CHAPTER- V

CHALLENGES TO THE POLITICAL DEVELOPMENT IN AZERBAIJAN
The economic and political transformation in Azerbaijan has been slow to gain momentum. The democratic transition process was precipitated by changes in the political arena associated with the break-up of the Soviet Union. In July 1989, the Popular Front emerged as an informal political movement similar to others in former Soviet Republics. It demanded national sovereignty, democracy and that Nagorno-Karabakh should remain under the jurisdiction of Azerbaijan. The internal conflict surrounding Nagorno-Karabakh, however, a region predominantly inhabited by Armenians, has had far-reaching negative effects on the political and economic development of the still-young state of Azerbaijan. To date, the conflict has produced more than 18,000 casualties and more than a million refugees on both sides. Notwithstanding the efforts of international mediation, there appears to be no final solution to this conflict.

With the violent overthrow of Abulfaz Elcibey, President of Azerbaijan and leader of the Popular Front, Heydar Aliyev, the former chairman of the KP and KGB, assumed power. He ruled the country from 1993 until 2003, and was succeeded by his son, Ilham Aliyev. The fact that both Aliyevs' base of support comes primarily from former KP officials, regional power clans from the enclave of Nakhichevan and Azerbaijanis originating from Armenia imposes structural constraints on the democratization process.

Previous elections, (e.g. the presidential elections of 1993, 1998 and 2003; and parliamentary elections in 1995 and 2000, 2005) rated by Western observers as thoroughly undemocratic, only reinforced existing conditions. Coupled with government oppression, sustained political disinterest among the population has left the opposition largely marginalized. It has, however, been relatively successful in maintaining a degree

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of flexibility for its *modus operandi*. External actors such as the OSCE, the Council of Europe and Western Embassies have also played a positive role in this context. Amendments to the Constitution, which the population approved by a referendum of dubious legitimacy in 2002, have only reinforced the Presidential nature of the constitution and, in so doing, improved the legal framework for continued authoritarian rule.

The opposition, which essentially agrees with the government on key issues of foreign policy - such as Azerbaijan’s orientation to the West and Turkey, its critical position towards Iran and Russia and unwillingness to compromise in the Nagorno-Karabakh conflict - is incapable of utilising widespread social discontent in its favour. Increasingly, protests occur outside the legal spectrum of political parties. Corruption has been widespread for years (in 2004, Transparency International ranked Azerbaijan as the sixth most corrupt country in the world), and remains a significant hurdle to politico-economic development. Of great significance with respect to consolidation have been loans and grants provided by international financial and donor organizations. Several areas of the law continue to require substantial reform, including legislation regarding elections and political parties, the judicial system and property rights. Azerbaijan joined the Council of Europe as a member on January 25, 2001 amidst persistent criticism of its human rights record. Still, the authoritarian Presidential system and manifold repression of the opposition and the media prevent Azerbaijan from becoming a truly democratic country.  

The fact that Azerbaijan gained independence as a country involved in armed conflict has had serious repercussions for the development of a stable political and economic environment. Stability was not achieved until after the 1994 Karabakh

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ceasefire and the establishment of a burgeoning oil industry. The authoritarian leadership of President Heydar Aliyev has had a strong stabilising effect on the nation.

As the Council of Europe considered Azerbaijan for membership, a crucial period began as far as political developments are concerned. To the great extent, the country's current set of difficulties are associated with its geographical position and the role of regional powers. Efforts towards inclusion in Europe stimulated the process of economic and political reform. Significant headway has been made in the drafting and passage of major legislation, including a newly revised Civil Code, Tax Code, and laws on media and Non Governmental Organizations (NGOs) (Mark R. 2006). However the fine tuning of the whole process is still the crying need of time. Democratization has proceeded slowly in Azerbaijan. Promises of oil wealth attracted the early involvement and influence of many Western companies. Their arrival drew attention away from the problem of creating a stable and democratic state towards the development of the petroleum industry. Initial relief efforts were aimed at lessening the strain of dealing with a significant population of Internally Displaced Persons (IDPs) from Armenian occupied territory. Section 907 of the US Government's Freedom Support Act restricted federal assistance to any Azerbaijani Government entity. Recent loosening of this measure has allowed for more democratization and development projects, which must involve Government members and institutions. Responding to international pressure, Azerbaijan has recently passed numerous laws on reform. The process of their adoption has been swift, but little has been done to ensure institutional reform of the Government. (Swietochowski 1999).

Azerbaijan is at a crossroad. With strict commitment to the continuation of difficult economic, political, and social reform, Azerbaijan's transformation is likely to take some more time. Without such a commitment, the minor game for openness and democratic reform will be lost. Following are some of the major challenges to the process of political developments in Azerbaijan:-

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Problem of Stateness

Azerbaijan is experiencing significant problems with Stateness. On the one hand, around 17% of its territory is occupied by Armenian forces. On the other hand, Caspian Sea border demarcation has not yet been determined between Azerbaijan, Iran, and Turkmenistan and no multilateral agreement has been concluded among the five littoral states. Apart from this, conflicts related to smaller segments of the border between Azerbaijan and Georgia remains unresolved. However, the state’s unrestricted monopoly on power extends over all its unoccupied regions. In theory, the basis for defining citizenship and who qualifies as a citizen has been established. In reality, however, there are considerable problems surrounding the right to citizenship for Armenians of Nagorno-Karabakh, the displaced Armenians from Baku and other unoccupied regions of the country in addition to smaller groups of migrants and refugees (e.g. Chechens and Meshketians). All citizens enjoy equal civil rights. State and religion are separate institutions. Political processes are largely secular, although Islam as a religion is increasingly becoming a political factor. The state provides basic infrastructure throughout the entire unoccupied national territory, but exhibits great shortcomings, particularly due to corruption and inefficient administration.

The Nagorno-Karabakh Factor

The Soviet legacy did nothing to develop an institutional framework for popular political participation. In comparison to the democratic infrastructure left behind in some British colonies, for instance, there was no legacy of pluralistic party politics, competitive elections, meaningful parliamentary representation, or professional journalism. So when the Soviet Union collapsed, the “stage was set for the mobilization of mass politics animated by ethnic concerns, but there were no effective democratic channels to express or reconcile these interests. The Soviet institutional legacy left the peoples of the Caucasus with the worst of both worlds: politics organized around ethnicity, and no
meaningful institutions for democratic participation along ethnic or any other lines” (Snyder 2000).

In both Armenia and Azerbaijan the peoples underwent great sufferings for the sake of victory in the Nagorno-Karabakh war. Armenia has tried to re-adapt its economy to conditions of a closed border with Turkey (among a number of conditions, the return of Nagorno-Karabakh to Azerbaijan has been proposed by the Turkish side, though in recent times there has been signs of dissociation of the Turkey-Armenia relations from Turkey-Azerbaijan relations) as well as the closed border with Azerbaijan. In the early 1990s economic conditions in Armenia were severe, but in recent years double-digit growth rates have been experienced. Similarly in Azerbaijan the functioning pipelines have brought much revenue and the economy has boosted. Though war in the early 1990s had devastating implications, the recent economic boom in both countries has distracted both states’ elites from the urgency of narrowing the gap of disagreements, and preparing the societies for reconciliation by confidence-building measures. The ‘no peace, no war’ condition between Armenia and Azerbaijan has had an immense negative impact on democratization (Altstadt 1997). In Azerbaijan particularly, the conflict has become an ‘all encompassing, overwhelming issue which has been an unhealthy phenomenon’. The Karabakh conflict has been misused for internal political problems. The opposition in Azerbaijan has been less compromise-oriented than the government, and has pushed for increased military and political pressure on Armenia. But the governing elites have been skillful. Ilham Aliyev’s lower levels of legitimacy compared to his father forced him to adopt a more hard-line position in this issue. For example, Ilham Aliyev came to power in 2003, categorically rejected the package approach for solving the conflict by one major agreement, which would include all the conflicting points (as contrary to step-by-step

3 For details about the current Armenian-Turkish relations and the prospects of developments, see T. Mkrtchyan, Post-Election Prospects for Armenian-Turkish Relations, in TESEV, Foreign Policy Bulletin, No.5, July 2007, Istanbul, pp. 15-18, TESEV.
solution of solving the issue gradually, by concluding agreements on every point consented and leaving the more problematic issues to a later stage), saying that confidence building would be needed after an Armenian withdrawal and before Nagorno-Karabakh status could be determined. Also if as late as 2002 the unification (of Nagorno-Karabakh with Armenia) option had been on the table, after Ilham Aliyev came to power, it has been categorically rejected.\(^5\) As an analyst argues, “the current government in Azerbaijan owes its rise to power to skilful manipulation of popular protest over the handling of the Karabakh issue, and to loud pledges to resolve the conflict quickly and ‘without losses to the territorial integrity and sovereignty of Azerbaijan’” (Alexander 2004). This is done at the local level, where war rhetoric is strong enough, though not to the degree of the Azerbaijani opposition representatives. A retreat from that position would be dangerous and potentially threatening to the government’s legitimacy. At the same time, the need to consolidate its hold over key positions in governing apparatus and the economy prompts the regime to try, through compromise and concessions, to move from the current unstable ‘no war, no peace’ to a more stable situation. Portraying itself to the international community as the ‘party of peace’ and the opposition as extremists advocating the return of Karabakh by force, the Azerbaijani government is seeking carte blanche to quash its political opponents. Yet for internal consumption, the ruling elite continue to churn out populist militant rhetoric. The Baku authorities also use the defeat at war to discredit the former government, now the opposition. It is also used to distract attention from rule-of-law, human rights, and democracy issues the state of which is under international observance and criticism.\(^6\) The overdependence on and centrality of

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the individual leaders, rather than institutions and wider society, in resolving the conflict is a major part of the problem.

Similarly in Armenia the Karabakh issue and the ‘determining’ role of the leader in power to resolve that issue became a routine from election to election. In the Presidential elections of 1996 the first President of Armenia Levon Ter-Petrossian was sure that he was the one to solve the problem of Nagorno-Karabakh and people should trust him to continue with the negotiating process. One of the reasons that he could not afford a fair election in 1996 was that the tougher opposition had already gained popularity by charging him of ‘treason’ and ‘capitulation’ on the Karabakh issue. The 1996 post-election period was marred by massive outbursts of popular anger with an attack on the Parliament. This was a blatant retreat from any democratic path the leadership had envisaged previously. Soon Ter-Petrossian warned that the Karabakh conflict was to be resolved through a compromise, otherwise Azerbaijan’s growing oil wealth could allow it to overwhelm Armenia in the near future. This stance was termed as ‘defeatism’ by some of the governing elites and Ter-Petrossian was ousted from power in 1998. Upon resigning, Ter-Petrossian ominously warned that the ‘party of peace’ was being replaced by the ‘party of war’. Compared to the 1996 elections those in 1998 were fairer. Robert Kocharian, who was the former leader of Karabakh Armenians and more hard-line than Ter-Petrossian, was elected as Armenia’s new president. Many believe that Karabakh-natives Kocharyan and Serzh Sarkisyan are the only people who can ‘sell’ an agreement to Armenians. In the 2003 Presidential elections (which were criticized by international observers) Kocharyan claimed that the future of a peaceful solution of the Karabakh problem depended upon those elections. Thus the perception (or misperception) that this or that individual can solve the Karabakh issue, which is vital to national survival, justified the authorities violently crushing the opposition. In Armenia and Azerbaijan, opposition parties were pressed, opposition media outlets shut down, and journalists arrested or repressed. The expectation that it is up to individuals to forge a
resolution is grounded in the lack of strong state institutions, weak democracies, a crude political culture and related structural capacity problems. The charismatic-authority model in Azerbaijan and Armenia put the independence of the various branches of government into question; neither the legislative nor the judiciary branches are independent from the influences of the executive. Another hurdle to democratization in both countries is the tremendous militarization throughout the South Caucasus in the last few years (Mkrtchyan 2007). This factor has diverted the respective governments from investing more in institutional capacity, education and social issues, infrastructure and renovation. Azerbaijani leaders have several times reiterated that they are targeting a military budget that corresponds to the whole budget of Armenia (and Armenian officials assert that the purchase of powerful weaponry by Baku from 2004-6 is violating the limits of Conventional Armed Forces in Europe Treaty (CFE).\(^7\) Nagorno-Karabakh too has become highly militarized society (where 65 persons per 1,000 inhabitants are under arms surpassing almost all other countries for proportion of population in the military).\(^8\) After all, it is an illusion to assume that a final solution to the Nagorno-Karabakh could be reached through military means.

**Political Processes and Political Participation**

Universal active and passive suffrage does exist, although it is *de facto* frequently violated. Western observers have judged the great majority of elections held so far as unfree and unfair, fraught with very grave deficiencies. There is no evidence of real improvement over the past few years, during the constitutional referendum in 2002, the presidential elections in October 2003\(^9\), the municipal elections in December 2004 and parliamentary elections in 2005. The presidency or rather the government is continuously

\(^8\) *International Crisis Group Report #166* (2005)
reaffirmed through the course of elections, disregarding principles of open and competitive election processes in a great number of cases. Thus there has been no changeover of power since 1993, apart from the election of Ilham Aliyev as president after his father's death in 2003 (Sergey 2004).

The effective power to govern lies with the president and the government. There are no veto powers or political enclaves in the hands of the military or other influential groups. The President enjoys numerous powers as outlined by the constitution. One is the ability to appoint regional Governors who often operate as extension of the executive branch. The President also appoints the Judges and is able to exert control over both the legislative and judicial branches. The political process of Azerbaijan is stable, for now, although no viable governmental institution exists fulfilling all the theoretical norms and parameters. The continued stability and eventual reform of the Government and the political system relies mainly on the President. However, the presence of non-legitimized power structures related to the president and his encourage to influence the course of politics. Only about ten percent of the population actually participates in political parties. Women play a small role, although their representation in the leadership of parties and in governmental posts is similar to that in developed nations. Members of the numerous ethno linguistic groups in Azerbaijan do not have separate parties but they do participate as members of other parties. The existing political parties are viable, although recent strains have been evident. Most are centered on individual personalities, and their platforms vary little (Steven 1998). Although government censorship no longer exists, many practice self censorship and are occasionally subject to harassment by local officials.

In December 1999, municipal elections added another level of governmental authority in the region. Some 36,000 people contested 2,200 seats. The Central Election Committee (CEC) reported that voter turn out was 52%, but independent observers put
the actual rate closer to 30%. As a result of these elections there are for the first time locally elected municipal legislatures separate from the executive committees. They have little actual power and are mainly responsible for infrastructure maintenance such as garbage collection and parks administration. The authority remains with the regional executive committees and governors, who are appointed by the President.

A controversial election law passed in July 1999 prevented the membership of opposition party representatives on local electoral commission. The opposition Azerbaijan Democracy Party (ADP) and the Azerbaijan National Independent Party (ANIP) boycotted the elections in protest against the law. Two other opposition parties, Musavat and Azerbaijan Popular Front did participate after initially joining the boycott. The Legislature is a single chamber of 125 seats known as the Milli Majlis, or Parliament. Whereas the constitution lists 32 duties for the President, only 19 are provided for the Deputies. Up to 15% of the Deputies may sit in the Parliament while simultaneously holding government posts. Twenty Five seats are allocated by elections on a proportional basis and the Deputies in the remainder each represent a district of the republic. To win a proportional seat a party must receive at least 6% of the vote. The attempt by the opposition parties to form a united bloc has often been thwarted and negated by the ruling party's control of the Parliament. Changes to the election law, some in line with proposals from the Venice Commission, were approved by the legislature in June 2005. However, the Deputies rejected some of the most significant proposals, including a more equitable representation of political interests on electoral commissions. After objections by PACE emissaries Aliyev, in May and October 2005, ordered officials to abide by election law, and authorities permitted some opposition rallies. The October decree also led legislators to approve marking hands and permit outside-funded NGOs to monitor the election as advocated by PACE. After the 2005 election, the US State Department issued a statement praising democratization progress, but urging the
government to address some electoral irregularities.\textsuperscript{10} Repeat elections were scheduled for May 2006 in ten constituencies where alleged irregularities took place. According to OSCE election monitors, the repeat race appeared to be an improvement over the November 2005 election, but irregularities needed to be addressed, including interference by local officials in campaigns. The ruling Yeni Azerbaijan Party won 62 seats, the independents 44, and Musavat 5. The remaining 14 seats were held by several small parties.

**Civil Society**

Azerbaijan was slow to develop a healthy environment for civil society. The first international NGOs came to Azerbaijan in 1992 in response to Karabakh conflict (Naira Airumian 2003) and the drastic and the immediate need for relief assistance. These NGOs were not in a position to help local organisation develop. The complex political situation in the early 1990s, when Azerbaijan saw three Presidents in as many years, did not help to create an environment in which interest groups were allowed to meet or organize. Since they received little outside guidance or advocacy, Azerbaijani NGOs in 1994 numbered fewer than 15\textsuperscript{11}. In 1994, a law on association was passed, and Local Non Governmental Organisations finally had legal protection to organise and to operate, although registration with the Ministry of Justice remained difficult. Most Azerbaijani NGOs\textsuperscript{12} rely on outside grant to fund their activities. Some are slowly beginning to design income generating and sustainable projects. Local businesses and others are also beginning to learn about philanthropy. Currently, many NGOs are unable to pay the

\textsuperscript{10} Freedom House (2007), *Nation in Transit* 2007, June 14, 2007. The ranking in terms of democratization was reduced from 5.93 in 2006 to 6.0 in 2007, on a scale of 1 to 7, with 1 representing the highest and 7 the lowest level of democratic progress.


salaries of their administrative staff. Local fundraising will remain difficult in the short term. Some attempts to strengthen the sector have been made. In 1999, with assistance from international NGOs including the Initiative for Social Action and Renewal in Eurasia (ISAR), and the United Nation Development Programme (UNDP), NGO Resource Center, the local NGO community, led by the National NGO Forum, joined together to help draft a version of the law on NGOs adopted in 2000. The positive aspect of the new NGO law is the active participation of local NGOs in drafting it. This is partially the result of the recent growth in the number of NGOs over the past few years. Independent political and civic organisations are entitled to form, but experience occasional problems with registration and encounter state repression. There are a number of non-governmental organisations (NGOs) along ethnic lines, which restrict their activities to the humanitarian and cultural fields. Ethnic groups such as the Lezgians close to the Northern border are discouraged from forming organizations for political reasons (Peter 1998). So-called "non-traditional" religious groups (e.g. evangelical missionaries, Wahhabites, non-conformist Shi'i groups) encounter difficulties with registration and find that their activities are in part prohibited, which is in no small part due to pressure from the media and Islamic organisations. Utterly in line with Soviet tradition, union activity largely remains state-controlled, thereby preventing the formation of independent unions and any effective participation of unions in determining wage levels. Freedom of assembly is possible only on a very restricted basis and was not conceded after the elections of 2003 for nearly one and a half years.

The registration process for NGOs is extremely bureaucratic, and some organizations have been seeking legal status since 1993 (Lawrence 2000). A review of the process began at the end of 1999. The shift in focus from relief to development has helped many of these NGOs gain funding from international sources. However, management expertise and coordination with other organization still need to be developed.
Independent Media

In general, the situation for the independent media of Azerbaijan has changed little during the post-Soviet period. According to a public perception survey conducted by the Initiative for Social Action and Renewal in Eurasia, public confidence in the media is high. Most people cannot afford to buy newspapers and, instead, get their information mainly from broadcast media. Of the major private newspapers, only the Russian language Zerkalo is truly independent, professional, and dependent on advertising revenues. Publication of the Azeri language mirror, Ayna, has been suspended due to insufficient funds. The majority of newspapers is political party mouthpieces or is controlled by wealthy individuals. The most popular independent paper is Yeni Musavat which is linked to the Musavat party. Azadlyq loosely affiliated with the Popular Front, is next. The independent media face a dire situation because of their shrinking financial base. The worsening economic situation has forced many businesses, including foreign companies, to close, thus depriving media of advertising revenue.

The government is hesitant to grant new radio or television license. However, individuals close to the government can gain licensing. The media are regulated by the Ministry of Press and Information and the Ministry of Communication. The first ministry handles registration and licensing while the second assigns frequencies for electronic media. Licensing further involves the Presidential apparatus, the Ministry of Justice, and the State Frequency Committee. Censorship was officially outlawed in 1998; however, most reporters and editors practice self censorship. State-run media and electronic media owned by members of the ruling elite are subject to government control. Dissident private media face considerable financial and legal pressure at times, apart from incidents

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of intimidation and killings of critical journalists. Thus, freedom of opinion is limited\(^\text{15}\), despite some positive legal steps such as a newly formed Press Council (March 2003) and a law on the Public Broadcasting Service (passed September 2004, Presidential Decree November 2004). The US Embassy in May 2007 reportedly raised concerns that the conviction of two journalists on charges of fomenting religious hatred—because they had written an article comparing Islam to Christianity—was an example of restrictions on freedom of the press. Among other incidents involving independent media, Eynulla Fatullayev, the editor-in-chief of the \textit{Realnyy Azerbaydzhan} and \textit{Gundalik Azarbaycan} newspapers, was sentenced to prison in April 2007 for 30 months. He was charged with authoring Internet remarks on the NK conflict that were deemed to defame the Azerbaijani military. He denied authorship of the remarks. At the end of October 2007, he was convicted on new charges of tax evasion. The US State Department’s Deputy Press Spokesman Tom Casey stated that this new sentence appeared to be an attempt to silence criticism and stifle free speech. The NGO Freedom House took this increased mistreatment of opposition journalists and legal pressure on independent media into account in June 2007 when it further reduced its democratization ranking for Azerbaijan.\(^\text{16}\)

\textbf{Rule of Law}

With respect to state power, Azerbaijan shares similarities with other post-Soviet states, in that the executive branch unmistakably dominates at the constitutional level, while in fact the president and his apparatus play the principal role. Due to the dubious election processes and the domination of forces close to the president, the parliament is limited even in exercising its monitoring function, provided for in the constitution. In


\(^{16}\) Freedom House (2007), \textit{Nation in Transit} 2007, June 14, 2007. The ranking in terms of democratization was reduced from 5.93 in 2006 to 6.0 in 2007, on a scale of 1 to 7, with 1 representing the highest and 7 the lowest level of democratic progress.
theory, the institutionally separate judicial branch and the Constitutional Court
established in 1998 are independent, but in fact largely subordinated to the executive.
Judges are appointed by the president (in the case of the courts of first instance) or by the
parliament on the basis of presidential recommendations. They can also be dismissed on
the basis of a presidential decree. To date, the structure of the judicial branch has only
been inadequately reformed, thereby, preventing it from acting as a counterbalance to the
executive.

In some instances, the pressure for democratization exerted particularly by
external actors such as the OSCE, Council of Europe or U.S. State Departments even
necessitated subsequent corrections of anti-democratic decisions by way of a presidential
decree. Admission to the Council of Europe in January 2001 mandated that the laws
affecting a variety of areas conform to European standards (e.g. abolition of the death
penalty, ratification of the European Convention on Human Rights), even though legal
practices affecting the media in particular continue to be plagued by obvious
deficiencies.17 Despite the release of many political prisoners under an amnesty by the
President in spring 2005, the issue of political prisoners remains unresolved. In principle,
civil liberties are guaranteed by the constitution, but are violated partially and
temporarily. One problematic instance is the obligatory registration of religious
institutions and congregations at the State Committee for Relations with Religious
Organizations, which restricts religious freedom in certain areas. Legal discrimination of
particular ethnic or religious groups or of women does not exist, but women and religious
converts do encounter social discrimination.

Corruption

Azerbaijan is perceived to be widely corrupt18. In 2000, the World Bank ranked
Azerbaijan one of the four most corrupt countries in the former Soviet Union. In 1999,
Transparency International rated Azerbaijan the fourth most corrupt nation out of a pool

18 See www.transparency.de/documents

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of 97. Azerbaijan retained a similar position in Transparency International’s 2000 pool of 90 nations. Other sources document the level of corruption as well. Azerbaijan’s high rating indicates a high tendency for both state capture and administrative corruption and is the highest among CIS countries. Political and bureaucratic corruption is regarded as very high by the population and is widely criticised. In a recent opinion poll, corruption was regarded as the fourth greatest problem of the country after the unresolved conflict with Armenia, unemployment and poverty. Only in rare cases is corruption fought effectively by way of a court ruling. Prosecution of corruption is also utilized to authorize the dismissal of high-ranking government officials, without affording them proper legal recourse. Despite several new laws against corruption (Anti-Corruption Law passed January 2004), the situation remains unchanged by and large. The state administration has yet to undergo structural reform. Despite a significant increase in salaries in 2004, staff members of many administrative departments do not earn enough to cover living expenses, which in turn encourages corruption and inefficiency. Opportunities for corruption abound from onerous bureaucratic requirements to the general environment of confusion related to a transitional state. Police, civil servants, and others often expect informal payment for their services. Allegations of corruption also have reached the highest levels of government. In April 2000, a former aide accused President Aliev of stealing $ 4 billion from state oil revenues over the previous seven years. The aide provided no details but suggested that the money was paid in the form of kickbacks. High taxes, a large variety of informal costs, and complicated bureaucratic obstacles confront the ordinary businessman. Most private small businesses have failed to evolve into medium-scale enterprises or chain operations. Combined with informal fees collected by

20 “State Programme on fighting Corruption (2004-2006)”, was approved by Presidential decree on 3 September 2004.
21 Although “Commission on Combating Corruption Under the State Council on Management of Civil Service of the Republic of Azerbaijan” was set up According to Article 4.2 of the Law on Combating Corruption.
various officials, the cost of taxes to businesses is prohibitive. It prevents the opening of the new businesses and the evolution of small businesses into larger enterprises or chains, and affects the profit margin for item cost. Opposition officials have become more outspoken on corruption, although they remain ineffective. The media also has begun the reports on instances of high level corruption. Reports of this type are risky because they may incur retribution from angry officials. The new legal reforms may turn this around. Most of these measures include free market and anti-corruption provisions. Appeals against official action and cases involving international businesses go to the economic court. Most decisions are not enforced and not followed, even by government agencies.

Corruption in Azerbaijan is a difficult to define. One reason for this is the role of social networks as a mechanism for success or survival in everyday affairs. Regional networks and patron-client or broker-client relations are essential paths for accessing resources and support. A new Tax Code that came into effect in January 2000 marked a beginning towards solving the corruption menace in the country. But in Azerbaijan an anti corruption strategy must first address the close relations between economic and political interests with a special focus on the energy sector. Unless that happens corruption will remain a major challenge to the process of political developments in Azerbaijan.

Stability of Democratic Institutions

Democratic institutions have severe deficiencies. With the single exception of presidential elections in 1992, post-Soviet Azerbaijan has yet to witness a democratically legitimized transfer of power22. The political system has thus yet to pass the litmus test. With the succession of the late President Heydar Aliyev by his son Ilham Aliyev, which was carried out through unfair and unfree elections in October 2003, the existing power structures remained on the whole unchanged. Large parts of the opposition go for confrontation with those in power, others hope for co-optation into the existing power

structure. The parliament plays a de facto negligible role. The vast majority of political actors formally accept democratic institutions. But in practice democratic institutions are disregarded and distorted in an undemocratic regime. The sole fundamental opposition to the political system might emerge from the growing Islamist current in the population, which is not yet organized. An opinion poll conducted in Winter 2004-2005 showed that apparently 23.2% of the population support the idea of an Islamic state, whatever this may concretely mean, and another 28.9% would welcome the partial introduction of Shariah-based laws (e.g. in family law).

Legislative reform has not been effective in Azerbaijan for several reasons. A primary problem is that the process of legislative reform lacks transparency. Although there are general rules about how long parliament may consider a piece of legislation or how long the president has to enact it, it is often difficult to ascertain what legislation is under consideration and who the active parties to it are (Arthur H 1997). No standard procedure is followed for drafting legislation, and the drafts are often unavailable for public review. There have been reports of changes made to drafts after the law in question has been enacted. There is a nominal allowance for freedom of information, but the bureaucracy involved in obtaining the text of a particular piece of legislation prevents most from exercising this right.

The second problem is that power remains centralised. The municipal legislature created with the 1999 elections has little real authority. Power rests with the executive administrators who are assigned to posts by the President. The civil service is negligibly competent and barely professional. Citizens seeking public services are often subjected to the informal fees or unnecessary paperwork.

A third problem is that opposition political party’s lack unity and are poorly organised. The cooperation among them has often been fragmented and shaky. Many people do not perceive any of the parties as actual opposition groups or even as entities
capable of creating or fostering change. This perception and general acquiescence have forestalled popular participation in policy making. Improvements in the system appear unlikely at present. Most of those in power now were trained within the Soviet system. The delay of development assistance decreased the ability for international agencies to intervene through training and providing experience with other systems of governance. Moreover, although politically aware young people may receive training from abroad, they have little opportunity to apply it.

Political and Social Integration

The political party system is highly fragmented, although there are only about five parties of nationwide relevance (Rutland 1998). The dominating New Azerbaijan Party headed by the president mainly unites government officials and patronage structures without having a clear political program. The high degree of verbal polarization among the key stakeholders has not led to massive social polarisation, since the principle of peaceful political contest has largely met with acceptance, and political parties are rather poorly rooted in society, so voter volatility is considerable. The parties reflect patronage-based structures centering on certain public leadership figures and groups rather than on social interest groups (Kamrava 2001). Due to the hitherto low degree of social differentiation and because of the authoritarian nature of government, there are only very few other organised interest groups representing the interests of individual social groups. Large parts of the impoverished and unemployed, or rather underemployed population in particular, are unable to articulate their political interests. This clearly constitutes a risk to stability. If groups such as the Islamists, which are currently not integrated into the political system of the country, succeed in articulating the interests of these parts of the population, the possibility of partial mid-term destabilisation might arise.

In principle, the majority of the population accepts a democratic system, although in political everyday life, large parts of the population tend toward an authoritarian style
of politics. During the last few years one can observe a steadily growing disappointment about democracy because of the bad performance of the post-socialist system and the alleged double-standards of Western democracies (Collett 1997). In comparison to 2003, when more than 67% of the 1,000 respondents in an opinion poll regarded democracy as best form of government, the percentage dropped to 57% in 2004. In the same poll 63% of the respondents answered that only a powerful leader could change the situation to the better, in contrary good laws gained only 19% and powerful parties even only 3.8%. Due to politico-cultural and socioeconomic barriers, social self-organization exists only in part and its scope of action and trust among the population is weak.

**Level of Socio-Economic Development**

Most central indicators point to a low level of development. Based on the Human Development Index, the development of the country offers freedom of choice to only a small section of the population (Ross 2003). According to World Bank data in 2003, 50% of the population lives in poverty. Those affected above average levels are the nearly 850,000 Internally Displaced Persons (IDPs) and refugees in the country, pensioners and unemployed youths. Poverty is also a cause for social exclusion due to the increasing privatisation of higher education. Since women are progressively ousted from positions of leadership and traditionally female professions are extremely underpaid, gender-specific exclusion is evident. Dire living conditions have resulted in the high migration of labour (Rasizade 2003). According to some estimates, there is approximately 1 to 1.5 million temporary or permanent emigrants. The infrastructure in rural areas is frequently so poor that it impedes the development of other regions beyond the capital city. An important contribution to the income of the rural population comes from household plots used for agricultural production. However, average living standards are improving for parts of the population, which, on the other hand, leads to growing social inequality.
Welfare Regime

By regional standards, Azerbaijan had a reasonably extensive social safety net during Soviet times. In the meantime, it suffers from considerable under funding and can fulfill its obligations in only a handful of areas. Health care is inadequate, at least for the poorer sections of the population. In the period from January to August 2004 public expenditure on health care amounted to only 0.7% of GDP (1995: 1.4%)\textsuperscript{23}. Pensions do not cover living expenses. The development of a modern social security system is still in its infancy. The rural population is less affected by poverty than parts of the urban population, especially in small towns, as its refuge is the largely privatised agricultural sector. Family networks and money transfers from family members working abroad act as a stabilising force for parts of the population. In the absence of reliable unemployment statistics, estimates indicate that up to 25% of the employable population is without work.

The state lacks an active employment policy and a functioning system of employment exchange. There is also no state support for the unemployed. Social stabilisation constitutes one of the central challenges in the country’s future. In 2003, the government launched a State Programme on Poverty Reduction and Economic Development (SPRED)\textsuperscript{24}. Equal opportunities exist in theory and are the normative role model owing to the egalitarian attitudes within the population. In practice, however, considerable restrictions do exist due to informal networks, nepotism, financial restrictions in access to education and widespread corruption. Increasingly, women experience discrimination in all social areas, an issue that the government, in spite of verbal acknowledgement, has yet to address. Mechanisms associated with the advancement of women, people with disabilities and the socially disadvantaged are very limited. The state social security network of former Soviet times currently experiences an

acute under funding and hence poses great challenges to its functionality (e.g. the health care system). Institutions to compensate for gross social differences are very limited in scope and quality.

Consensus-Building

Government as well as opposition claim to strive for a market-based democracy. Fundamental opposition comes only from the growing, though not yet relevant Islamic opposition. The ruling circles give much more impetus to economic progress than to democratic reforms. The opposition's main criticism targets not the reforms but rather the lack of democracy and reform implementation as well as its slow speed, political patronage and corruption.25

There are no relevant veto actors. However, elements within the power structure can thwart reform measures by boycotting them. The main problem is that, at large the government is only interested in reforms in a very limited number of fields. The positions of the government and the opposition seem irreconcilable, but in principle, a wide range of coalition variants is possible. As most political parties are not based on specific social groups or a distinctive ideology, but are leader-oriented the political development depends very much on personal factors (Taras R 1997). The population, meanwhile, exhibits indifference towards government policy and internal opposition quarrels. Widespread social discontent has been articulated only selectively. As the state's institutional possibilities for a peaceful reaction on protest and for negotiating solutions are very limited, the government mainly reacts with police methods. It remains open whether the president himself will pursue a more reform-oriented policy after he replaced government cadres of Soviet background with younger technocrats.

The political leadership does nothing to promote social capital and is indifferent

with respect to the role of civic engagement and solidarity. NGOs and other self-organized groups often encounter difficulties in registration procedures and public activities. This is especially true when political or material interests of the ruling elite’s clientelist networks are touched upon. In some fields like sports or non-political youth activities some governmental support does exist. With minor exceptions, the political leadership frequently ignores civil society actors and formulates its policy autonomously. When outside and inside pressure from the Council of Europe and civil actors comes together as in the case of a public TV station the government tries to regain the initiative by occupying the topic and neutralizing possible independent actors. The same is true for some domestic election observer groups, which are founded by forces close to the leadership in order to neutralize independent or opposition monitor groups. There are some slightly positive exceptions as with the state oil fund or the building of the Baku-Ceyhan pipeline. This is mostly the result of combined pressure of powerful foreign actors and societal pressure.

Confronting and dealing with injustices committed during the Soviet and late Soviet era has largely been put to rest, and is equally unpopular among the elite and the population. Cases of torture and the like during the rule of the present regime are not addressed at all.

**International Cooperation**

For government and opposition alike, international cooperation with international institutions and organizations, namely the IMF, World Bank, EBRD, Council of Europe, EU, NATO, ECO, and Black Sea Economic Cooperation (BSEC) enjoys top priority in all areas (government policies, legal reforms, economic reforms, financial cooperation, infrastructure measures, and health and education sectors).

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26 For details see EU/Azerbaijan Action Plan at www.eu.org/az.
International cooperation on multiple levels is indispensable to Azerbaijan’s development. In practice, massive problems continue to resurface owing to an inherent Soviet mentality, paternalistic ways of thinking, corruption, institutional weakness, incompetence, and inefficiency. Several problems however, especially during the initial years of cooperation arose due to lack of competence on the part of Western and international partners with respect to country, culture, and unspecific programs. Because of the regime’s authoritarian character, external advice does not facilitate significant policy learning in many cases, especially in the field of democratic reforms. The current government is largely a reliable partner in the international arena. Problems emerge with the acceptance of international law when direct material interests of government circles are concerned as was the case in an economic conflict with Turkey in 2004, which even led to the confiscation of Azerbaijan Airlines planes in Turkey. In the Council of Europe, Azerbaijan was warned several times because of not fulfilling membership obligations concerning democratic reform. Regional cooperation is very limited due to the tensions with Armenia, the relatively conflict-laden relationship with Iran, the isolationist policy of Turkmenistan and the economic weakness of the bordering Russian constituent Republic of Dagestan (Nazrin 2003). Despite minor political and economic conflicts Georgia and Turkey remain the main regional partners and relations with Iran have great potential.

Owing to its geographical location, Azerbaijan possesses great transit potential in the Transport Corridor Europe Caucasus Asia or TRACECA, the realisation of which requires substantial investment and a solution to the regional territorial conflicts.

Influence of Geo-political Factors

Since the break up of the Soviet Union, the South Caucasus has become vitally

important to economic and security considerations, both regionally and globally. In fact, the world community’s renewed attention has led to the region’s reappearance in general and Azerbaijan’s appearance in particular on the international stage. The contemporary fragile stability of Azerbaijan is arousing serious anxiety in the Western democracies (Nuriyev 2001). Post communist ruling establishment in Azerbaijan is acutely embroiled in a complex set of ethnic conflicts, which produce additional difficulties for developing a market economy, democratic institutions, and an open society in the region. Azerbaijan, grappling with the complexities of rapid economic and social transition is indeed searching for the keys to a new civilisational and national model of statehood. At the same time, domestic developments are taking place under the growing interference of outside geopolitical forces, which demonstrate great interest towards the natural resources and geo-strategic potential of the Caspian basin region.

After gaining independence in 1991, Azerbaijan has collided with immediate internal and external challenges to its territorial integrity and sovereignty (Babaian 2004). Although the early years of the post-independence period were very difficult, Azerbaijan, under the one-year rule of the popularly elected pro-Turkish President, Ebulflez Elchibey, succeeded in getting all Russian forces and border troops withdrawn. Elchibey promised democratic reforms within the country and a quick victory in Nagorno-Karabakh. However, he could not accomplish the major parts of his presidential programme and the country began to slip rapidly into political and economic chaos. As a result, Elchibey was overthrown in June 1993 and replaced by former Communist leader Heydar Aliyev. Aliyev, in turn, tried to balance the interests of the major powers to secure Azerbaijan’s independence. He began to pursue a more even handed approach in foreign policy relations with neighboring countries. Since the Aliyev presidency, Azerbaijan has come under severe pressure from Moscow to allow Russian military bases on its soil but, thus far, it has failed to bow to this. The Kremlin, using the Nagorno-Karabakh war as leverage, has heavily increased its influence in recent years with the purpose of re-
establishing Russian control of the Azerbaijani-Iranian frontier by bringing back its border guards. Moscow very much hopes to benefit from the vast oil reserves of Azerbaijan and has been forcing the Azerbaijani leadership to grant Russian corporations a greater share in the oil rights. Meanwhile, Azerbaijan remains very concerned about continuing Russian-Armenian military co-operation. Arms transfers played a crucial role in Armenia’s seizure of large areas of Azerbaijan, resulting in a million refugees and internally displaced persons. Ethnic Azeris from the part of Azerbaijan under Armenian control are prevented from returning to their homes by a heavily militarised ruling structure. Such a deadlocked situation of no war, yet no peace in the area of conflict and a number of other destabilizing factors have made Azerbaijan seek outside help from both the United States and Turkey to restore a seriously violated balance of power in the region. Azerbaijan in recent years has signed several defense treaties with Turkey and has started to consider the possibility of inviting NATO to establish bases on its territory. Accordingly Russia and Iran have cited negative consequences of moving NATO bases to Azerbaijan. Both Russia and Iran view America’s increasing engagement with NATO’s rapidly growing interest in the South Caucasus with suspicion. Azerbaijan, in turn, is ready to co-operate more fully with NATO and believes that as the oil exporting infrastructure is developed, security concerns will draw Azerbaijan closer in the pursuit of true regional stability. However, the dynamics of the Nagorno-Karabakh conflict, domestic tensions, and growing contradictions between the ruling elite and different oppositional parties, as well as a lot of other geopolitical factors that have intensely affected the direction of Azerbaijani foreign policy, continue to remain crucial for long term stability in Azerbaijan. All of the recent and current domestic processes in Azerbaijan, including the contemporary geo-strategic situation around the South Caucasus, have played and will continue to play a major role in shaping the course of political developments in Azerbaijan.

Any future course of political developments in Azerbaijan has to encounter a
plethora of challenges, some of which have been outlined above. The Country and its citizens have now about two decades of experience so far as the democratization experience is concerned. Whether it is response towards Karabakh settlement or the passing of legislation for electoral laws, elites will have to act more sensibly now. So far most of steps for political developments have been taken in response to an emergent crisis situation. Knee-jerk reactions from the ruling establishment have been the order of the day. Nagorno-Karabakh crisis was the main compelling factor behind events in the aftermath of independence. This led to the skewed political development in Azerbaijan. Azerbaijan has lacked a clear cut roadmap towards political development. To tide over the challenges the country faces today on domestic as well as international front, Azerbaijan needs to draw a roadmap to move towards a more mature level of political development. This will go a long way in ensuring the smooth and balanced political development in Azerbaijan.