOs can still operate, but now they may be unable to get grants and register them", a lawmaker said.[141] The government has so far been restrained in using the discretionary authority, but it amounts to a Damocles sword over the heads of NGOs.

[134] "QHT Şurası 199 təşkilata maliyyə yardımı ayırdı", [NGO Council allocated financial assistance to 199 organisations], Mediaforum.az, 15 March 2010.

[135] Rovshan Ismayilov, "Azerbaijan: officials plan for 'problem-free' presidential election", Eurasianet.org, 20 May 2008.

[136] Code of Administrative Offences, Article 223.1.1, http://e-qanun.az/print.php?internal=view&target=1&docid=13&doctype=1.

[137] These included the Law on Non-governmental Organisations, the Law on Grants and the Code of Administrative Offences. Restrictive amendments were similarly proposed to the Law on Media.

[138] Article 13.3 of the Law on NGOs states: "The charters of NGOs shall not provide for appropriation of powers of state or local self-regulating bodies [and] interference to these powers, as well as assumption of functions of state control and revision".

[139] The justice ministry may initiate revocation of an NGO's registration through the courts if it issues more than two warnings to the NGO. The law envisages only one penalty: dissolution.

[140] Text of the decree at http://e-qanun.az/print.php?internal=view&target=1&docid=4800&doctype=0. The previous text of the decree envisaged optional registration and explicitly stipulated that the absence of formal registration of a grant could not serve as grounds for prohibiting the use of its funds.

[141] Crisis Group interview, Baku, June 2010.

The government has also set up loyal NGOs as a means to overwhelm the sector, deflecting funding and attention away from those that are critical of the authorities. Some local NGOs complain that donors have started to prefer working with such entities, because they get better government access as a result.[142] The government and its media mouthpieces occasionally stigmatise critical NGOs as subservient to foreigners and even traitorous.[143]

Many NGOs are limited in their ability to operate outside Baku, because local authorities frequently interrupt their activities, citing restrictions in the law on freedom of assembly. Generally, the farther from the capital and other major urban centres, the harder it is for an NGO to work independently. In the Nakhchivan exclave, where only a handful of local activists remain, work is practically impossible.[144]

While businesses can be registered within five days, an NGO may have to wait for over two months to have its application acted upon. Numerous cases involving denial or revocation of registration have made it to the European Court of Human Rights, which has issued five decisions against Azerbaijan for failure to provide freedom of association.[145] The government has seemingly drawn few lessons from these cases,[146] as it continues to exercise broad discretion in NGO registration.

2. Youth groups and online activism

As the regime has cracked down on the political opposition and media, issue-focused youth groups – OL (To Be), Alumni Network (AN), Dalga (Wave) and others – have increasingly taken the lead in formulating ideas and advocating incremental change in governance and societal attitudes. They compensate for a lack of traditional avenues for freedom of expression and assembly by using the internet, including social networking sites like Facebook, Twitter, Youtube and blogs. This allows them to reach large numbers of people both in Azerbaijan and abroad and exchange information that does not make it into the mainstream media. Most of these youth groups, with Dalga somewhat of an exception, avoid association with the political opposition and position themselves as independent, non-partisan civic actors. They are still at an embryonic stage of development, but their creativity, connections and dynamism tend to make up for their small numbers.

In an apparent effort to stall the development of independent youth groups, the government arrested two prominent activists in June 2009 – Adnan Hajizade, the co-founder of OL, and Emin Milli (Abdullayev), the founder of AN. The arrests followed an attack on the pair in the presence of witnesses by two unknown assailants. At a trial condemned by rights groups as a mockery, they were sentenced to 2.5 and two years respectively for "hooliganism" and "causing minor bodily harm".[147] Similar methods had been used in 2007 to jail Ganimat Zahid, the prominent opposition editor of *Azadliq*. These arrests came in the wake of a satirical Youtube video in which Hajizade, dressed in a donkey costume, ridiculed the government for spending hundreds of thousands of dollars to import a dozen donkeys from Germany. The inference was that donkeys have more rights and opportunities in Azerbaijan than human beings.[148]

The arrests and trial sent shockwaves through civil society, since it was the first time the government had targeted not an opposition activist or journalist, but young members of the Western-educated elite who seemingly posed no political threat. An unprecedented degree of international coverage and high-profile criticism resulted, including calls for immediate release from U.S. Secretary of State Hillary Clinton and Swedish Foreign Minister Carl Bildt, both of whom conveyed their concerns directly, but without result, to President Aliyev. The implicit message for civil society is that it is not immune if it does not exercise self-censorship. The implicit message for the international community is that the government does not intend to yield to outside pressure on democracy and human rights issues.

The spread of internet-based television projects, such as ANTV and ObyektivTV, has prompted the government to seek ways to control alternative media. In April 2010, the communications ministry, followed by the NTRC, said internet-based television and radio should be licensed. Domestic and international watchdogs criticised the idea as an effort to maintain the monopoly on information,[149]

[142] Crisis Group interview, Baku, June 2010.
[143] "Ramiz Mikayiloglu, "Azərbaycanda vətəndaş cəmiyyəti və dövlət tənzimləməsi" [Civil society and state regulation in Azerbaijan], Lent.az, 2 June 2010.
[144] "Nakhchivan: Azerbaijan's Dark Island", op. cit.
[145] Mahammad Guluzade and Natalia Bourjaily, "The NGO law: Azerbaijan loses another case in the European Court", *The International Journal of Non-profit Law*, vol. 12, no. 3, May 2010, www.icnl.org/knowledge/ijnl/vol12iss3/art_2.htm.
[146] The government appears to have complied with the ECHR rulings in two cases by registering the NGOs in question. One case is on appeal with the ECHR's Grand Chamber. Crisis Group has been unable to obtain information on the remaining two cases.
[147] Ellen Barry, "In Azerbaijan, a donkey suit provokes laughs and, possibly, arrests", *The New York Times*, 14 July 2009.
[148] www.youtube.com/watch?v=Aaecvg7xCIk.
[149] "The authorities keep on making dramatic statements about their desire to protect the country's morals, but in practice what they want is to maintain their monopoly of news and information. They already control TV and the most part of print media

but the government is presently considering a legal framework and mechanisms for regulating online media. It has also stepped up attempts to redirect all national web resources to local servers, including by offering free hosting.[150] While this concept seems attractive, the government's record suggests it may wish to use greater control of internet infrastructure to restrict content.

E. RELIGION

As Crisis Group warned in 2008, the government's excessive efforts to control religious life and harsh treatment of some Islamic communities risks producing radicalisation.[151] The approach to religious communities is not fundamentally different from that toward other segments of society. Neutrality without co-option is not enough, as the treatment of mainstream Salafis illustrates. The methods of control are also similar, including arbitrary detention of members of independent communities, closure or demolition of their mosques and other places of assembly and increasing restrictions on practices.

While the government has sponsored the building and renovation of mosques controlled by the officially-supported Caucasus Board of Muslims (CBM), a number of mosques not controlled by that body have been demolished or shut down. The two most popular and attended in Baku are among those closed: the Abu Bakr Mosque, the main gathering point for the small but dynamic Salafi community, and the Turkish-built Shehidler (Martyr's) Mosque.[152] At least two mosques were demolished in 2009, and the decision to destroy a third was reversed only after an influential Iranian cleric threatened to issue a *fatwa* (religious edict) against the government.[153] That the regime ignored local complaints but responded to a foreign cleric's threat has undermined the authority of the local religious leaders.

Following amendments to the law on religion in mid-2009, the government required re-registration of all communities, then rejected the applications of a number of independents on various pretexts. The law requires communities to receive CBM approval before an application can be considered by the State Committee for Work with Religious Organisations. Some, particularly Salafis, complained that the CBM never forwarded their documents.[154] The law does not set criteria or oblige the CBM to forward registration documents to the committee. The unregistered status of a community allows the authorities to shut down its mosque and declare its gatherings illegal. Reflecting the government's sensitivity to any large gatherings, the state committee banned prayers outside mosques in late 2008, citing security concerns. This created problems for some independent communities, particularly the Salafis, because after the closure of some of their mosques, the remaining ones could not accommodate all worshippers.

The government seems to be aware that closing mosques and pushing some independent religious communities, like Salafis, underground could stoke radicalism. But it appears to accept this risk as less than that of tolerating the rapidly growing influence of the independent Islamic communities.[155] When talking about the medium to long-term impact of such policies, local observers often draw parallels with Uzbekistan, where the elimination of secular opposition is making Islamism a major underground political force.[156] They argue that, by eliminating traditional opposition and suppressing free expression, the regime increasingly drives individuals and society to the conclusion that justice and positive change are possible only with a more religious society. Coupled with the repression of independent Islamic communities, this in turn increases the likelihood of a surge in radicalism. "Once democracy loses its value, non-democratic values and resistance methods begin to prevail", warned a local politician.[157]

and now they are staging a shameless offensive against the Internet". "Disturbing plan to introduce Internet TV licensing in run-up to legislative elections", Reporters Without Borders, 6 May 2010, http://en.rsf.org/azerbaijan-disturbing-plan-to-introduce-06-05-2010,37403.html.

[150] "Более 90% азербайджанских Интернет-ресурсов переведут в Национальный Дата Центр" [More than 90 per cent of Azerbaijani Internet resources will be moved to the National Data Centre], Vesti.az, 20 May 2010.

[151] Crisis Group Europe Report N°191, *Azerbaijan: Independent Islam and the State*, 25 March 2008.

[152] The Abu Bakr Mosque was closed after an August 2008 bombing by a radical group killed two worshippers. The community complained that though it was targeted by a radical Salafi minority for its moderate attitude to the government, it was punished by the closure. The Shehidler Mosque was closed in April 2009 allegedly for repairs which were not undertaken.

[153] "Azerbaijan stops mosque demolition after warning from Iranian cleric", Rferl.org, 17 May 2010.

[154] "Qafqaz Müsəlmanlar İdarəsi niyə bəzi icmaların qeydiyyata alınması haqda təqdimat verməyib?" [Why has the Caucasus Board of Muslims not issued approval for registration of certain communities?], Mediaforum.az, 4 February 2010.

[155] Crisis Group interview, local analyst, Baku, May 2010.

[156] Crisis Group interviews, April-June, 2010.

[157] Crisis Group interview, Baku, June 2010.

V. ANY CHANCE FOR REFORM?

A. EVOLUTIONARY CHANGE VS. SYSTEMIC FAILURE

Given the regime's strengths and the opposition's weaknesses, most Azerbaijanis consider that immediate deep change is impossible. A best-case scenario would be gradual reforms, which might start to transform the nature of the state system and provide sustainable development. At present, however, oil windfalls and high government spending serve to enrich the elites, depriving them of incentives for change.

The leadership's reliance on easy money from hydrocarbons has made the country increasingly dependent on energy exports. The oil industry accounts for more than half of GDP, non-oil products for only 5 per cent of total exports.[158] Although the regime appears stable, in the years to come it is likely to find it increasingly difficult to continue business as usual, given the way it manages the economy and society.

The International Monetary Fund (IMF) has reported that Azerbaijan has reached maximum capacity and that starting in 2010, therefore, the importance of oil production as the main source of economic growth will decline, and non-oil growth will likely no longer be boosted by oil-fuelled domestic demand.[159] International financial institutions have called Azerbaijan's excessive dependence on oil its "Achilles heel".[160] According to the Fitch rating agency's calculations, at 2009 production levels, the country's oil reserves will be depleted in eighteen years.[161] The state's long-term stability and viability depends on how its leadership manages this short time frame.

That Azerbaijan has reached its oil-driven limits is also visible in significantly lower GDP growth rates: the IMF projects only 2.7 per cent GDP growth in 2010,[162] as opposed to a 21.2 per cent average rate in 2005-2009.[163] It further projects 0.6 per cent growth in 2011, 3 per cent in 2012 and thin rates thereafter.[164] The government is likely to try to keep up GDP growth by increasing transfers from the State Oil Fund (SOFAZ) so as to sustain high public spending. But this is not a viable solution, only a short-term measure.

Moreover, given the level of corruption and non-transparent, inefficient practices, the effects of such spending are likely to be limited. The non-oil sector needs to become the main driver of further economic growth, which in turn requires de-monopolising the economy and creating more favourable conditions for small and medium-sized businesses. The state should gradually move away from the patrimonial style of governance. Instead of acting as the distributor of wealth and seeking in consequence dependence and obedience, it should focus on creating conditions for citizens to earn their living independently, so that they can sustain the country with their taxes.

Heavy public spending has so far helped keep a lid on popular discontent and nurtured hopes that things will improve over time. But people also increasingly expect quality in government-delivered services. Managing expectations requires a much more professional and coordinated effort by the authorities, not "just throwing money to a sector".[165]

Some local and international observers question whether the present government can undertake substantial reforms without a "systemic shock".[166] "The regime is not capable of reforming itself", an opposition figure said. "They know that any indulgence on freedoms will lead to regime change".[167] Although there is widespread scepticism about the ability to reform, there are some objective factors which may stimulate reformist tendencies within the ruling establishment. The current situation, in which large oil revenues are (briefly) still available and he has no political rivals, gives President Aliyev an opportunity to advance long-term stability and reinforce his domestic and international credentials by embracing relatively deep, though gradual structural reforms. Easing the authoritarian image also could encourage a more sympathetic attitude, at least from the democratic segment of the international community, to Baku's most important challenge – resolution of the conflict with Armenia over Nagorno-Karabakh.

[158] "Republic of Azerbaijan: 2010 Article IV Consultation", op. cit., p. 12.
[159] Ibid.
[160] "Asian development outlook 2010: macroeconomic management beyond the crisis", Asian Development Bank, April 2010, p. 111 (Azerbaijan chapter), www.adb.org/Documents/Books/ADO/2010/AZE.pdf.
[161] By comparison, the estimate for Kazakhstan is 54 years. "Press release: Fitch upgrades Azerbaijan to investment grade", Nasdaq.com, 20 May 2010, www.nasdaq.com/aspx/stock-market-news-story.aspx?storyid=201005201035dowjonesdjonline000522&title=press-releasefitch-upgrades-azerbaijan-to-investment-grade.
[162] Official website of the State Statistics Committee, www.azstat.org/macroeconomy/indexaz.php.
[163] Data and calculations based on "Republic of Azerbaijan: 2010 Article IV Consultation", op. cit., Table 7, p. 20.
[164] Ibid. The study notes that 2014 will be an exception, due to the Chirag oil field becoming operational.
[165] Crisis Group interview, local observor, Baku, June 2010.
[166] Crisis Group interviews, Baku, June-July 2010.
[167] Crisis Group interview, Baku, July 2010.

Beyond the president, the real interests of the elites need to be taken into account when considering possible developments. The opposition and many ordinary citizens often accuse them of not caring about the future of the nation. "They think 'after us, the deluge'", a politician said.[168] This may be true to some extent, but they also have genuine insecurities. Although the system as a whole is consolidated, competition among them puts individual security and property at risk. Gradual transition to a government based on the rule of law and a democratic political process would be a chance for them to escape from the pervasive uncertainty they find themselves in.

B. Lack of International Leverage

Even though Azerbaijan is a member of the Council of Europe (CoE) and has shown interest in closer ties to the European Union (EU) and the U.S., it is unlikely to reform due to outside encouragement. The CoE has been particularly critical. Its secretary general publicly called for release of Fatullayev in compliance with the ECHR ruling.[169] But even the CoE, and especially its Parliamentary Assembly (PACE), has an uneven record. Some opposition leaders and human rights activists claim Baku has lobbies within PACE, the European Parliament and similar international bodies that dampen efforts to formulate unified responses to Azerbaijan's democratic shortcomings.[170] Andres Herkel, until recently Council of Europe co-rapporteur on Azerbaijan, wrote that "a number of Assembly [i.e. PACE] members displayed a frightening readiness to disregard the general situation with freedom of speech and human rights" during the October 2008 presidential election.[171]

The U.S. is also less than keen to press the authorities in public on human rights protection and reform. During her July 2010 tour of the South Caucasus, Secretary Clinton responded, when asked to comment on democratic progress in Azerbaijan, by talking about the imperfection of American democracy.[172] The Obama administration's local priorities appear similar to those of its predecessor: energy, anti-terrorism and democratic reform, but with the latter generally of least concern. Tens of thousands of flights related to the Afghanistan war have crossed over the country; in 2009 some 100,000 U.S. and allied personnel passed through as part of an overland supply chain that is a critical alternative to the Pakistan land route.[173] A U.S. official who monitors human rights issues in Azerbaijan said:

> There is little chance that the U.S. is going to prioritise human rights abuses in Azerbaijan as long as it has its hands full in Afghanistan, Iran and other places. There's also the fact that talks with Armenia about the war in Karabakh are at a critical stage, and singling out Azerbaijan would further alienate them, and lessen the already slim chances of getting an agreement.[174]

Azerbaijan entered Association Agreement negotiations and a new phase of cooperation with the EU on 17 July 2010.[175] It has been part of the European Neighbourhood Program since November 2006, in which it pledged to strengthen the stability and effectiveness of institutions guaranteeing democracy and rule of law and has received €88 million since 2007 to help advance reform, but closer ties to Brussels have had little effect in this area so far.[176]

International organisations and foreign partners have limited influence over the leadership's political and economic decisions, given its oil-inspired self-confidence and perceived self-sufficiency. Disregard for criticism, especially of democratic shortcomings, has increased with the growth of oil wealth and the country's strategic importance as a transit route for both energy and troops. President Aliyev's 2008 address to the Baku ambassadorial corps demonstrated the change in tone, as he warned unidentified "foreign countries" and "international organisations" about such criticism: "let those who say that 'something's going wrong in Azerbaijan', and 'there are shortcomings' look

[168] Crisis Group interview, Baku, June 2010.
[169] Council of Europe Statement on Azerbaijan, 7 June 2010, www.coe.az/Latest-News/208.html.
[170] Crisis Group interview, opposition leader, Baku, July 2010.
[171] Andres Herkel, "The Council of Europe: a sleeping beauty", *Diplomaatia* (Estonia), March 2009, www.herkel.net/?menu_id=143&mainmenu_id=0&news_id=257.
[172] Clinton, in a joint press conference with Foreign Minster Mammadyarov, stated: "We believe that there has been a tremendous amount of progress in Azerbaijan …. But as with any country, particularly a young country – young, independent country like this one – there is a lot of room for improvement. Since it's the Fourth of July I should say that when we began our journey toward freedom, independence, and democracy 234 years ago, we had a very long road that we are still not yet at the final destination", www.state.gov/secretary/rm/2010/07/143961.htm.
[173] "Obama stresses importance of Afghan war effort to improve relation", Associated Press, 7 June 2010.
[174] Crisis Group telephone interview, U.S. official, Washington, August 2010.
[175] "Associative agreement to give impetus to relations between EU, Azerbaijan", News.Az, 16 July 2010, www.news.az/articles/19244. Deputy Foreign Minister Mahmud Mammadguliyev stated: "The preparation and signing of the associative agreement is another important step in the relations between EU and Azerbaijan which also promotes integration of our country with Europe. This document lays a great responsibility on us".
[176] "Country progress report Azerbaijan", European Commission, Brussels, 12 May, http://ec.europa.eu/world/enp/pdf/progress2010/sec10_519_en.pdf.

in the mirror at their own countries …. no one has the right to interfere in our internal affairs and lecture us".[177]

C. GRADUAL LIBERALISATION OF THE SYSTEM

Some officials and pro-government analysts argue that the society is not yet ready for democracy and that the external challenges the state faces, including the Nagorno-Karabakh conflict, require a strong executive to maintain tight control. However, even if one accepts this argument, economic liberalisation and more political freedoms should not be perceived as a threat to the stability or even the security and assets of the ruling elite.

Given its extensive administrative and financial resources, the government could afford to give its citizens more freedoms without risking its basic control over the state and the reform process. The closed political system is ultimately more dangerous for the regime, since it prevents meaningful debate on Azerbaijan's long-term challenges and stimulates apathy and distrust that is already widespread in society. By reducing opportunities for self-expression and communication, the authorities have sought to make it easier to manipulate the citizenry, but in doing so, they have further alienated much of the population. Ratings for national television, the main conduit for shaping opinion, have been dropping dramatically, attracting, according to some estimates, only 17 per cent of the local audience, a majority of which prefers foreign, mostly Turkish and Russian, channels via satellite or cable.[178]

The authorities are seemingly aware of the problem. Ramiz Mehdiyev, the president's chief of staff, has criticised the local channels for over-reliance on "low-quality entertainment".[179] But bringing the audience back to national television requires a more liberal environment that abandons Soviet-style propaganda and allows diverse opinions. By repressing free speech, the authorities have paradoxically made the population more receptive to opposition viewpoints. A local observer said, "even five minutes of an opposition leader's speech [on television] can change a lot, because people quickly pick up on something new".[180] The government should learn to become more competitive in open debate with the opposition. That would be a better alternative than continuing to deny the public access to alternative viewpoints and relying on the security apparatus to contain its growing frustrations.

Gradual liberalisation of the system requires gradual transformation of the authoritarian attitudes that permeate the mindsets of many politicians and wider society alike. The polarised nature of government-opposition relations, distrust among the ruling elite and growing rifts between the country's super rich and its poor majority are not congenial to the emergence of a democratic political culture. The regime is poor at tolerating criticism, and its opponents are poor at articulating criticism in a constructive, problem-solving way. In present conditions, a change in the government would not guarantee genuinely democratic political development.

For there to be a successful transition to a more open and competitive political process, effective channels of communication are needed throughout all layers of society, in order to forge a national consensus on the state's development. In this regard, the revival of the regular dialogue meetings between the government and the opposition, which have taken place on several occasions in the past under mediation of the OSCE's local office, should be considered.[181] It is possible to devise a governance system in which – to provide for sustainable development – a strong executive co-exists with a meaningful level of political openness. Such an incremental reform process could help alleviate the insecurities of the elites and minimise their default opposition to reforms.

Azerbaijan holds parliamentary elections in November 2010. Although the regime will not allow a completely clean vote, some opposition politicians and analysts argue that it may permit slightly greater opposition representation in parliament – while ensuring that the ruling YAP and its allies retain a two-thirds majority – and so bring in more younger-generation reformers.[182] Such speculation is not verifiable, and similar notions before earlier elections were never borne out. Nonetheless, the parliamentary elections offer a chance for the leadership and the country to take a step toward political liberalisation and sustainable development that should not be wasted.

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[177] Agshin Shahinoglu, "Ölkəmizə qarşı istənilən təzyiq cəhdləri heç bir effekt verməyəcək" [Any attempts at pressuring our country will yield no effects], *Yeni Azerbaijan*, 10 July 2008.

[178] "Azerbaijan: Baku confronts mass media paradox", Eurasianet.org, 29 October 2010; other estimates put this figure at 30-40 per cent. Crisis Group interview, Baku, July 2010.

[179] Ramiz Mehdiyev, "Azərbaycanın efir məkanı: problemlər və vəzifələr" [Azerbaijan's media space: problems and tasks], *Azerbaijan*, 19 July 2009.

[180] Crisis Group interview, Baku, July 2010.

[181] The OSCE's Baku office facilitated a series of such dialogue meetings on the eve of the 2005 parliamentary elections. Their utility was compromised, however, by disagreements over modalities. The mainstream opposition parties complained that the ruling party was not taking the dialogue seriously, because it was represented by deputy-level functionaries rather than its chairman. They also complained that the presence of "the puppet opposition" showed that the authorities were interested only in "window-dressing" to deflect international criticism, not serious discussion.

[182] An opposition politician claimed the government would allow "influential opposition representation", some 25-30 members. Crisis Group interview, Baku, June 2010.

VI. CONCLUSION

The further consolidation of authoritarianism and continuation of corrupt practices threaten the long-term stability of the Azerbaijani state. For the time being, the leadership benefits from the political status quo and lacks obvious incentives to undertake substantial reforms. But as oil production levels off and begins its inevitable decline, easy-money euphoria should be replaced by a pragmatic policy review. In the next few years, the government will experience contracting revenues and find it more difficult to sustain its short-term thinking and policies. There may be no alternative to some liberalisation of the economy and politics to satisfy popular expectations of continued improvements in living standards and services.

If such change is to come, however, the start will likely have to originate from within the regime. Through suppression and co-option, the authorities have achieved overwhelming control over virtually every aspect of public life. The political opposition is not a serious force. The authorities believe their oil wealth and strategic energy and geographical positions allow them to ignore outside pressures. Probably the only – slim – chance for meaningful reform of the system in the near to medium term is through promotion of an understanding within the ruling elites that gradual liberalisation is in their own best interests. Opening up the system while it is still in solid financial shape is, after all, a better option than experiencing a slow but steady descent into a systemic crisis that would be dangerous for the nation and the elites alike.

Baku/Tbilisi/Istanbul/Brussels,
3 September 2010

APPENDIX A

MAP OF AZERBAIJAN

Map No. 3761 Rev. 7 UNITED NATIONS
February 2008

Department of Field Support
Cartographic Section

APPENDIX B

ABOUT THE INTERNATIONAL CRISIS GROUP

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September 2010

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CRISIS GROUP REPORTS AND BRIEFINGS ON EUROPE SINCE 2007

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Balkans

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Nagorno-Karabakh: Risking War, Europe Report N°187, 14 November 2007 (also available in Russian).

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Russia's Dagestan: Conflict Causes, Europe Report N°192, 3 June 2008.

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Georgia: The Risks of Winter, Europe Briefing N°51, 26 November 2008.

Georgia-Russia: Still Insecure and Dangerous, Europe Briefing N°53, 22 June 2009 (also available in Russian).

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South Ossetia: The Burden of Recognition, Europe Report N°205, 7 June 2010 (also available in Russian).

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Christian Schwarz-Schilling
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Thorvald Stoltenberg
William O. Taylor
Leo Tindemans
Ed van Thijn
Simone Veil
Shirley Williams
Grigory Yavlinski
Uta Zapf
Ernesto Zedillo