

## AZERBAIJAN AT 25: A NEW ERA OF CHANGE AND TURBULENCE

THOMAS DE WAAL

Azerbaijan is entering a new historical phase. The oil boom—which boosted the economy, consolidated the country's statehood, and gave it a new international profile—has ended. The country's leaders have more limited financial resources to offer a society that is not as politically quiescent as it was a decade ago and where new forms of opposition, such as political Islam, are slowly emerging. For the authorities, their chief dilemma is whether they can carry out economic liberalization to revive the economy without resorting to political liberalization, which they fear will undermine their power. Technocratic members of the government are indeed making some changes. But if Azerbaijan's wider elite does not find a new sense of humility to bridge a large gap between rulers and ruled, the country almost certainly faces political turbulence.

Azerbaijan is currently more authoritarian than at any time since it achieved independence in 1991. Its history since the end of the Soviet Union can be divided into four phases. From 1991 to 1993, the country was wracked by civil strife and a series of defeats in the Nagorny Karabakh conflict with the Armenians, as a result of which it lost large amounts of territory and was overwhelmed with refugees. Both of the initial postindependence presidents, Ayaz Mutalibov and Abulfaz Elchibey, lost power in this turmoil. At the end of 1993, the veteran Soviet-era leader Heydar Aliyev returned to power, negotiated a ceasefire that halted the Karabakh conflict, and ushered in a period of stabilization. Order and stability were imposed at the expense of political pluralism. After the senior Aliyev died in 2003, his son, Ilham, inherited the presidency and was in a position to benefit from a sustained economic boom. The massive oil revenues that flowed from the opening of the Baku–Tbilisi–Ceyhan (BTC) pipeline put Azerbaijan on the world map.

The start of the fourth and latest phase can be dated roughly to Ilham Aliyev's third term as president, which began in October 2013 when he was fifty-one. Since that time, Azerbaijan has

become a much more closed and tightly controlled state based on the Central Asian model. The fact that Aliyev is serving a third term at all follows a controversial 2009 change to the constitution abolishing term limits. A new constitutional referendum on September 26, 2016, proposes a further extension of the presidential term from five to seven years. These changes could prolong Aliyev's personal rule almost indefinitely.

The turn to more authoritarian rule can in part be attributed to the ruling regime's fears about a contagion effect from the Maidan uprising in Ukraine and the revolutions in the Middle East. In 2013, the younger Aliyev launched a political crackdown on dissent that was harsher than anything carried out by his KGB-schooled father. It began with the jailing of Ilgar Mammadov, the leader of the pro-Western opposition Republican Alternative (REAL) party who had been planning to run in the presidential elections. (As of this writing, Mammadov is still in jail, despite a ruling by the European Court of Human Rights ordering his release.) Later, many more pro-democracy activists and government critics were jailed, and Western

### ABOUT THE AUTHOR

**Thomas de Waal** is a senior fellow with Carnegie Europe, specializing in Eastern Europe and the Caucasus region.

organizations operating in Azerbaijan were closed. In parallel, Azerbaijan restricted its engagement with Western countries to a narrower agenda of energy and security issues and strengthened its relationship with Russia. The drastic economic downturn in 2015–2016 was also the occasion for rethinking relations with the West, but the new model has remained essentially unchanged.

## LIFE AFTER THE BOOM

Azerbaijan enjoyed the boost of huge oil revenues for a full decade after the 1,760-kilometer-long (about 1,100 miles) BTC pipeline began operating in 2005. For three years in succession—2005, 2006, and 2007—Azerbaijan had the fastest growing economy in the world. The country used its new wealth to build infrastructure at home and project influence abroad. It won a nonpermanent seat on the UN Security Council in late 2011 and opened several dozen new embassies around the world. The State Oil Company of the Azerbaijan Republic, SOCAR, became one of the biggest investors in Turkey, reporting that it has invested \$18 billion in the country, and acquired a two-thirds stake in the operator of Greece's natural gas grid.

However, the quick injection of cash into a political system with few checks and balances vastly increased corruption and gave the government no incentive to modernize the rest of the economy. Much of the new revenue was spent on prestige projects of debatable importance, such as constructing lavish new venues for the Eurovision Song Contest, hosting the inaugural European Games, and building grand new architectural projects in the capital city, Baku. The military budget was increased to almost \$4 billion a year, while other sectors—particularly those key to poverty alleviation and social welfare—received much less investment. For example, although the education budget increased overall, by 2013 it had dropped to 2.7 percent of total spending, much lower than the European average of 4.5 percent.

A big economic discrepancy also opened up between boomtown Baku and the rest of the country. Nationwide poverty rates fell impressively, from 50 percent in the early 2000s to 5 percent in 2013, according to the World Bank. Yet, as in the other two South Caucasus countries, unemployment has remained an intractable socioeconomic problem, especially in rural regions. It is estimated that 40 percent of Azerbaijan's workforce is engaged in subsistence farming. In 2013, at the peak of the oil boom, the annual survey by the Caucasus Research Resource Centers, known

as the Caucasus Barometer, revealed that only 12 percent of the population reported personal income of more than \$400 a month. The survey recorded that 48 percent of the population reported themselves as being too poor either to buy food or to buy food and clothes. Azerbaijan's figures were a little better than those in Armenia or Georgia, neither of which has benefited from the influx of oil money, but not by much.

Throughout 2016, almost all of Azerbaijan's economic indicators have been on a downward curve. A Baku-based economic think tank, the Center for Economic and Social Development, reported that in the first eight months of the year, GDP growth was negative 3.9 percent and exports fell by 37 percent. Oil export rates have fallen: the current export rate via BTC is about 850,000 barrels per day, down from a peak of more than 1 million barrels a day achieved in 2010. The low price of oil has hurt the Azerbaijani economy particularly badly. The Central Bank of Azerbaijan spent two-thirds of its reserves over fifteen months trying, not very successfully, to support the Azerbaijani manat. As of September 2016, it has \$4.19 billion in reserves, sharply down from its July 2014 high of \$15.19 billion. On September 14, the Central Bank raised its main interest rate to 15 percent in another attempt to shore up the currency.

As the manat tumbled, food prices skyrocketed, causing particular hardship among urban populations who are dependent on food imports—which make up 70 percent of the country's food stocks. Azerbaijani officials, including President Aliyev, recently have noted the need to increase efficiency in the agricultural sector—particularly production of grain and dairy products—to improve food security. With inflation running at above 12 percent in 2016, this task is becoming pressing. The steep rise in food prices and lack of jobs triggered a series of demonstrations in January 2016 in up to a dozen locations across the country. The protests died away after the government promised to reverse some price rises. There were reports that some of the demonstrators were Azerbaijani guest workers who had returned from Russia because of a lack of jobs there. If that is true, that would constitute a double blow to the economy, as remittances from abroad have sustained Azerbaijan's rural economy for years. Reported remittance payments from abroad were down sharply in 2016 to just one-tenth of what they were the year before.

The government's main resource to assuage the public remains the State Oil Fund of Azerbaijan, SOFAZ, which was founded as

a rainy-day fund. In the spring of 2016, projected revenues in a new adjusted state budget were estimated at 16.8 billion manats, of which almost half—7.7 billion manats (\$4.9 billion)—comes from SOFAZ. The assets of the fund itself dropped by 9.5 percent year-on-year in 2015, to \$33.6 billion. This coincided with a sharp fall in projected incoming revenues to the fund. On March 18, a government decree announced that revenues would decrease from 6.7 billion manats to 4.6 billion manats—or just over \$3 billion, given the devaluation of the currency. In dollar terms, that is an even steeper fall from the peak of the oil boom in 2013, when the fund’s annual revenues were 15.6 billion manats (\$19.5 billion at the time).

If current trends persist, Azerbaijan’s oil reserves could be depleted within two decades. No new oil fields have been discovered since 1994. According to BP’s Statistical Review of World Energy, the country’s proven oil reserves amounted to 7 billion barrels at the end of 2014 (compared to 30 billion barrels for Kazakhstan, 103 billion for Russia, and 158 billion for Iran).

For years, Azerbaijani officials have been talking about diversifying the economy, but there are few notable results to show for these efforts. Just over one-tenth of the country’s exports in 2014—a total of only \$1.4 billion—came from non-energy sectors. If the oil price does not rebound strongly, the country faces what amounts to a fiscal black hole for several years before projected gas revenues begin to flow in.

The government is pinning its hopes on gas as its main source of steady income in the future. However, the claim that Azerbaijan will be the key location in a new Southern Gas Corridor sending gas to Europe looks rather exaggerated. By global standards, Azerbaijan’s gas reserves (of around 1,200 billion cubic meters, or bcm) are useful but not vast, in comparison to those of Iran (whose reserves are 30 times greater), Russia, or Turkmenistan. The country’s chief advantage is its location, being linked to a trusted westward export route via Georgia and Turkey, mostly run by a powerful Western oil company, BP. Yet, several factors suggest that there will be no replica of the BTC pipeline as a gas export route. A projected trans-Caspian gas pipeline never materialized, meaning that most of Turkmenistan’s gas now goes east to China. As a result, the idea of the Nabucco east–west gas pipeline foundered. That means that an export route to Europe will rely on Azerbaijan’s own, more modest reserves of gas. A scaled-down version of the project is going ahead, with work beginning on

the Trans-Anatolian Natural Gas Pipeline and the Trans-Adriatic Pipeline. The declared plan is that from 2019 Azerbaijan will ship Turkey 10 bcm of gas from its Shah Deniz II gas field. From 2020, the plan is that a further 6 bcm will go to the Balkans, Greece, and Italy.

Gas from Shah Deniz II will give Azerbaijan a stable source of income, but it will be competing in a crowded market with liquefied natural gas from all over the world and with many other gas producers in the wider Middle East. The European Union’s gas consumption is around 400 bcm per year, of which around one-third comes from Russia. The Azerbaijani share of around 6 bcm, or 1.5 percent—and the country’s associated claim to be a contributor to energy security—will be very modest by comparison.

A recent paper for the Oxford Institute for Energy Studies by Simon Pirani further predicts that due to low prices and lack of investment, “the Azerbaijani gas supply squeeze will... last until at least 2021,” capping the quantities of gas that Baku can send west and making Turkey the main importer of Azerbaijan’s gas for a long period. Under current projections, Europe is unlikely to receive significant quantities of Azerbaijani gas before 2030, the paper concludes. In the short term, the picture is even more difficult. Azerbaijan’s gas production is under strain, with current output all committed to existing buyers or being used to stimulate production in Caspian oil fields. Georgia asked for more gas from Azerbaijan and, dissatisfied with the answer, began talks with Russia’s Gazprom. In ≈2016, Azerbaijan was actually importing gas from Russia to power several factories.

## THE ALIYEV SYSTEM

The basic structure of Azerbaijan’s political system has survived since the 1990s. It was founded by one man, Heydar Aliyev, the late president and father of the country’s current leader. A political colossus, the senior Aliyev ruled Azerbaijan twice, first as a powerful Communist Party boss between 1969 and 1982, and again as president of independent Azerbaijan between 1993 and 2003. From 1982 to 1987, Aliyev’s influence was at its zenith as he served in Moscow as first deputy prime minister of the Soviet Union and a full member of the Politburo.

The senior Aliyev fell from power during the late Soviet era. In 1993, with Azerbaijan suffering losses on the battlefield in the war with Armenia over Nagorny Karabakh and teetering on the

brink of chaos, he returned to Baku and assumed the presidency of the country. He reimposed control over state structures that effectively had collapsed and rebuilt a power vertical in Azerbaijan with himself at the top of the pyramid, making all final decisions. The two main parties, the Popular Front and Musavat, which had led the drive toward independence and governed the country in 1992–1993, were marginalized.

The system, dependent on personal loyalty from individuals he had known for decades, can be described as “neopatrimonial,” as defined by researchers Michael Bratton and Nicolas Van de Walle. In Heydar Aliyev’s post-Soviet Azerbaijan, all key appointments were made by the president himself, and all power flowed from the presidential apparatus. Those who came from Aliyev’s home region of Nakhichevan enjoyed special patronage and power. The government was weak. Azerbaijan has a prime minister, Artur Rasizade, who has held that position since 1996 but wields no significant power or influence. Rasizade briefly vacated his job in 2003 so that Ilham Aliyev could become his father’s formal heir apparent, but then returned to the post when the junior Aliyev was elected president that same year.

Ilham Aliyev inherited this system and has perpetuated it—but has found it harder to manage. In the words of a historian of Azerbaijan, Audrey Altstadt, the younger Aliyev is the “keystone in the arch” of the elite, a unifying and arbitrating force more than a supreme leader. Perhaps because he feels less secure in his position, Ilham Aliyev has been more ruthless in suppressing critical voices than his father, whether they are in civil society or opposition political parties, all of which have been harassed and marginalized.

Ruling Azerbaijan is a tougher assignment for the younger Aliyev first of all because he lacks the authority that his father had, as well as the experience and detailed knowledge of Azerbaijan—which is hardly surprising as he spent many years out of the country, studying and working. He has been forced to rely on a coterie of older advisers and ministers, many of whom also served his father. As well as Rasizade, Interior Minister Ramil Usubov has been in his post more than twenty years. The veteran chief of the presidential administration, Ramiz Mehdiyev, has kept his position as the master of domestic and internal politics. Being both in charge of law enforcement and security agencies and the chief ideologist of anti-Western positions, Mehdiyev is at the spine of the old power vertical, seeing his job as protecting the system against regime change. The president himself appears to be

detached from day-to-day decisionmaking on domestic issues and risks being in a bubble in which he is not getting feedback about what is happening in the country.

Moreover, the rapid influx of wealth during the oil boom after 2004 changed the balance of the system by enriching other members of the top elite. Under Ilham Aliyev’s presidency, regional affiliations have become less important as different networks or clans with their own business interests have come to dominate the economy, and by extension the country. The president himself, who is semi-estranged from much of his immediate family, is associated with the most powerful of these clans, the Pashayev family of his wife Mehriban Aliyeva, which is effectively the first family of Azerbaijan. The Pasha Holdings company, whose CEO is the first cousin of the first lady, owns hotels; ski resorts; banks; and insurance, travel, and construction companies. The family is also linked to many other businesses including Silkway Holding, which runs many companies connected with Azerbaijan’s airports and aviation industry, and Azersun, which is, among other things, the country’s largest food importer. The president’s children all have extensive business interests.

Several other powerful and wealthy individuals own large business networks. Kamaladdin Heydarov served as head of Azerbaijan’s State Customs Committee under Heydar Aliyev and as minister of emergencies under the current president. He is linked to the Gilan Holding company, which owns hotels, businesses, and food processing plants, as well as the Gabala football club. Transport Minister Ziya Mammadov is linked to many transport and cargo companies. The large Garant Holding, whose chairman is his son Anar Mammadov, has been engaged in talks to bring a Trump Tower to Baku. Anar also founded the Azerbaijan lobbying group the Azerbaijan America Alliance. Tax Minister Fazil Mammadov created another big conglomerate in 2003, AtaHolding, which is also linked to the first family and had declared \$490 million in assets in 2014.

The economic decline has weakened the oligarchs, as nine Azerbaijani banks have closed and real estate prices have crashed. No one can be called “untouchable” any more. Ziya Mammadov is reported to have been forced to sell businesses following the downfall in October 2015 of then national security minister Eldar Mahmudov, a former close associate of the president. Among other things, Mahmudov was accused of having taken

a large undisclosed loan from the International Bank of Azerbaijan, which was run by one of his relatives.

For years, the oligarchic system stifled smaller businesses and blocked foreign investment outside the oil and gas sector. The story of Barmek, a Turkish company with good political connections in Ankara, is indicative. Barmek was awarded a twenty-five-year contract to run the electricity grids of Baku and Sumgait, but its efforts to modernize the network met with strong local opposition. Despite, or perhaps because of, the efficiency savings it made for consumers, in 2006 the company was forced out of the country and its CEO was jailed.

The economic downturn and difficult prognosis for the energy sector leads to the conclusion that 2016 is a now or never moment for the elite to pursue a program of diversification and modernization. President Aliyev promised that 2016 would be a year of “deep economic reforms,” and officials from Western institutions have reported more positive feedback on recommendations for economic modernization. A privatization program is under discussion that could empower some new business actors. Azerbaijan potentially has a future as a pivotal staging post in China’s growing Silk Road network. Baku’s shipping routes, railways, and pipelines could all make the country an important transport hub for a wide region. A free trade zone is being set up in Baku’s international sea trade port.

On the positive side, the upper-middle tier of technocratic and reformist officials is more prominent than before. Education Minister Mikayil Jabbarov and Finance Minister Samir Sharifov have reputations for being good professionals. The network of so-called ASAN service centers, analogous to Georgia’s Houses of Justice in being one-stop shops with a range of bureaucratic services, provides citizens with documents speedily, bypassing corrupt officials. The EU has promoted a program of judicial reform that has sought to professionalize judges and lawyers. There are even reports of a cleanup under way in the country’s notoriously corrupt customs services.

However, a strong caveat is needed before predictions are made of imminent reform. The neopatrimonial system will not benefit from a more open and competitive economy. Most of Azerbaijan’s powerful oligarchs remain in charge of most of their assets and monopolies. An outright assault on them would be fraught with political risk. Even though the government has grown stronger in Azerbaijan in the last year, the oligarchic network most closely

associated with it—the president’s and first lady’s family—has also grown stronger. Change still depends on personal decisionmaking at the elite level, not on public institutions.

## FOREIGN POLICY AS A BALANCING ACT

Foreign policy and domestic policy strongly overlap in Azerbaijan. Changes in both external and internal policies go in parallel.

This is most obviously the case with the Nagorny Karabakh conflict, which was the focus of another recent article by this author. The conflict has remained the number one domestic and foreign priority for Azerbaijan for the last quarter century. It is the one issue on which the national leader is driven by the public as much as vice versa. The continued occupation by Armenian forces of a large swath of Azerbaijan’s territory and the unresolved nature of the conflict generates anger and nationalist sentiments across Azerbaijan. It can be used as an instrument of political control by elites if they seek to rally the public around the flag. It also drives Azerbaijan’s relationship with international institutions, as the country continually seeks ways to gain leverage over and put pressure on Armenia.

Overall, Azerbaijan has tried to secure maximum influence in the world by pursuing a balanced foreign policy between different actors while not joining any Western-led or Russian-led economic or security organizations, such as the North Atlantic Treaty Organization, the Collective Security Treaty Organization, or the Eurasian Economic Union. Instead, the country signaled its desire for an independent trajectory by joining the Non-Aligned Movement in 2011. In the last five years, Azerbaijan has tried to make new friends in Asia, especially in China and Malaysia.

Since independence, Turkey has been Azerbaijan’s ally. The slogan from the Popular Front period—“One nation, two states”—conceals many difficult aspects of the relationship, including a very different outlook on the Middle East, where Azerbaijan has forged a strong relationship with Israel. But the two countries have a strong business and energy relationship and a bilateral defense treaty signed in 2010. Turkish President Recep Tayyip Erdoğan, with fewer international friends, sees Azerbaijan as a dependable ally. In 2016, Azerbaijan supported Ankara after the failed coup in Turkey and shut down schools and media organizations associated with the Sunni cleric Fethullah Gülen, and Turkey strongly supported Baku during the outbreak of fighting over Nagorny Karabakh.

As central as the Karabakh conflict is to modern Azerbaijan, it can also be argued that the twenty-five-year-old dispute with small Armenia distracts Azerbaijan from a more significant long-term strategic challenge, which is how to manage its relationship with its two big neighbors, Russia and Iran. These former imperial powers have an influence that was used against the authorities in the 1990s, when the new Azerbaijani state was weak, and could potentially stir up trouble in the future. Each can possibly influence constituencies inside Azerbaijan. In the case of Russia, that means Russian-speaking migrant workers and those who live in the border regions near Dagestan. In the case of Iran, that means pious Shia and the Talysh minority near the Iranian border. Relations with Russia, which were strained for the duration of Boris Yeltsin's presidency, warmed again when Vladimir Putin took office. Over time, the Azerbaijani elite increasingly have found common cause with Russia in its fear of regime change or the color revolutions that toppled unpopular governments in Georgia in 2003, Kyrgyzstan in 2005, and Ukraine in 2004 and 2014. This fear of regime change was the basis for rapprochement with Moscow and a falling out with the West, which took place in 2013.

In August 2013, President Putin visited Baku, along with six senior ministers. A large part of Russia's Caspian Flotilla conspicuously followed him and was docked in the bay of Baku for the duration of his stay. Russia promised new weapons sales to Azerbaijan and discussed energy cooperation. The visit occurred two months before Aliyev's third presidential election, and it seems likely that Putin promised his Azerbaijani counterpart that Russia—in contrast to the West—was a reliable insurance policy against the threat of regime change. In any case, soon afterward, Moscow refused a request to strip respected cinematographer and Azerbaijani-Russian dual citizen Rustam Ibragimbekov of his Russian citizenship, and this blocked Ibragimbekov from taking part in the election as the agreed-upon candidate of the opposition parties.

There are many commercial links between Azerbaijan and Russia. Members of the Russian-speaking Pashayev family of the first lady are visible in the Russian media and effectively honorary members of the Russian elite. Yet the state-to-state relationship cannot be called a strategic one in the energy and security spheres. In 2012, Azerbaijan insisted on taking over the last Russian-manned military installation in the country, the Gabala radar base.

In the 1990s, Heydar Aliyev acted on the assumption that a firm relationship with the West and in particular the United States would be a strong anchor for his country's new statehood. The relationship was built on energy cooperation, with the project for the BTC pipeline as its centerpiece, but extended into many other spheres. There was a steady stream of high-level visitors traveling between Baku and Western capitals.

In the last few years, this cooperation has narrowed to focus on only two or three issues. Under Ilham Aliyev, Baku has continued to advocate a policy of close cooperation on energy and security issues, but it has also strongly pushed back on pro-democracy initiatives and recommendations to hold free and fair elections. Azerbaijan has used oil revenues to lobby its interests in the West, a practice that has achieved substantial results and was nicknamed "caviar diplomacy" by the European Stability Initiative.

A sharp downturn in the Western relationship occurred in 2013. Then U.S. ambassador Richard Morningstar—despite a personal relationship with Aliyev stretching back two decades—was publicly castigated for critical remarks on the presidential election. More than a dozen pro-Western civil society leaders, human rights activists, and journalists were arrested and jailed on dubious charges. These included respected figures such as human rights defender Leyla Yunus; her husband, historian Arif Yunus; lawyer Intigam Aliyev; and youth activist Rasul Jafarov. Western organizations, including the National Democratic Institute, the Peace Corps, IREX (formerly the International Research and Exchanges Board), Radio Liberty, and Oxfam were shut down or forced to leave the country.

A divide deepened with Western institutions. The Baku office of the OSCE was downgraded and cut in size. The OSCE refused to monitor the 2015 parliamentary elections, after the Azerbaijani government said it would only accept a small observation mission. The head of the main nongovernmental election monitoring group in the country, Anar Mammadli, was in jail by the time of the elections, which delivered an overwhelming majority for the ruling party, Yeni Azerbaijan.

This crackdown was given an ideological blessing in a manifesto and book written by veteran presidential Chief of Staff Ramiz Mehdiyev. Entitled *World Order of Double Standards and Modern Azerbaijan*, it closely followed the Kremlin's view on supposed Western designs to destabilize and depose regimes it deemed unfriendly in the post-Soviet space, with the United States

identified as the main villain. The example of the Maidan uprising in Ukraine, alleged by Moscow to be the work of the Western intelligence services, was the central case study.

In a speech to mark the Novruz holiday in March 2015, the president himself outlined a similar version of this zero-sum view of the world. He argued that “the world has entered a new period” in which “global politics today is governed not by international law, but by hypocrisy, double standards, discrimination, racism, Islamophobia and xenophobia. These are today’s realities. Therefore, we must be prepared for it and we are prepared.” His country had to be vigilant because “some foreign circles are waging an overt campaign against Azerbaijan.” The overall message of the speech—that Azerbaijan is a proud, independent country that can ultimately trust no one but itself—suggested a shift toward a stance of proud authoritarian isolation based on the model of Uzbekistan.

The authorities began to count the cost of this isolation. Criticism of the regime’s human rights record intensified and Azerbaijan’s carefully laundered international image suffered from even more intense criticism in the foreign media. A draft bill in the U.S. Congress entitled the Azerbaijan Democracy Act, introduced in late 2015 by Representative Christopher Smith, threatened sanctions if political prisoners were not released. There were signs of tension among the elite, including some resignations from pro-Western officials in the Foreign Ministry.

The Azerbaijani authorities are sensitive to criticism from the West. For example, they have responded to negative election monitoring assessments, critical human rights reports, and allegations of corruption. They bothered to respond to a detailed investigation entitled *Azerbaijan Anonymous* that recorded a lack of transparency in ownership in the oil industry.

In early 2016, the regime either released or reduced the sentences of some of its highest-profile, pro-Western political prisoners, prior to President Aliyev’s visit to Washington for the Nuclear Security Summit. Aliyev was awarded with a photo opportunity with U.S. President Barack Obama. Earlier, in a high-profile visit by EU officials to Baku, the delegation called Azerbaijan a “strategic partner” for Europe. Yet in the summer of 2016, there was a new series of arrests. Notable among them was the detention of Natiq Jafarli, executive secretary of the pro-Western REAL party, who spent four weeks in jail.

The international and economic contexts strongly influence these fluctuations in the domestic situation. Western partners are deemed important insofar as Azerbaijan may need financial aid, including possibly loans from the IMF and World Bank. However, the July 2016 rapprochement between its two main international partners, Russia and Turkey, removed a big headache for the Azerbaijani authorities and probably made outreach to the West a less urgent priority.

## LOOKING AHEAD: CLEAVAGES AND CHALLENGES

Azerbaijan is a country both of political authoritarianism and of great diversity and contradictions. Behind a fairly uniform façade, it is a multifaceted country ethnically and religiously, with traditions of political pluralism as well as autocracy. Despite severe pressure, Azerbaijan’s political opposition is still alive. The country’s population has grown fast, from around 7 million when independence was proclaimed to around 10 million now. The median age is thirty, with around 40 percent of the population under twenty-five. The society is younger, more Azeri-speaking, and more religious than it was twenty-five years ago. All this suggests that politics from below will at some point have an impact on the future of the country as well as on elite politics.

Currently, almost all political life revolves around the ruling elite. President Aliyev called a referendum, to be held on September 26, prolonging the presidential term from five to seven years. This potentially means Aliyev could stay in power until 2025 if he wins the 2018 presidential election. The proposed changes would also bring in the new posts of first vice president and several other vice presidents, to be appointed by the president. This can be interpreted as a way of institutionally strengthening the current elite. One parliamentary deputy, Gudrat Hasanguliev, has proposed that the first lady, Mehriban Aliyeva, become the country’s first vice president, a move that might also make her the potential political heir to her husband.

Elite politics and societal change appear to move on different tracks. One distinct societal cleavage that is likely to become more marked is between secularism and religion. Azerbaijan has been called “the most secular Muslim country in the world.” It is rare to hear the call for prayer on an Azerbaijani street. The elite and professional classes are still strongly secular and identify with Russia, urban Turkey, and the West. This applies as much to progovernment officials as to their critics, many of whom have

been persecuted in recent years. A secular outlook is common to civil society, the old political parties, the REAL opposition party, most Baku-based journalists, and human rights activists. Yet all these groups—the elite and its more democratically minded opponents—are not representative of society as a whole, being older and concentrated in the capital city.

A big unanswered question is about the potential of political Islam as a growing force. If it does emerge, it is likely to be in the form of bottom-up protests, rather than sectarian conflict between Shia (two-thirds of the population) and Sunnis (one-third), something that the country has always managed to avoid. Recruiters for radical Islam, both Shia and Sunni, focus their anger on a corrupt elite, a culture of secularism and decadence, and Azerbaijan's close relationship with Israel.

Thus far, most manifestations of political Islam have been met with punitive measures. The only senior Muslims tolerated on an official level are ones associated with the Caucasus Muslim Board, whose head, Haji Allahshukur Pashazade formerly led the Soviet-era Spiritual Board, a post he took in 1980. Shia, pro-Iranian politics is most visible. In 2011, Haji Movsum Samadov, the head of the unregistered Shia Islamic Party of Azerbaijan, and several of his associates were given long jail sentences. The strongly Shia village of Nardaran near Baku has been the center of antigovernment activism for years and the target of police operations. Sunni Salafi radical politics is less obvious but may be more dangerous. It is strongest in the north, especially among the Lezgin and Avar minorities, who have ethnic kin across the border in Russia's Dagestan region. Estimates of how many Azerbaijanis

are fighting with the self-proclaimed Islamic State in Syria vary, but there may be up to 800. In 2012, many radicals were allowed to leave the country, perhaps so the authorities could wash their hands of them.

Although Azerbaijan's pro-Western dissident political prisoners have attracted the most international attention, they are in fact much smaller in number than those detained on religious grounds, many of whom were merely critical of the government and do not have an obviously radical profile. A statement from the Prosecutor General's Office blamed many of the protests in early 2016 on "radical and religious extremist groups," as well as opposition parties. The evidence suggests that these were purely economic protests, but the constituencies for religious and economic revolt certainly overlap. In the past, for example, protests in Nardaran have focused on gas and electricity shortages.

Of all the cleavages in Azerbaijani society, the big socioeconomic divide between rulers and ruled may yet prove the most crucial. The end of Azerbaijan's energy boom requires economic reform, which is harder to implement without allowing some politics from below. While there are signs that the country's leaders are prepared to undertake some economic liberalization, the new changes enacted in the constitution suggest the president wants only to protect and prolong his long-standing political system. Yet the evidence suggests that Azerbaijani society is changing more rapidly than the authorities realize—and that they will have to deal with new political challenges sooner rather than later.

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