

# Republic of Azerbaijan Country Report 2014

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## Executive Summary:

*Strategically located on the ancient Silk Road between Europe and Asia, Azerbaijan shares deep ties with both the East and the West. Azerbaijan has nurtured close relations with the United States and Israel, and plays an active role in Western-led counter-terrorist programs. That policy has placed a strain on its ties with Iran, which hosts a sizable ethnic Azerbaijani community. Most recently, Azerbaijani-Iranian relations, which were previously strained under former Iranian President Mahmoud Ahmadinejad, has shown signs of improvement.*

*While United States and Azerbaijan cooperate closely in the fight against terrorism, and on security and energy issues, Washington has voiced concerns over violations of political freedoms in Azerbaijan. Azerbaijan's prolonged territorial dispute with Armenia over Nagorno-Karabakh strongly influences relations with its neighbors. Relations with Russia have been strained over competing oil interests, Russia's close relationship with Armenia, and the Chechen insurgency, but recently there have been signs of improved bilateral relations.*

*Rich in natural resources, Azerbaijan's economy depends on the oil, natural gas, steel, and iron industries. An influx of oil revenues starting in the late 1990s led to significant economic growth. The current global economic slowdown, however, presents some challenges for the Azerbaijani economy as oil prices remain volatile, highlighting Azerbaijan's over-reliance on energy exports.*

*Jews have been in Azerbaijan for many centuries and, since the breakup of the Soviet Union, have not suffered state-sponsored discrimination. Judaism is officially protected as a "traditional" religion of Azerbaijan, and the community and government work together on various public welfare and educational activities.*

## History:

Azerbaijan, bordered by Armenia, Turkey, Georgia, Russia, Iran, and the Caspian Sea, is slightly smaller than the state of Maine. Descended from Caucasian and Turkic tribes, the Azerbaijani people share strong cultural ties with the people of neighboring Iran and Turkey. An estimated 13-20 million ethnic Azerbaijanis live in Iran, forming nearly a quarter of the Iranian population and far outnumbering the population of Azerbaijan proper.

## Statistics:

**Population:** 9,686,210  
(July 2014 est.)

**Size:** 86,600 sq. km

**Capital:** Baku

**Major cities:** Baku,  
Ganca, Sumgait

**Jewish population:**  
15,000-20,000

**2009 Aliyah** (emigration  
to Israel): 221

**1989-2006 Aliyah:** 34,971

**Head of State:** President  
Ilham Aliyev

**Head of Government:**  
Prime Minister Artur  
Rasizade

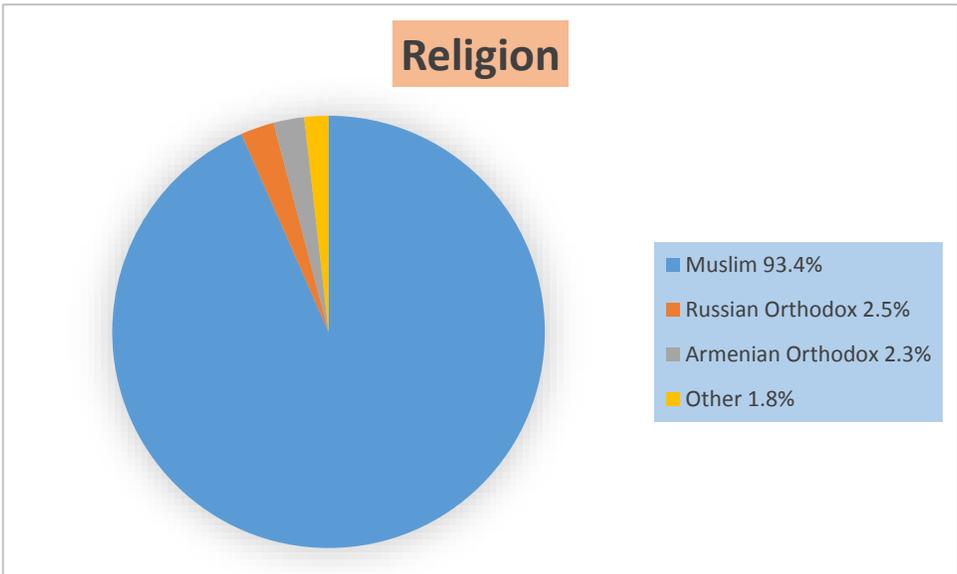
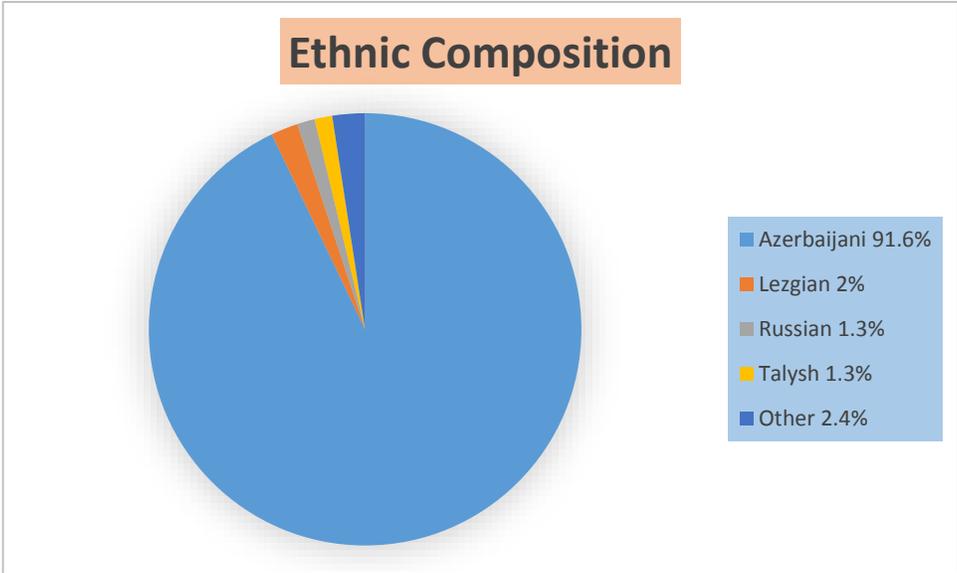
**Foreign Minister:** Elmar  
Mammadyarov

**Ambassador to U.S.:** Elin  
Suleymanov

**U.S. Ambassador to  
Azerbaijan:** Robert  
Francis Cekuta

**Freedom House Rating:**  
Not Free

Located geographically between Europe and Asia on the historic Silk Road trade route, Azerbaijan has suffered repeated invasions and occupations. Conquered by Turkic tribes during the Middle Ages, both Persia and the Ottoman Empire vied for control of Azerbaijan. In the Russo-Persian wars of the early 19<sup>th</sup> century, the northern region of Azerbaijan came under Russian rule. With the collapse of Imperial Russia, a reunited Azerbaijan declared its independence in 1917, only to be re-conquered by the Red Army in 1920. On August 30, 1991, after the fall of the Soviet Union, Azerbaijan regained its independence. In 1992, Azerbaijan became a member of the United Nations and of the Organization for Security and Co-operation in Europe (OSCE).



**Political Situation:**

Azerbaijan is a constitutional republic with executive, legislative, and judicial branches. The executive branch dominates and there is no independent judiciary. The President and the National Assembly are elected by popular vote. The President appoints the Council Of Ministers, which is confirmed by the unicameral National Assembly.

Heydar Aliyev, a former KGB general and former head of the Azerbaijani Communist party, came to power after a 1993 military coup deposed nationalist leader Abulfaz Elchibey. Reelected in 1998 amid allegations of campaign irregularities, Aliyev suppressed opposition. Faced with declining health, in 2003 he endorsed the candidacy of his son, Ilham Aliyev, whom he had recently appointed Prime Minister. Ilham Aliyev received 76.8% of the vote in the October 2003 elections. Aliyev senior died in December 2003.

Some Azerbaijani media outlets are controlled by the government, and independent media outlets face daily challenges. Political opposition is limited and foreign and “nontraditional” religious groups are restricted. In response to popular usage of the Russian language, the parliament passed legislation in October 2002 designating Azerbaijani the official language for all government business and correspondence.

Continued suppression of civil and political freedoms coupled with economic grievances, the lack of progress in Nagorno-Karabakh, and moves by President Aliyev to override the constitution resulted in massive protests in 2002 and 2003. Following a February 2003 referendum that accorded the president broader powers, violence erupted throughout Azerbaijan. Fears of similar violence dictated many of the government’s actions in preparing for the November 2005 parliamentary elections.

However, in 2005, under pressure from the United States, the Azerbaijani government adopted an electoral law intended to assure fair elections. The law accorded opposition members one-third of the 18-seats on a new Election Commission. According to the OSCE, the elections held in November 2005 were the most orderly and inclusive in the country’s independent history, but nonetheless, monitors reported attempts to influence and intimidate voters, and some campaign irregularities.

In the 2008 presidential elections, incumbent Ilham Aliyev received over 87% of the votes. While the OSCE noted progress toward fairer elections, there was no alternative to Aliyev and the election once again failed to meet international standards.

The 2010 parliamentary elections resulted in a victory for President Ilham Aliyev's ruling Yeni Azerbaijan Party, which got a majority of 73 out of 125 seats. The OSCE reported that this election campaign had also been marred by irregularities.

In 2009, a constitutional amendment removed presidential term limits, allowing Aliyev to run again.

The presidential elections held in October 2013 were marred by alleged irregularities. The OSCE and the EU observers reported violations of freedoms of expression, assembly, and association.

Parliamentary elections are scheduled for November 2015.

### **Economic Situation:**

Rich in natural resources, Azerbaijan’s economy depends on the oil, natural gas, steel, and iron industries. While most land titles and small businesses have been privatized, post-independence privatization of medium and large-scale enterprises has been haphazard.

Azerbaijan’s economy was affected by the 1998 Russian financial crisis, which was exacerbated by pervasive corruption

**Currency:** 0.78 Azerbaijani New Manats = \$1 U.S. Dollar (2014)  
**GDP:** \$76.01 billion (2013 est.)  
**GDP per capita:** \$10,800 (2013 est.)  
**GDP Growth:** 3.5% (2013 est.)

and foreign underinvestment in the non-energy sector. An influx of oil revenues starting in the late 1990s led to significant economic expansion.

During the last several years, the Azerbaijani Government has worked on integrating Azerbaijan's economy into the global economic marketplace, diversifying its economy, attracting foreign investment and maintaining positive growth during the global financial crisis. Despite an economic slowdown in 2011-12, investment opportunities in the energy, transportation, and agricultural sectors have continued to attract foreign investment.

Development of Caspian energy resources and increased foreign investment remain the backbone of Azerbaijan's economic growth. In 2013, foreign direct investment in Azerbaijan amounted to 6.3 billion dollars, 82.4% of which went to the oil and gas sector. Experts predict that oil and gas revenues are likely to decline over the coming decade, creating a need for economic diversification.

### **Nagorno-Karabakh:**

Since 1988, Azerbaijan and Armenia have been in conflict over the Nagorno-Karabakh territory. Although under Azerbaijan's control since independence from the Soviet Union, Nagorno-Karabakh's large ethnic Armenian population declared independence from Azerbaijan in early 1992, after several years of agitation for union with Armenia. Azerbaijani forces moved to suppress the rebellion and a full-scale war followed between ethnic Armenians and Azerbaijanis that also involved locally stationed Russian forces. Over 800,000 Azerbaijanis and 300,000 Armenians became refugees due to the fighting and widespread human rights violations.

Various parties, most notably the Organization for Security and Cooperation in Europe (OSCE), have tried to mediate the conflict. In 1992, the OSCE created the Minsk Group to encourage a peaceful resolution to the conflict. The Minsk Group is co-chaired by France, Russia and the United States and includes Belarus, Germany, Italy, Portugal, the Netherlands, Sweden, Finland, Turkey, as well as Armenia and Azerbaijan. The Minsk Group's efforts have met with little success, and border skirmishes remain frequent.

In 1994, ethnic Armenian forces conquered almost 20% of Azerbaijan, including all of Nagorno-Karabakh. A cease-fire was signed in July of the same year, and the captured territory remained under Armenian occupation. Since 1999, Armenia and Azerbaijan's presidents have held direct talks on the conflict.

Over the years, Nagorno-Karabakh has come to enjoy several elements of de facto statehood, including an elected president and a military of 15,000 soldiers, although neither Armenia nor Azerbaijan recognize its sovereignty.

In May 2005, President of Armenia Robert Kocharian met with President Ilham Aliyev to discuss Nagorno-Karabakh. In February 2006, Kocharian and Aliyev met again in Rambouillet, France, and again in 2006 in Bucharest, Romania, accompanied by diplomats from the United States, France, and Russia. Despite initial optimism, the presidents failed to reach an agreement.

On March 14, 2008, the UN General Assembly passed a resolution identifying Nagorno-Karabakh as part of Azerbaijan and calling on Armenia to withdraw its troops. The measure was supported by 39 member states and rejected by seven, including Russia, France, and the United States.

In October 2009, Turkey and Armenia signed a historic agreement to establish diplomatic relations and reopen their mutual border, raising concerns in Azerbaijan.

In 2010, negotiations between Azerbaijan and Armenia stalled after an incident along the ceasefire line that resulted in deaths of six soldiers on both sides.

International mediators have failed to make progress on negotiations for a final settlement on Nagorno-Karabakh. No country or international organization recognizes Nagorno-Karabakh's self-proclaimed independence.

The two nations are still technically at war, and citizens of Armenia are forbidden from entering Azerbaijan.

In March 2014, the Foreign Ministers of Armenia and Azerbaijan discussed the issue of Nagorno-Karabakh within the framework of the nuclear security summit in Hague, and in April 2014, Azerbaijan and Armenia held talks on a Nagorno-Karabakh settlement in Moscow, under the auspices of the OSCE Minsk group.

### **Foreign Policy:**

Azerbaijan's relationship with its neighbor Iran is complex. Azerbaijan has nurtured close relations with the United States and Israel, and plays an active role in Western-led counter-terrorist programs. That policy has strained ties with Iran, which hosts a sizable ethnic Azerbaijani community. The issue of division of Caspian oil reserves also contributes to tensions in bilateral relations.

On particularly tense occasions, Iran has cut off power to the non-contiguous Azerbaijani province of Nakhichevan and sent warships to intercept Azerbaijani petroleum explorations on the Caspian Sea.

American employees at the U.S. Embassy in Azerbaijan reportedly were targeted for assassination in an Iran-linked plot, which was uncovered in 2012. Azerbaijan's National Security Ministry announced arrests of more than forty people it said had been hired by Iran to stage terror attacks against the U.S. and Israeli embassies, and against western-linked groups and companies. Iran has repeatedly denied these allegations.

President Ilham Aliyev visited Iran in April 2014, where he met with Iranian President Hassan Rouhani and Supreme Leader Ayatollah Ali Khamenei, as well as other high-level Iranian officials. The visit marked an improvement in bilateral relations, compared to previous severely strained relations with Iran under former President Mahmoud Ahmadinejad. Iran and Azerbaijan signed several agreements to increase their cultural, economic and environmental cooperation.

In April 2014, Azerbaijani Defense Minister Colonel-General Zakir Hasanov visited Tehran to meet his Iranian counterpart Brigadier General Hossein Dehqan and Iranian senior defense and military officials. They discussed bilateral military cooperation and issues of regional security and stability. Iranian President Hassan Rouhani is expected to visit Azerbaijan in the summer of 2014.

Azerbaijan also has a complicated relationship with Russia, colored by Russia's domination of the region during the Tsarist and Soviet eras, and by more recent transfers of large quantities of Russian-made arms to Armenia during the Nagorno-Karabakh conflict. In late 1999, at the start of the Second Chechen War, Russia accused Azerbaijan of supplying arms to Chechen rebels and imposed trade restrictions on Azerbaijan. In November 2000, Russia cut off gas supplies to Azerbaijan during Azerbaijan's parliamentary elections.

Russia repeatedly sought to dissuade Azerbaijan from participating, along with Georgia and Turkey, in a major U.S.-supported Caspian Sea petroleum pipeline project, the Baku-Tbilisi-Ceyhan (BTC) pipeline. Begun in 2002, the pipeline opened in May 2006, giving Azerbaijan long-awaited access to international energy markets and bypassing existing Russian pipelines to the north.

In February 2003, Azerbaijan and Russia signed accords on increased military, intelligence, and counter-terrorism cooperation. The two countries have also signed an agreement on the delineation of Azerbaijan's undersea Caspian borders.

In October 2009, Russia and Azerbaijan signed an agreement on Azerbaijani gas exports to Russia, which have risen steadily. In January 2012, the countries signed an agreement to double Russia's purchases of gas from Azerbaijan. The agreement raises the volume of Russia's gas purchases from 1.5 billion to 3 billion cubic meters per year.

In the last several years, Azerbaijan has pursued closer cooperation with Russia on a broad range of issues, including trade, science, technology, and culture. Russia remains a key trading partner for Azerbaijan, with 570 Russian companies operating in Azerbaijan.

Despite Russian opposition, Azerbaijan has consistently pursued closer ties with the West, and is an active member of the Euro-Atlantic Partnership Council and NATO Partnership for Peace. Azerbaijan is a member of the Council of Europe and the pro-Western GUAM (Georgia, Ukraine, Azerbaijan, and Moldova) regional alliance.

In 2013, bilateral trade between Azerbaijan and Russia increased by 10%.

### **Relations with the United States:**

The United States opened an embassy in Baku in March 1992. In 1999, the United States and Azerbaijan signed an agreement pledging cooperation in counter-proliferation efforts against weapons of mass destruction.

Since 1992, USAID has provided over \$300 million of development and humanitarian assistance. Currently

USAID focuses on programs that promote and support democracy and rule of law; economic growth and prosperity; and improved health care, especially for mothers and children. Since 1993, the U.S. has funded the travel of over 3,000 Azerbaijani citizens to the United States on academic and professional exchange programs. Additionally, the Peace Corps has been working in Azerbaijan since 2003.

In 1995, the U.S. and Azerbaijan signed a bilateral trade agreement.

Azerbaijan has actively backed the U.S.-led “war on terror”, provided blanket overflight rights, intelligence and law enforcement cooperation, as well as use of bases. Azerbaijan’s government expressed support for proposed U.S. military action in Iraq and approved the deployment of a 150-man unit to participate in peacekeeping efforts there.

President Aliyev visited the United States in February 2003 to discuss U.S. cooperation for Caspian Basin energy development.

In 2006, Aliyev visited the United States for the first time since 2003. The discussions focused on Caspian oil and gas reserves, the war on terror, and their hopes for future peace and stability in the Nagorno-Karabakh region. In 2007, the United States and Azerbaijan signed a Memorandum of Understanding expressing the intent of both governments to begin a high-level dialogue on energy security in the Caspian region.

In 2010, Secretary of State Hillary Clinton traveled to Central Europe and the Caucasus, and visited Azerbaijan. She met with President Ilham Aliyev and Foreign Minister Elmar Mammadyarov to discuss freedom of the media, and human rights.

In December 2011, President Ilham Aliyev met with visiting U.S. Secretary of the Navy Ray Mabus. In September 2011, the U.S. Defense Department reportedly offered Azerbaijan \$10 million of military aid to help the maritime effort against terrorism.

In May 2012, President Aliyev visited the United States. In June 2012, U.S. Secretary of State Hillary Clinton visited Azerbaijan and discussed energy, security, and democratization issues.

In April 2014, a Congressional delegation headed by U.S. House Foreign Committee Chairman Ed Royce visited Azerbaijan.

Recently, Azerbaijan authorities announced that American Peace Corps programs aimed at developing the youth sector of the country would not be renewed, and asked the remaining ten program volunteers to leave the country immediately.

### **Relations with Israel:**

Azerbaijan and Israel have developed an increasingly close relationship over the past two decades. Israel opened an embassy in Baku in the early 1990s. In August 1997, then-Prime Minister of Israel Benjamin Netanyahu visited Baku. Israeli Deputy Prime Minister Navaf Masalha visited Baku in January 2001, to

meet with President Heydar Aliyev and other high-ranking officials. Azerbaijan has also developed close intelligence and security cooperation with Israel, which shares its wariness of Iran.

Israeli business in Azerbaijan has grown alongside diplomatic relations. Four Azerbaijani cabinet members visited Israel in 2005 and in May 2007, Likud Knesset faction chairman Gideon Sa'ar and three other Knesset members visited Azerbaijan. Israeli-Azerbaijani trade currently amounts close to \$4 billion annually, consisting largely of Azerbaijani oil exports to Israel. The Israeli-owned Bakcell, a cell phone operator is the second largest in the Azerbaijani market. Also, many Israeli investors own significant assets in Turkish-operated Azerbaijani ventures. An estimated 35,000 Azerbaijani Jews have immigrated to Israel since 1989, and the Azerbaijani community in Israel is now estimated to number as many as 80,000-100,000.

In July 2009, Israeli President Shimon Peres led an official visit to Baku. He announced plans by the Israelis to share technological and scientific assets with Azerbaijan. His visit and his reception by Azerbaijan sent a clear message to Iran, which had sought to have the Azerbaijani government cancel the Israeli visit.

Israel's deepening relationship with the Baku government was cemented in February 2012 by a \$1.6 billion arms agreement that provides Azerbaijan with sophisticated drones and missile-defense systems.

In April 2012, Israeli Foreign Minister Avigdor Lieberman visited Baku to discuss Israeli-Azerbaijani cooperation.

In April 2013, Azerbaijan's Foreign Minister Elmar Mammadyarov visited Israel in the first such official visit by an Azerbaijan foreign minister, and met with President Peres and other high-ranking government officials. Israel's foreign minister made a reciprocal visit to Baku in April 2014.

### **Jewish Communal Life & Anti-Semitism:**

The first Jews of Azerbaijan settled in the Caucasus Mountains, possibly as early as the late Roman era. Known as Mountain Jews, or Tats, they lived in the mountains until the 18<sup>th</sup> and 19<sup>th</sup> centuries, when most moved to the Azerbaijani lowlands and became farmers. Tats spoke a distinct Jewish dialect called Judeo-Tat (Judeo-Persian), a language that remained unwritten until the Soviet Era. European Ashkenazi Jews arrived in Azerbaijan in the 19<sup>th</sup> century during Imperial Russian rule.

Many Jews emigrated after the Soviet Union's collapse, fleeing war and poverty. Communities of 500 or less remain in a number of smaller towns. Currently, the total population of Jews is 15,000-20,000, and most reside in Baku and Quba, which was a center for Jewish learning prior to 1917. Krasnaya Sloboda, a section of Quba, still has its own Jewish center and synagogue and officially adheres to the Jewish calendar. A state school in Krasnaya Sloboda educates Muslim, Jewish, and Russian students. It is the only school in the country to teach minority languages, and students learn about both Muslim and Jewish holidays. In 2006, Baku State University opened its first Hebrew language department.

In 2003, Chabad opened the first national Jewish school in the country to be recognized by the Azerbaijani government. The ceremony received extensive coverage from both the Jewish press and the Azerbaijani media. Other schools in Baku and Quba include a state-subsidized day school and a Jewish College, which operates under the authority of the Vaad HaHatzolah of New York. In November of 2003, after receiving a state license, Azerbaijan's only private Jewish kindergarten saw enrollment rates rise beyond expectations. Because of the increased interest, the Ohr Avner Foundation leased a building to house both the kindergarten and the school. By 2005, enrollment in the Chabad-run Jewish national school had tripled.

In 2010 a new Chabad Ohr Avner Educational Complex opened in Baku. It accommodates 500 school pupils and preschoolers and includes a cultural center, a large sports hall, and a dining room.

There are 10-15 Jewish organizations in Baku, including the Baku Religious Community of European Jews, a Jewish Women's Organization, a War Veterans' Society, the Azerbaijan-Israel Friendship Organization, and the Chavva Welfare Center for Women and Children. The American Jewish Joint Distribution Committee (JDC/ "Joint") runs a Jewish kindergarten, a community center, a Chesed charity center, and a Hillel student center. The Jewish Agency for Israel (JAFI/ "Sochnut") conducts programs in the city, including a Hebrew-language ulpan, a children's winter camp, a parents' club, and a program to prepare candidates for aliyah (immigration to Israel).

Five synagogues operate in Azerbaijan, including three in Baku. In 2003, a new synagogue opened in Baku, the first one to be built in Azerbaijan in nearly a century. The opening ceremony, sponsored in part by the Baku Religious Community of European Jews, brought together broad diplomatic, governmental, and faith community representation, including NCSEJ.

In 2011 a new synagogue for Mountain Jews of Azerbaijan opened, built by the Government of Azerbaijan. The opening ceremony was attended by government officials, representatives of various religious communities of Azerbaijan, and foreign ambassadors.

A few anti-Semitic attacks have occurred, including physical assaults and desecrations of synagogues and cemeteries, and have been thoroughly investigated by the authorities.

In more recent years, the main manifestations of anti-Semitism in Azerbaijan have been connected with Islamist activities and solidarity with Palestinian Muslims.

In 2010, a series of anti-Israel demonstrations took place in Baku and other cities, as a reaction to the stoppage of the flagship Mari Marmara on its way to Gaza. However, a number of these demonstrations were not authorized by the administration, and an attempt to protest in front of the Embassy of Israel was stopped by police.

Overall, Jewish relations with other ethnic and religious communities in Azerbaijan are positive, and the Jewish community enjoys warm relations with the Azerbaijani government.