

How serious is the EU about supporting democracy and human rights in Azerbaijan?

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Executive summary

Azerbaijan and the European Union (EU) are increasingly important to each other. The Southern Caucasus country is rich in energy and will be a connecting hub for energy transport from Central Asia into European markets. For its part, Azerbaijan is located between Russia and Iran in an unstable region ridden with conflict, making good relations with the EU imperative not only for the country's prosperity but also for its development as an independent state. But the EU's interest in Azerbaijan goes further than energy alone. The South Caucasus remains an unstable region featuring weak states, disputed non-recognised entities and war legacies. The EU's engagement through assistance in democratic development should form the basis of strengthening security and stability.

In November 2006 the EU and Azerbaijan concluded an Action Plan (AP) within the framework of the European Neighbourhood Policy (ENP).¹ This document defines the relation between Brussels and Baku for the next five years and leads to a National Indicative Programme (NIP) that outlines the assistance available to Azerbaijan. The NIP states that 'in recent years Azerbaijan has been slowly (although not always coherently) pursuing an "evolutionary" reform strategy to develop democracy and a market economy'.²

In reality, Azerbaijan is moving increasingly away from democracy and better human rights standards, as an authoritarian elite tightens its grip on society while prospering from enormous energy revenues. Since 2003 Azerbaijan has been ruled by President Ilham Aliyev who succeeded his popular father Heydar Aliyev. Human rights and democratic credentials are in decline as the President

and the small elite surrounding him strengthen their grip on power. Azerbaijan has not held free and fair elections since independence. The October 2008 presidential elections will be an important test case for Azerbaijan's relations with Europe. The human rights portfolio is mostly dominated by abuses of the freedom of speech; the media is curtailed and several journalists have been jailed.

One observer argues that 'of all former Soviet republics the difference between rhetoric and reality is biggest in Azerbaijan'. Whereas human rights abuses in several Central Asian republics are far more severe, and whereas, for instance, Belarus scores clearly worse on democracy indicators, these countries are less vocal in claiming to the EU (and other international institutions such as the OSCE and NATO) that all is well.

This paper shows that in the case of Azerbaijan, the EU has, so far, prioritised energy interests over the promotion of democracy and human rights. In its fourth year of existence the ENP still amounts to little in Azerbaijan in terms of EU political aid and democracy and human rights monitoring. While many believe that the EU does not have significant leverage over Azerbaijan in meeting ENP commitments, it is argued here that firmer pressure could be usefully exerted. This is because the Union is gaining popularity among average Azerbaijanis as a model of democratic identity. On democracy and human rights Azerbaijan aims at the minimal acceptable concessions while keeping relations good. Now that the Commission of the EU has stepped up its commitment to Azerbaijan by having set-up a Commission Delegation office this February and increasingly expresses concern over Azerbaijan's democratic development, changes in the stand of the Commission in Brussels might arise soon. But both sides remain to meet their ENP commitments. Is rhetoric on democracy and human rights still a two-way street between Baku and Brussels?

¹ EU / Azerbaijan Action Plan (14 November 2006), http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf

² European Neighbourhood and Partnership Instrument, Azerbaijan, National Indicative Programme, 2007-2010, http://ec.europa.eu/world/enp/pdf/country/enpi_nip_azerbaijan_en.pdf

1. The state of affairs in Azerbaijan

“Some scholars look on the area south of the Caucasian mountains as belonging to Asia, while others, in view of Transcaucasia’s cultural evolution, believe that this country should be considered part of Europe. It can therefore be said, my children, that it is partly your responsibility as to whether our town [Baku] should belong to progressive Europe or to reactionary Asia”. Kurban Said, *Ali and Nino*, first published in German in Vienna, 1937, current English language version, New York, 2000, 3-4.

Azerbaijan seems to be neither Europe nor Asia. The country experiences strong impulses from four sides. First, Azerbaijanis are Muslims while linguistically and culturally connected to Turkey. Second, Azerbaijan still breathes a Soviet mentality which for instance can be seen in the secular behaviour of its leadership and the majority of political parties and civil society. Third, at least double the number of the 7.5 million ethnic Azeri’s in Azerbaijan live in Iran.³ Fourth, the country has from the early twentieth century onwards been strongly influenced by European (and American) culture due to the worlds’ first big oil boom that took place in Baku.

In recent years Azerbaijan’s respect for democratic standards and human rights has worsened. The Aliyev leadership has strengthened its grip on power; the *Milli Mejlis*, Azerbaijan’s Parliament has a mere rubber stamp role; the opposition is toothless; and elections are characterised by fraud and misconduct.

It is difficult to determine who wields power in Azerbaijan aside from President Ilham Aliyev. The government goes about its business in a non-transparent way and little is written on Azerbaijani power structures. Azerbaijan after independence and during the Nagorno-Karabakh war was open to different political influences and enjoyed a vibrant civil society. With Heydar Aliyev coming to power in 1993 opportunities for a genuine multiparty democracy faded and power was centralised. Some argue that power essentially is still clan and family based. The most powerful clan is from Nakhichevan, named after the region that is divided from the rest of Azerbaijan by a strip of Armenian territory. The Aliyev family is from this region and thus power in this sense is mostly family orientated instead of being exerted through clan links. The more numerous ‘Western’ Azerbaijanis that consist of families that had to flee Armenia during the war over Nagorno-Karabakh are also an influential group, while the Bakinets from Baku are not a clan as such. The elites that originate from Baku and other major cities seem to have to tolerate the two other groups having more influence at their expense.

President Aliyev has manoeuvred carefully to strengthen the power base he inherited from his father. After the President,

³ Estimates of the number of the Azeri minority in Iran range between 15 and 30 million people.

the Head of the Presidential Administration, Ramiz Mehtiev, and the Minister of the newly established Ministry of State Emergencies, Kamalddin Heydarov, are influential. The former was one of the most loyal allies of President Heydar Aliyev and rumour has it that the former President on his deathbed arranged for his son Ilham Aliyev to be President but that, de facto, Ramiz Mehtiev would govern.⁴ It is telling that the office of the Head of the Presidential administration is located above the President’s office. Kamalddin Heydarov is a former head of customs and not coincidentally one of the richest people in the country. His newly established Ministry has substantial security forces at its disposal while it also wields power in the economic sphere by taking, for instance, responsibility for building contracts.⁵

Azerbaijani politics might also soon involve some new faces, since an elite of young technocrats is slowly but steadily rising to the top. Educated in Europe or the US and taking up posts in the bureaucracy on a low salary, these new talents make use of the many financial opportunities that arise in Azerbaijan. Most young talented Azerbaijanis, however, stay out of politics and stick to business. Although President Aliyev seems at present able to divide and rule, in the future, internal rivalries are more likely to lead to a change in government than is pressure from Azerbaijan’s political opposition forces.

Azerbaijan clearly follows the Russian example of creating its own ‘managed democracy’. Although Azerbaijani democracy can boast all the formal institutions of a mature democracy, transparency and accountability is lacking. The New Azerbaijan Party (YAP) is the main political party, lead by the President, and has 58 legislators out of 125 in the *Milli Mejlis*. The opposition parties that had united under the name *Azadliq* (Freedom)⁶ gathered 13 seats in the 2005 elections while the other 42 representatives consist of loyalists to the government and a few maverick politicians.

The November 2005 parliamentary elections took place against the backdrop of the Rose revolution in Georgia (December 2003) and the Orange revolution in Ukraine (December 2004).⁷ The Azerbaijan leadership was determined not to allow a similar democratic revolution. The Organisation for Democratic Institutions and Human Rights (ODIHR) of the OSCE reported from the elections that ‘there were continued restrictions on the freedom

⁴ After a referendum in 2002 that changed the constitution the prime minister instead of the speaker of parliament was made next in line to take up the post of President in case the latter would be incapable to govern. Ilham Aliyev became prime-minster and took over from his father in 2003 during his illness. The 15 October 2003 presidential elections resulted in Ilham Aliyev succeeding his father who died two months later.

⁵ Rovshan Ismayilov, ‘Azerbaijan’s Emergency Ministry becomes power base’, Eurasianet, 9 March 2006, <http://www.eurasianet.org/departments/insight/articles/eavo30906.shtml>

⁶ The *Azadliq* bloc consisted of the Popular Front Party that had briefly been in power after independence during the Nagorno-Karabakh war, the Azerbaijan Democratic Party and the historical Musavat Party that had lead the country during its brief moment of independence (1918-1920).

⁷ For a thorough assessment of the 2005 parliamentary elections and politics in Azerbaijan see Leila Alieva ‘Azerbaijan’s frustrating elections’, *Journal of Democracy*, Vol. 17, No. 2 (April 2006), 147-160.

of assembly, as well as harassment, intimidation and detentions of some candidates and their supporters'.⁸

After election day large opposition protests were put down by force. Under international pressure President Aliyev promised to democratise election procedures in the future. But so far improvements to the Electoral Code have been cosmetic.

For now the Azerbaijani people have lost their faith in elections and politics in general which for the 2008 elections will probably lead to an even lower turnout than the 46 percent that voted in the 2005 parliamentary elections. Ilham Aliyev is reasonably popular and has no serious contenders. Western diplomats have tried to convince the Azerbaijani leadership to play fair during the upcoming elections on the grounds that they will win anyway! Still, the chances of substantial improvement are limited. The President needs a high share of the vote to guarantee his leadership against growing internal divisions of power. Moreover, many local leaders will want to make sure that their district remains loyal within the Baku patronage system.

Opposition parties in Azerbaijan are disillusioned and weak. Their offices are tucked away in the suburbs of Baku as a result of dubious eviction procedures by the state; opposition rallies are allowed only in six places far from the city centre; and opposition parties enjoy scarce access to media outlets and have limited funding. There is no forward-looking approach as most opposition leaders still tend to look back to the 2005 rigged elections. Most parties until recently were doubtful about participating in the October 2008 elections. They give the impression that their opportunity has passed and that the current establishment has firmly entrenched itself, clinging to power with increased oil dollars and with the consent of western powers.

Civil society is marginally better off and can work in relative freedom, but is small and has limited impact; this being true especially of the more politically orientated NGOs. On 27 July 2007 the President issued a decree on setting-up a state funding mechanism for civil society organisations. NGOs had the opportunity to react to a concept paper during Baku's hot and quiet summer. Unfortunately the more critical NGOs were kept in the dark and international advice was not taken into account. Although the establishment of state funding is a positive development in principle, in practice it is likely that those NGOs close to or even established by government agencies will prosper most from this new mechanism. Moreover, the re-registration that will be obligatory will give the government closer control of civil society organisations and their activities.

In the field of human rights Azerbaijan has a poor record, with the exception of the treatment of the many small

⁸ OSCE/ODIHR Election Observation Mission Final Report, Republic of Azerbaijan Parliamentary Elections 6 November 2005 (1 February 2006), http://www.osce.org/documents/odihr/2006/02/17923_en.pdf

minorities. Freedom House characterised Azerbaijan in 2006 as 'not free' and indicated for 2007 a downward trend 'due to a decline in press freedom, including President Aliyev's increasingly tight grip on the media'.⁹ The Council of Europe – of which Azerbaijan is a member but also a subject of regular monitoring by the Parliamentary Assembly – also reported shortcomings in elections, rule of law and human rights and states that 'regrettably, instead of improving, the general environment for the independent media in Azerbaijan has since [2006] deteriorated.'¹⁰ All four national Azerbaijani TV stations are pro-government and, whereas a decade ago Azerbaijan could boast 30 independent small newspapers, today only five remain. An increasing number of arrests of journalists have been made and harsh jail sentences set; mostly on the grounds of defamation but also for 'hooliganism' or through 'set-up' crimes. Despite the President occasionally declaring an amnesty for the press, the intensity of harassment of opposition media has clearly intensified.

The President is perceived by many people to be above politics and working for the good of the nation. Over seventy percent of the Azerbaijani population 'fully trust' the President whereas other institutions such as Parliament, the Cabinet of Ministers, political parties and municipalities score below 17 per cent on trust, with the exception of the Armed Forces that score almost 40 per cent.¹¹ However, public support percentages read from polls should not be taken as hard facts. While criticism of state agencies is to some extent possible, there is a taboo on criticising the President (or his family). Serious consequences in doing so cannot be ruled out. This strong position gives Ilham Aliyev the possibility to abstain from taking a decisive stand on sensitive issues such as democratic reform. And where human rights violations take place he is able to blame ill-performing state agencies. If positive change is going to commence it is most likely to start top-down with the President using his stature and political weight.

2. Intervening factors

"Look here, Iljas Beg", I said and took him to the map, "our natural allies should be Turkey and Persia. But now they are both powerless. We're hanging in mid-air, and from the north one hundred and sixty million Russians are pressing down on us, thirsting for our oil. As long as the English are here, no Russian, Red or White, dares to cross our borders. But once the English have left there's just you and me, and our few regiments to defend our country".

Ali and Nino, 264.

⁹ Freedom House, Freedom in the world, Azerbaijan 2007, http://www.freedomhouse.org/inc/content/pubs/fiw/inc_country_detail.cfm?year=2007&country=7129&pf

¹⁰ Resolution 1545 (April 2007), Parliamentary Assembly of the Council of Europe, Honouring of obligations and commitments by Azerbaijan, <http://assembly.coe.int/documents/adoptedtext/ta07/eres1545.htm>

¹¹ R. Musabayov and R. Shulman (eds), Azerbaijan in 2006, Sociological Monitoring (Baku 2007), 16.

In a complex geopolitical context, Azerbaijan has sought to balance the competing power of its different neighbours.¹² In geostrategic terms, two issues predominate.

First, energy. Azerbaijan has proven oil reserves of 7 billion barrels and exported 24.7 million tonnes of oil in 2006. Its gas reserves are estimated at 1.37 trillion cubic metres and exports in 2007 are estimated at 1.7 billion cubic metres.¹³ The Baku-Tbilisi-Ceyhan (BTC) oil-pipeline in which British Petroleum has a large share became fully operational in mid 2006, pumping oil to the Turkish harbour of Ceyhan from where oil tankers bring the oil to EU countries and elsewhere. The Baku-Tbilisi-Erzurum (BTE) gas pipeline that follows roughly the same route delivering gas from Azerbaijan's Shah Deniz field to Turkey became operational in early 2007 and will transform Azerbaijan from a net gas importer to a substantial exporter. As soon as Azerbaijan is able to transport Central Asian gas through an envisaged Transcaspian pipeline (TCP) and to transport oil from Kazakhstan and Turkmenistan through the Caspian Sea to connect to the BTC and BTE lines profits are likely further to increase.

Skyrocketing economic growth is estimated to triple the national budget within four years to an expected 12 billion dollars in 2008. Azerbaijan is currently the fastest growing economy in the world with GDP growth rates of 26 percent in 2006 and an expected 34 percent in 2007.¹⁴ This growth is mostly the result of increased energy prices and the opening of the two pipelines. This energy transport network to Europe over ex-Soviet territory is the first to bypass Russia and is of immense strategic importance to Azerbaijan, Georgia, Turkey and the EU. The Azerbaijani economy is likely to grow further in the coming years, but is foreseen to reach its peak in 2012, from when Azerbaijani oil reserves are set to decline and the transport of Central Asian energy will increasingly replace the income from national production.¹⁵

However impressive its current growth rates the Azerbaijani economy has become even more dependent on energy. Until now the state has not invested significantly in other sectors of the economy, such as agriculture in which a large share of the population makes its living, even though only an extremely small part of the Azerbaijani workforce is active in the energy industry. If and when revenues do peak in 2011-2012, government spending will decline.¹⁶ The country shows all the classic symptoms of Dutch disease,

as sharp increases of energy revenues have pushed up the exchange rate resulting in other industries becoming less competitive. To counter these problems the State Oil Fund (SOFAZ) was established in 1999 with the stated aim to preserve revenues for future generations; oil incomes above the budgeted oil price of 35 dollars are transferred into the fund¹⁷, which totalled 2.2 billion dollars in October 2007.¹⁸ As oil wealth has grown, corruption has deepened. Transparency International ranks the country 130th out of 163 countries.¹⁹ Although some anti-corruption laws have been introduced in recent years there is no follow-up in implementation. The feudal system of exercising power and distributing wealth serves the elite well. Little oil revenue trickles down to the average population.

The second factor of international concern is the Nagorno-Karabakh conflict. The war between Armenia and Azerbaijan over Nagorno-Karabakh – a region within Azerbaijan that is mainly populated by Armenians – started after the collapse of the Soviet Union and caused over 25,000 deaths. Armenia captured Nagorno-Karabakh and seven surrounding provinces – 14 percent of Azerbaijan's territory – and over 200,000 Azerbaijanis fled from Armenia and over half a million Azerbaijanis from Nagorno-Karabakh and occupied territory became IDPs.²⁰ Since a ceasefire in 1994 was signed Nagorno-Karabakh has developed as a de facto independent state with support from Armenia.

Although the conflict is characterised as 'frozen', incidents take place on a regular basis with snipers killing dozens of soldiers of each side every year. The conflict partly defines Azerbaijani society. Azerbaijan is frustrated with the loss of Nagorno-Karabakh and other territory that is used by Armenia as a bargaining chip in the negotiations. Armenia is the common enemy in Azerbaijan and internal differences of opinion over the issue do not exist; indeed, the opposition is often tougher on Nagorno-Karabakh than the government.

Negotiations through the OSCE Minsk format in which France, Russia and the US mediate between the two rivals have led to almost no progress. Azerbaijanis have the feeling they were mistreated by the international community after the conflict mainly because all three mediators are Christian countries and are perceived to be pro-Armenian. Baku offers the highest level of autonomy existing in the world but argues its territorial integrity should be respected while Armenian arguments are based on the right of self determination. Discussions on a possible referendum on Nagorno-Karabakh's status become bogged down because

¹²For an in-depth overview of the Southern Caucasus, Azerbaijan and foreign policy see: Elkhan Nuriyev, *The South Caucasus at the Crossroads. Conflicts, Caspian Oil and Great Power Politics* (Berlin 2007), 261-334; and C.W. Blandy, 'Azerbaijan: Permanently between Scylla and Charybdis?', *Conflict Studies Research Centre, Caucasus Series* (August 2006).

¹³Ingilab Ahmadov, 'Energy opportunities of Azerbaijan: What kind of sustainability we want?', presentation at the seminar *The EU Strategy for Central Asia: Promoting democracy and human rights*, FRIDE seminar, Madrid, 19 November 2007.

¹⁴Fariz Ismailzade, 'Azerbaijan's growing economic capacity has yet to affect Karabakh resolution', *Jamestown Foundation*, Vol. 4, No. 188 (11 October 2007).

¹⁵'Nagorno-Karabakh: Risking war', *International Crisis Group, Europe Report No 187* (14 November 2007), 8.

¹⁶*Ibidem*, 9.

¹⁷'European Neighbourhood Policy: Economic Review of EU Neighbour Countries', *European Economy Occasional Papers*, No. 30 (June 2007), 75, http://ec.europa.eu/economy_finance/publications/occasional_papers/2007/ocp30en.pdf

¹⁸Ingilab Ahmadov, 'Energy opportunities of Azerbaijan: What kind of sustainability we want?', Madrid, 19 November 2007.

¹⁹Transparency International, *Annual Report 2006, Corruption Perceptions Index 2006*, 21.

²⁰'Assessment of the IDP situation in Azerbaijan and cooperation mechanisms in place to address their needs', Report by the UNHCR-OCHA Mission to the Republic of Azerbaijan (March 2005), <http://www.unhcr.org/publ/RSDLEGAL/442d369d4.pdf>

Armenia argues that only the people of Nagorno-Karabakh should have the right to vote on their future while Baku demands that a referendum should take place in the whole of Azerbaijan. During the OSCE Ministerial in Madrid in November 2007 the three mediators presented Basic Principles of a Peaceful Settlement, but the two sides could not reach agreement.

Azerbaijan's economic growth has led to the defence budget tripling over the last three years to 1.1 billion dollars.²¹ President Aliyev has stated that Azerbaijan's defence budget should match Armenia's state budget in order to take the region back by force if necessary. An immediate outbreak of war is unlikely but a sequence of more intense and frequent incidents could lead to the worst. An attack from Azerbaijan on Armenian positions in Nagorno-Karabakh would probably bring Russia into the fight due to its military presence and Turkey might also intervene, which could lead to a standoff between NATO and Russia. Moreover, a renewed war would open a new Islam-Christian front possibly attracting fundamentalists.

Essentially the Azerbaijan government has a keen interest in maintaining the status quo. First, a renewed war would put energy exports at serious risk – the BTC and BTE pipelines are close to Nagorno-Karabakh. Second, Azerbaijan would lose its argument of being the victim of Armenian aggression. Third, the government would no longer be able to use Nagorno-Karabakh as a pretence for not implementing democratic reforms. Most debates on politics in Azerbaijan eventually lead back to Nagorno-Karabakh. In this sense it is no coincidence that the issue is also crucial to EU-Azerbaijan relations and is priority number one in the ENP Action Plan.

3. European democracy and human rights promotion

“There is a low divan, two small stools inlaid with mother-of-pearl, many soft cushions, and among all this, very disturbing and very unnecessary, books of Western knowledge: chemistry, physics, trigonometry – foolish stuff, invented by barbarians, to create the impression that they are civilised. I closed the books and went up to the flat roof of the house. From there I could see my world, the massive wall of the town's fortress and the ruins of the palace, Arab inscriptions at the gate”. Ali and Nino, 8.

In 1999 the EU and Azerbaijan signed a Partnership and Cooperation Agreement (PCA) that remains the legal framework for relations, additionally with the Action Plan in place.²² During the 1990s the focus was on basic assistance. EU assistance from 1992 to 2004 amounted to 400 million

euros, mainly provided through the Technical Assistance programme (TACIS), the Food Security Programme and humanitarian assistance, food aid and rehabilitation of war damaged areas.²³ Over this period there was little focus on or assistance for democratisation or the promotion of human rights. There were indirect efforts through TACIS projects that aimed at institutional reform support of Azerbaijani structures but these were limited and assessed as not having much impact. There were also a few financing agreements between the European Commission and other international organisations active in Azerbaijan such as the Council of Europe, OSCE and the International Labour Organisation (ILO). Although the PCA formally stresses the importance of democratic reform and respect for human rights, Brussels gave little substance to directly supporting these strictures.

Some assistance was provided by EU member states' national programmes (foremost Germany, Sweden and the UK) and a few expressions of concern were forthcoming over flawed elections and occasionally noting human rights violations. In essence democratisation and human rights issues were considered to be more the Council of Europe and OSCE's responsibility – indeed, today many in Azerbaijan associated the latter two with human rights issues and the EU with economic interests.

In 2003 the EU Council appointed a Special Representative for the Southern Caucasus. In addition to his involvement in trying to solve the 'frozen' conflicts, the EUSR is charged with assisting the three countries 'in carrying out political and economic reforms, notably in the fields of rule of law, democratisation, human rights, good governance, development and poverty reduction'.²⁴ EUSR Peter Semneby in his three 2007 visits to Baku is said to have clearly expressed the EU's concerns over the lack of media freedom, including harassment of journalists. His contribution is mainly of a political nature, whereas the Commission's role is more donor and assistance driven. However, for years the Commission lacked a Delegation office in Baku (one opened on 4 February 2008). The so-called Europa House had in the meantime fulfilled some of the functions of a proper Commission Representation. It facilitated contacts between EU officials and political parties and civil society, mainly with the National Public Committee on Euro-Integration which is an NGO aimed at promoting EU integration and monitoring the Action Plan's implementation. The Europe House had a mere co-ordinating role while the fully-fledged Delegation office, lead by Alan Waddams, will have a diplomatic status and a budget to work with in distributing ENPI funding in Azerbaijan.

²¹ 'Nagorno-Karabakh: Risking War', International Crisis Group, Europe Report No. 187 (14 November 2007), 12.

²² Partnership and Co-operation Agreement between the EU and Azerbaijan (1 July 1999), http://ec.europa.eu/external_relations/ceeca/pca/pca_azerbaijan.pdf

²³ Commission Staff Working paper, 'European Neighbourhood Policy', Country Report Azerbaijan, Brussels, 2 March 2005, 3-4, http://ec.europa.eu/world/enp/pdf/country/azerbaijan_country_report_2005_en.pdf

²⁴ Council Joint Action 2007/111/CFSP (15 February 2007), http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/L_046/L_04620070216eno0750078.pdf

Although an ENP Action Plan was concluded in November 2006, actual implementation of democracy and human rights assistance has largely yet to commence. The lack of a Delegation office and earlier delays in signing the National Indicative Programme (NIP), at the time of writing, had rendered the ENP in Azerbaijan to not much more than a political programme based on rhetorical commitments of values from both sides. As a start a few calls for proposals were recently placed through the Europe House web site (the Commission Delegation web site is not up and running at this point) and a training exercise started for local NGOs on project cycle management. The Action Plan outlines ten priorities; after the first priority of finding a peaceful solution to Nagorno-Karabakh, the following two are of particular interest here. The second one is 'to strengthen democracy in the country, including fair and transparent electoral process, in line with international requirements'. Priority three aims 'to strengthen the protection of human rights and of fundamental freedoms and of the rule of law, in compliance with international commitments of Azerbaijan'.²⁵ These are some of the core goals on which the EU and Azerbaijan elaborate further in detail in the Country Strategy Paper (2008-2013) and the National Indicative Programme (2007-2010).²⁶

Although the EU promoted broad involvement of civil societies in the drafting of the Action Plans, the process was not transparent in the case of Azerbaijan. Civil society had organised itself into a Non-Governmental Committee (ANCEI) that included 39 actors ranging from businessmen to NGO activists. While the government welcomed this initiative no copies of draft Action Plans were distributed to the Committee.²⁷ During the negotiations the government pushed for WTO entrance and for prioritising Nagorno-Karabakh issues, while the EU tried to strike a balance taking the Action Plans with Azerbaijan's neighbours into account. Because government circles considered the document to be an expression of co-operation and good relations between the EU and Azerbaijan, not much importance was attached to the implications of signing up to the many human rights and democracy commitments. The negotiations on the National Indicative Programme were more troublesome. The EU wanted to focus on democracy and human rights programmes while the Azerbaijani authorities would have liked to see a further emphasis on energy programmes and Nagorno-Karabakh.

²⁵ EU / Azerbaijan Action Plan, 4, http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf

²⁶ The Country Strategy Paper (2007-2013) is a full overview of European Commission assistance priorities encompassing all instruments and programmes, and is based on the ten priorities of the Action Plan. The National Indicative Programme (2007-2010) is more detailed and aimed at planning and project identification by defining three priority areas: (i) democratic development and good governance; (ii) socio-economic reform, fight against poverty and administrative capacity building; and (iii) support for legislative and economic reforms in the transport, energy and environmental sectors. Together the two documents constitute the European Neighbourhood and Partnership Instrument (ENPI) in the case of Azerbaijan.

²⁷ Leila Alieva, 'EU and the South Caucasus', Centre for Applied Policy Research (December 2006), 10-11, http://www.cap.lmu.de/download/2006/2006_Alieva.pdf

Energy co-operation is an important part of the ENP and Action Plan. The EU has sought to partially separate its energy interests from democracy and human rights aspects by concluding a separate Memorandum of Understanding on Energy with Azerbaijan. Most commentators in Azerbaijan argue that the 'energy comes first' principle applies strongly to EU-Azerbaijan relations, and indeed, co-operation on energy is flourishing. From the modest resources allocated to bilateral programmes with Azerbaijan under the ENPI one third of the 92 million euros (2007-2010) is earmarked for energy, transport and environment; the same as that reserved for democracy and good governance.²⁸ Although it is difficult to determine exactly the size of EU funds available under the energy header, in more general regional and cross-border programmes it is recognised that these dwarf democratisation or human rights programmes such as those supported through the European Instrument for Democracy and Human Rights (EIDHR). During the Commission's flagship ENP conference in Brussels that gathered both policy-makers from EU and ENP countries as well as civil society representatives, Azerbaijan was praised for its constructive attitude in energy co-operation while little was said about the lack of progress made in democratic reforms.

4. Does the EU have any leverage over Azerbaijan?

"In any case I'll admit that your country is just as ripe for independence as, shall we say, the Republics of Central America. I think our Government [British] will soon recognise your state." Ali and Nino, 254.

During the EU-Azerbaijan Co-operation Council meeting in October 2007 the EU warned the Azerbaijan authorities that the upcoming Presidential elections should fully comply with international standards.²⁹ One month later the Portuguese EU Council Presidency expressed its grave concern over the sentencing of journalist Eynulla Fatullayev to eight and a half years imprisonment and stated that this inappropriate use of the criminal code counters commitments undertaken by Azerbaijan in the AP and will hinder the deepening of relations with the European Union.³⁰ And this year's Commission ENP progress report on Azerbaijan stated that 'the Azerbaijani government has not exploited the opportunities offered by the ENP Action Plan to carry out political and economic reforms in the country, in areas such as democracy, rule of law (particularly reform of the judiciary and fight against corruption), human rights and

²⁸ European Neighbourhood and Partnership Instrument, Azerbaijan, National Indicative Programme, 2007-2010, http://ec.europa.eu/world/enp/pdf/country/enpi_nip_azerbaijan_en.pdf

²⁹ EU-Azerbaijan cooperation council, 8th meeting, Luxembourg, 16 October 2007, press release, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/96557.pdf

³⁰ Declaration by the Presidency on behalf of the EU on the conviction of Eynulla Fatullayev in Azerbaijan, 7 November 2007, http://www.eu2007.pt/UE/vEN/Noticias_Documentos/Declaracoes_PESC/20071107pescazerb.htm

fundamental freedoms, sustainable economic development and the business environment'.³¹

The EU has only once taken direct punitive action against Azerbaijan by suspending the Food Security programme for a short period of time but EU officials do not exclude the possibility of future sanctions should the media freedom situation not improve or if the elections do not show any improvement.

Brussels has both positive and negative conditionality instruments at its disposal in the ENP. The EU and Azerbaijan have stated in the AP that 'any breach to these norms and principles [common values and support for effective implementation of political, economic and institutional reforms] by either party to the Action Plan will result in the immediate suspension of its implementation'.³²

Of course EC country reports and public statements can be used in both senses. Next to praise and blame, Brussels has introduced a new positive conditionality mechanism; the Governance Facility. Under this mechanism one or two ENP countries that perform well in good governance reform, including democratisation and respect for human rights, are to be rewarded with additional aid.³³ Prize winners by themselves can largely determine what to spend the money on as long as there is a link with good governance. Logic would argue that it is unlikely that Azerbaijan would be granted funds under this positive conditionality mechanism: first, because progress in good governance is lacking and the EU has indicated on several occasions that Azerbaijan should decentralise its institutions; and second, Azerbaijan's energy wealth and budget growth do not indicate a need for financial support. Of course the EU has the possibility to apply negative conditionality through suspending funding. Although this might have effect in some ENP countries, it is unlikely to impress Azerbaijan.

Opinions differ over whether the EU has any leverage over Azerbaijan and if so, if it is willing to use it through conditionality. Those who argue that Brussels is broken-winged in influencing Azerbaijan to move on the democracy and human rights reform front argue that energy revenues and Europe's thirst for oil and gas make leverage non-existent. The Azerbaijan government concluded the AP as an expression of good relations in building further economic ties and political co-operation. ENP budget support to Azerbaijan that will amount to roughly 15 million euros a year is no incentive taking the rising state budget into account; this amount of aid is equivalent to the revenues of about one afternoon of pumping oil through the BTC oil pipeline! Also the EU is lacking the carrot of membership

of the European Union. Not only because Brussels is unable to offer a concrete membership perspective to Caucasus countries but also because Azerbaijan has no designs beyond the ENP.

There are three arguments that claim differently. First, most importantly, Azerbaijan needs good relations with the EU. Aside from a brief independent interlude, throughout history the country has been ruled mostly from Teheran and later Moscow.³⁴ Azerbaijanis want to strengthen their national identity and do not take their sovereignty for granted. With regional powers Iran and Russia surrounding Azerbaijan, good ties with the EU and US are imperative. A loss of partnership with Europe would weaken Azerbaijan's position on Nagorno-Karabakh as well as strengthen Russian influence over the country's energy industry. Second, while the EU's energy security interests are increasingly highlighted interdependence has also increased. Azerbaijan needs the technological know-how of European countries – foremost British Petroleum – but is also largely dependent on energy exports through the BTC and BTE pipelines. Last, even if Azerbaijan might not feel inclined to do best of all ENP countries on democracy and human rights it will want at least to equal its performance with that of Armenia. Classifications where Armenia is characterised as 'willing' and Azerbaijan as a 'passive' ENP partner do not go down well in Baku.³⁵

While financial ENP incentives do not exert significant leverage, public statements by EU institutions and member states might have an effect. The EU should definitely make more use of this in both positive and negative senses. Concerted statements with the Council of Europe, OSCE and NATO on Azerbaijan's failure to comply with the commitments on democracy and human rights – that are roughly equal in all four organisations where Azerbaijan is either a member or part of a co-operation programme – would help bring pressure to bear. With democracy further backsliding and gross human rights violations occurring, more serious steps could be taken, such as measures that would hit at Azerbaijan's leading politicians and businessmen. Still, the EU should be cautious in using harsher methods. For instance blocking Azerbaijan's entry into WTO seems effective at first sight but could turn out to be counter-productive. The Azerbaijani leadership can do without the WTO, because membership would undermine the established monopolies; withholding membership might end up harming the reform-minded in Azerbaijan.

So far the EU has not shown any willingness to contemplate such measures. Worries over the expected conduct of the 2008 Presidential elections or curtailing of media are

³¹ Commission staff working document, Implementation of the European Neighbourhood Policy in 2007, Progress Report Azerbaijan, 3 April 2008, page 2, http://ec.europa.eu/world/enp/pdf/progress2008/sec08_391_en.pdf

³² EU / Azerbaijan Action Plan (14 November 2006), page 1, http://ec.europa.eu/world/enp/pdf/action_plans/azerbaijan_enp_ap_final_en.pdf

³³ Principles for the Implementation of a Governance Facility under ENPI, http://ec.europa.eu/world/enp/pdf/governance_facility_en.pdf

³⁴ After the Russian revolution Azerbaijan enjoyed a few years of independence (1918-1920) in which it formed the first parliamentary democracy in a Muslim country. Independence was lost during the Russian civil war and Azerbaijan became one of the USSR republics.

³⁵ Michael Emerson, Gergana Noutcheva and Nicu Popescu, 'European neighbourhood Policy Two Years on: Time indeed for an 'ENP plus'', CEPS Policy Brief, No. 126 (March 2007), 24.

mostly expressed in private conversations with Azerbaijani officials although Brussels has of lately been more vocal in reminding the authorities to the commitments they undertook in the AP.

5. Social impact of the Neighbourhood Policy

“Oh yes. We are centuries ahead [of Persia]. You must remember that we have an enormous amount of industry here, and a railway. Unfortunately the Russian administration has suppressed our cultural revolution. We have not enough doctors and teachers. But I hear the Government plans to send gifted young people to Europe, to learn there what they have missed under the Russian yoke”. Ali and Nino, 254.

Despite Azerbaijan’s insistence on wanting deeper relations with the EU, in practice more general engagement and socialisation mechanisms have proved difficult to set in motion, mainly as a result of Azerbaijan’s heavily centralised structures. Because Azerbaijan finds itself in the first years of booming economic growth it has given little thought to the need for future integration into European markets. Whereas the opposition and most politically orientated civil society organisations have made EU integration a priority, the government remains vague on the issue. Although it sees good relations with Europe as important little evidence points in the direction of making future integration a real priority.

EU socialisation through education, culture and trade has to compete with influence from Russia and Turkey. The latter is Azerbaijan’s strongest ally and plays an influential role from a cultural point of view. The NATO member and EU candidate fully supports Baku against Armenia over Nagorno-Karabakh and has an important stake in energy transport from Azerbaijan. Over 80 per cent of Azerbaijanis rank Turkey as ‘friendly’ towards their country, followed by a mere 18 per cent for Russia.³⁶ Nonetheless, Azerbaijan’s northern neighbour still plays an important role in Azerbaijan that goes beyond energy interests. Aside from tensions over Russia’s support for Armenia over Nagorno-Karabakh, the two countries have been able to build pragmatic and productive relations; Russian investment in Azerbaijan is substantial while Azerbaijan’s second source of income derives from almost two million Azerbaijanis working in Russia who send their earnings home every month. As long as Azerbaijan follows Russia’s example of a managed democracy and Azerbaijan’s ties with the EU and NATO do not become as warm as Georgia’s, Russia regards Azerbaijan as an important partner in which Soviet links and heritage remain a powerful tool of socialisation.

However, EU influence is rising. The Neighbourhood Policy is likely to have some effect in promoting the EU

among the Azerbaijani population. When asked with which organisation should Azerbaijan strengthen contacts and integration, over 43 per cent of the respondents mentioned the EU, whereas one year earlier only 27 per cent favoured the EU. Meanwhile the Commonwealth of Independent States (CIS) and NATO saw declining figures from 2004 to December 2006 down to, respectively, 15.5 per cent and 6.7 per cent.³⁷ It seems that the Azerbaijani government and NATO have failed in bringing the benefits across of NATO’s Individual Partnership Action Plan (IPAP) – NATO’s version of the EU’s AP – while the benefits of increasing co-operation with the EU were apparent to ordinary people. Active engagement by civil society in debating and publicly addressing EU-Azerbaijan issues certainly helped, including in pushing the government to at least include some mention of EU membership aspirations in the AP.

Azerbaijan may not yet concretely seek integration but it is definitely looking westwards, as it did at the turn of the nineteenth century when the first oil boom hit Azerbaijan. Russia and US influence in the country is stable while interest in the EU is growing. Most well-off families send their children to west European universities and a class of European educated technocrats and businessmen is slowly replacing the aging Soviet legacy bureaucrats. The EU has aimed to play an active role in education reform. The Tempus programme has implemented several co-operation projects in Azerbaijan from 1996 onwards aimed at curriculum development and university management.³⁸ The EU now will also include Azerbaijan in its new Erasmus Mundus External Co-operation Window providing small grants to students and academic staff. These projects are important for Azerbaijan since they give an opportunity to the less wealthy to study in EU universities; the budget is however limited to three million euros a year for all three Southern Caucasus countries.³⁹

In addition to education the EU focuses on other priorities that can indirectly contribute to democratisation of Azerbaijan. In the National Indicative Programme that deals with bilateral assistance, one of the three priorities focuses on support for socio-economic reform. Here there is room for bilateral projects on, for instance, customs regulations (that might help to counter corruption) and modernising Azerbaijan’s bureaucracy including pension and insurance systems. An important part of this approach to socio-economic reform will be devoted to strengthening the non-oil sector through economic projects in Azerbaijan’s provinces away from Baku. It will be crucial for the ENP to design projects that are locally owned and can be implemented in a decentralised way by local authorities.

³⁷ R. Musabayov and R. Shulman (eds), *Azerbaijan in 2006*, Sociological Monitoring (Baku 2007), 32.

³⁸ European Neighbourhood and Partnership Instrument, Azerbaijan, Country Strategy Paper, 2007-2013, 16, http://ec.europa.eu/world/enp/pdf/country/enpi_csp_azerbaijan_en.pdf

³⁹ Erasmus Mundus External Co-operation Window (EM ECW), Academic year 2007-2008, http://eacea.ec.europa.eu/extcoop/call/documents/ext_coop.pdf

³⁶ The EU is not mentioned here, but EU member states are. R. Musabayov and R. Shulman (eds), *Azerbaijan in 2006*, Sociological Monitoring (Baku 2007), 28.

The Azerbaijani leadership will be more inclined to work effectively on economic and social projects than on the more direct forms of democratisation such as parliamentary support or an overhaul of the Election Code. As long as central power structures remain untouched reform is endorsed and sometimes encouraged. During negotiations on the NIP Azerbaijan pushed for more education programmes instead of emphasising democracy and human rights directly. If transparency and accountability in (local) governance is regarded as a cornerstone of democratisation it will be precisely 'indirect' democratisation projects that are likely to offer long-term impact. The new ENPI mechanisms (that are only now being launched in practice in Azerbaijan) will increase 'twinning' programmes between a host of different ministries with such an aim in mind.

6. Democracy and human rights assistance

"There is one thing I cannot understand about the Christians. They have the best weapons, the best soldiers and the best factories, in which they produce everything they need to conquer their enemies. Every man who invents something to kill other people easily, quickly and in as great numbers as possible is highly praised, he makes much money and a decoration is bestowed on him. That is good and right. War must be. But on the other hand the Europeans build many hospitals, and a man who during a war cures and feeds enemy soldiers is also praised and decorated". Ali and Nino, 15-16.

Until early 2008 no substantial support was provided through the ENP on democratisation programmes or in improving Azerbaijan's human rights record. In 2007 the Special Envoy of the Commission to Baku is said to have tried to get some funding from Brussels to support civil society work but was denied. Lacking a Commission Delegation made it impossible to provide micro-project funding for NGOs through the European Instrument for Democracy and Human Rights (EIDHR), while civil societies in neighbouring Armenia and Georgia could apply for such funding.

Some new programmes have started under the ENPI but serious implementation of EU assistance in Azerbaijan is set to kick in during the second half of 2008. EIDHR funding will only start now to become available with almost one million euros allocated for civil society initiatives over 2007 (with a deadline for proposals in April 2008). This year another million euros will be tendered. Almost equal amounts over both years will be channelled through the new 'Non-State Actors and Local Authorities in Development' programme.

The NIP allocates 92 million euros to Azerbaijan over the period 2007-2010. This funding is bilaterally agreed and

excludes substantial funds for regional programmes and horizontal thematic mechanisms that work through proposal calls such as EIDHR, the new 'Non-State Actors and Local Authorities in Development' programme and limited efforts in the Technical Assistance Information Exchange Unit (TAIEX). The 92 million euros consists essentially of direct budget support and twinning.⁴⁰ Currently Azerbaijan and member states are setting-up several twinning projects that will be beneficial to Azerbaijan's judiciary and other institutions. In the twinning projects EU member states offer Azerbaijani government officials expertise in adapting regulations and rules to the EU standards of administration. These capacity-building projects hopefully will be beneficial to the EU's efforts to promote good governance, strengthen the rule of law and curtail corruption.

The bilateral funds allocated to Azerbaijan are modest compared to many other ENP countries such as Morocco (632 million euros). Whereas Azerbaijan is more populous than Armenia and Georgia taken together each of these countries receives more funding.⁴¹ The 92 million euros for four years will be split in three ways according to priority areas of which the first is 'democratic development and good governance'.⁴² Under this header the NIP outlines sub-priorities such as public administration reform; rule of law and juridical reform; human rights, civil society development and local government; and education, science and people-to-people contacts. The detailed lists of long-term impacts, specific objectives and expected results is ambitious taking into account that 92 million euros over four years is not much and that Azerbaijan's commitment to reform has been almost non-existent. So far there has been some activity in support of Azerbaijan's judiciary but other sectors connected to democratisation, such as assistance to Parliament, local governance and security sector reform programmes, are mostly untouched areas for the EU.

More than half of the allocated funds for Azerbaijan will be provided through direct budget support, about 14-15 million euros a year. Each year the focus is on a different priority; in 2007 energy and this year justice, probably followed by agriculture. Azerbaijan's National Coordinating Unit (NCU) for EU technical assistance is the main state body for cooperation with Brussels and the internal coordination of the funds. The level of aid is negligible compared to the Azerbaijani state budget and is not regarded as a real incentive. Although Azerbaijani authorities each year have to meet several benchmarks, it is unlikely that direct budget support will be blocked, leaving many Baku-based

⁴⁰ In 2007 the National Indicative Programme consisted of 19 million euro of bilateral support. Of this amount 14 million is direct budget support (on energy) and 5 million was reserved for twinning projects.

⁴¹ ENPI Funding 2007-2013, http://ec.europa.eu/world/enp/pdf/country/0703_enpi_figures_en.pdf

⁴² European Neighbourhood and Partnership Instrument, Azerbaijan, National Indicative Programme, 2007-2010, 5, http://ec.europa.eu/world/enp/pdf/country/enpi_nip_azerbaijan_en.pdf

diplomats wondering why the EU still invests money in the 'corruption machine', as the Azerbaijani bureaucracy is often characterised, when the ENPI is a new funding mechanism that could redirect aid.

The reasons are several. One is that the European Council decided that direct budget support should be granted under ENP, and if poor countries like Armenia and Moldova receive budget support Azerbaijan should too; this despite the emphasis the EU places on the principle of differentiation in the neighbourhood policy. Also direct budget support is now judged to be more efficient than TACIS aid. Moreover, the Commission does not seem to have enough expert staff to allocate funds to specific projects, so instead it asks ENP country governments to do this themselves. The EU merely hopes that ENP countries co-fund reform programmes as a way of demonstrating democratic commitment.⁴³

Other international donors have been more supportive of direct democracy support and concrete human rights programmes. From a financial point of view US assistance through USAID is substantive but declining. Still over 10 million dollars were spent on democracy and good governance in 2007; a large part of which went to civil society and political party support.⁴⁴ Norway is another important donor in the democracy and human rights field in Azerbaijan while the OSCE and Council of Europe offices in Baku are also active, though on smaller budgets. The Open Society Institute in Azerbaijan is mostly known for its funding to civil society, the media and energy revenue transparency initiatives.

Among the EU member states Germany, Sweden and the United Kingdom are the most active member states present in providing grants, but also in monitoring progress – or rather decline – in democratisation and human rights. German democracy funding is likely to increase with more German Stiftungen setting-up a presence in Baku while the UK focuses on small Embassy grants, roughly 150,000 euros a year, and finances a parliamentary support programme that is welcomed by legislators but resisted by the parliament's bureaucracy. New member states such as Poland have limited funding available but are beginning to support small media and civil society projects. EU member countries with a presence in Baku have their own policies that exist independently and also are not based on ENP priorities. Every 6 to 8 weeks the main players in democracy and human rights monitoring and support (EU countries present, US, Norway, Turkey, Council of Europe and the OSCE) meet to coordinate their efforts, especially on media freedom and reforms to the Election Code. The EU members hope that a Commission Delegation will take over this function in due time.

⁴³ Ibidem, 20.

⁴⁴ USAID budget Azerbaijan, <http://www.usaid.gov/policy/budget/cbj2007/ee/az.html>

It is too early to assess whether the ENPI is an improvement on earlier assistance schemes, including TACIS. Also it is unclear how the EU will go about democracy and human rights assistance in practice in the coming years. At this point EU democracy assistance and funding of human rights programmes can only improve and so should increased coordination by the EU of the activities of the member states.

7. Moving from rhetoric to substance

In some respects Azerbaijan's relation towards Europe has changed little over the last hundred years. Kurban Said's famous love story of the Asian-orientated Azerbaijani boy Ali and the 'European' Georgian girl Nino, situated in Baku in the first quarter of the 19th century could easily be situated in today's Azerbaijan.⁴⁵ The neither-Europe-nor-Asia country looks westwards while nurturing its Asiatic roots and watching Russia in the north with some suspicion. Kurban Said's story described European relations with Azerbaijan as based on an interest in oil resources that brought with it European culture – a situation that finds resonance again today.

Whether Europe's growing interest in and engagement with Azerbaijan involves a serious commitment to promote democracy and human rights remains open to doubt. This is disappointing because the EU's interest in security, stability and energy trade with Azerbaijan should also include a practical effort to help to establish a stable Azerbaijani democracy on the EU's borders, the ostensible objective of ENP. Although the EU has become an important player in Azerbaijan it has provided almost no support for non-state actors while government-focused assistance for good governance and improvements in human rights standards of the Azerbaijani authorities has proven largely ineffective.

So far, the ENP in Azerbaijan has been strong on democracy and human rights rhetoric but woefully weak on substance. The EU risks losing credibility over its supposedly core values, its best means of 'attraction' in Azerbaijan. Monitoring organisations, EU member state diplomats and Azerbaijani civil society have expressed clear concerns over the government's crack-down on media and conditions surrounding preparations for the upcoming October 2008 elections. This represents a crucial juncture for the EU to demonstrate that it is willing to turn its rhetoric into substance. Implementation of the NIP and the opening up a Commission Delegation office is likely to invigorate the EU's involvement in 2008 as did the Commissions' critical annual ENP assessment on progress made in Azerbaijan. This is the moment the EU can show that energy interests and promoting democracy and human rights do not have to be mutually exclusive but can strengthen Azerbaijan as an

⁴⁵ Kurban Said, Ali and Nino, first published in German in Vienna, 1937, current English language version, New York, 2000.

independent state. As long as a small elite rules the country in an authoritarian manner, resulting in high levels of corruption, there can be no real stability. While Azerbaijan is receptive to the EU looking favourably on its relations with Baku, the EU should:

- develop further a sufficiently staffed and resourced Commission Delegation Office that will play a leading role in co-ordinating assistance efforts of EU member states;
- explain the EU and ENP far better to the people of Azerbaijan through media and public events; the main message still needing to be conveyed that, ‘The EU is more than an economic partner’;
- create additional though simple and efficient mechanisms to support NGOs, human rights defenders, political parties and media outlets with small but stable grants; increase transparency of financing methods to make it easier for Azerbaijani organisations to apply; and also work to influence the government on their plan to set up a national civil society financing fund;
- reconsider direct budget support at the first general review opportunity and at least negotiate matching funds from the Azerbaijani state budget; eventually redirect direct support from the state budget to civil society initiatives;
- assess rigorously any improvements on democracy after the Presidential elections that will take place in the last quarter of 2008, making it clear that only through fully free and fair elections might Azerbaijan ever qualify for funds through the Governance Facility;
- focus limited resources under the bilateral NIP as much as possible on fighting corruption and set clear benchmarks on progress made;
- make clear to the Azerbaijan government that ENP cannot be taken for granted and that intensive energy co-operation alone will not do; telling Baku in clear terms that relations with the EU will largely depend on progress made in democratic reform and respect for human rights. Azerbaijan’s dependence on energy exports exceeds the EU’s reliance on energy import, so there is EU leverage that can be used provided there is political will to do so.
- use EU leverage through negative conditionality, as well as public statements by EU officials and EU member state politicians where necessary – on media freedom and the 2008 Presidential elections; abstain from positive financial incentives but praise the authorities in public on reforms implemented.

The EU and Azerbaijan are important to each other, especially in the energy sector. The main message that Brussels will need to bring across is that democratic governance and respect for human rights will strengthen Azerbaijan’s stability and energy resource management in the long-term. Only if the EU steps up its engagement, uses its leverage and stands strong on the values enshrined in ENP will it stand a chance of intensifying democratic reform in Azerbaijan, and enabling the latter to move from being a passive to an active partner of European powers.

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