Azerbaijan, a country study

Federal Research Division

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Foreword

This volume is one in a continuing series of books prepared by the Federal Research Division of the Library of Congress under the Country Studies/Area Handbook Program sponsored by the Department of the Army.

The last two pages of this book list the other published studies.

Most books in the series deal with a particular foreign country, describing and analyzing its political, economic, social, and national security systems and institutions, and examining the interrelationships of those systems and the ways they are shaped by cultural factors. The authors seek to provide a basic understanding of the observed society, striving for a dynamic rather than a static portrayal. Particular attention is devoted to the people who make up the society, their origins, dominant beliefs and values, their common interests and the issues on which they are divided, the nature and extent of their involvement with national institutions, and their attitudes toward each other and toward their social system and political order.

The books represent the analysis of the authors and should not be construed as an expression of an official United States government position, policy, or decision. The authors have sought to adhere to accepted standards of scholarly objectivity. Corrections, additions, and suggestions for changes from readers will be welcomed for use in future editions.

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Preface

At the end of 1991, the formal liquidation of the Soviet Union was the surprisingly swift result of partially hidden decrepitude and centrifugal forces within that empire. Of the fifteen “new” states that emerged from the process, many had been independent political entities at some time in the past. Aside from their coverage in the 1989 *Soviet Union: A Country Study*, none had received individual treatment in this series, however.

Armenia, Azerbaijan, and Georgia: Country Studies is the first in a new subseries describing the fifteen postSoviet republics, both as they existed before and during the Soviet era and as they have developed since 1991. This volume covers Armenia, Azerbaijan, and Georgia, the three small nations grouped around the Caucasus mountain range east of the Black Sea.

The marked relaxation of information restrictions, which began in the late 1980s and accelerated after 1991, allows the reporting of nearly complete data on every aspect of life in the three countries. Scholarly articles and periodical reports have been especially helpful in accounting for the years of independence in the 1990s.

The authors have described the historical, political, and social backgrounds of the countries as the background for their current portraits. In each case, the authors' goal was to provide a compact, accessible, and objective treatment of five main topics: historical background, the society and its environment, the economy, government and politics, and national security.

In all cases, personal names have been transliterated from the vernacular languages according to standard practice. Placenames are rendered in the form approved by the United States Board on Geographic Names, when available. Because in many cases the board had not yet applied vernacular tables in transliterating official place−names at the time of printing, the most recent Soviet−era forms have been used in this volume.

Conventional international variants, such as Moscow, are used when appropriate. Organizations commonly known by their acronyms (such as IMF—International Monetary Fund) are introduced by their full names.

Autonomous republics and autonomous regions, such as the Nakhichevan Autonomous Republic, the Ajarian Autonomous Republic, and the Abkhazian Autonomous Republic, are introduced in their full form (before 1991 these also included the phrase “Soviet socialist"), and subsequently referred to by shorter forms (Nakhichevan, Ajaria, and Abkhazia, respectively).

Measurements are given in the metric system; a conversion table is provided in the Appendix. A chronology is provided at the beginning of the book, combining significant historical events of the three countries. To amplify points in the text of the chapters, tables in the Appendix provide statistics on aspects of the societies and the economies of the countries.

The body of the text reflects information available as of March 1994. Certain other portions of the text, however, have been updated. The Introduction discusses significant events and trends that have occurred since the completion of research; the Country Profiles include updated information as available; and the Bibliography lists recently published sources thought to be particularly helpful to the reader.

Introduction

Figure 1. Armenia, Azerbaijan, and Georgia: Geographic Setting, 1994 Figure 2. Armenia, Azerbaijan, and Georgia: Topography and Drainage Figure 3. Nagorno−Karabakh, 1994

THE THREE REPUBLICS of Transcaucasia—Armenia, Azerbaijan, and Georgia—were included in the Soviet Union in the early 1920s after their inhabitants had passed through long and varied periods as separate nations and as parts of neighboring empires, most recently the Russian Empire. By the time the Soviet Union dissolved at the end of 1991, the three republics had regained their independence, but their economic weakness and the turmoil surrounding them jeopardized that independence almost immediately. By 1994 Russia had regained substantial influence in the region by arbitrating disputes and by judiciously inserting peacekeeping troops. Geographically isolated, the three nations gained some Western economic support in the early 1990s, but in 1994 the leaders of all three asserted that national survival depended chiefly on diverting resources from military applications to restructuring economic and social institutions.

Location at the meeting point of southeastern Europe with the western border of Asia greatly influenced the histories of the three national groups forming the present−day Transcaucasian republics (see fig. 1; fig. 2).

Especially between the twelfth and the twentieth centuries, their peoples were subject to invasion and control by the Ottoman, Persian, and Russian empires. But, with the formation of the twentieth−century states named for them, the Armenian, Azerbaijani, and Georgian peoples as a whole underwent different degrees of displacement and played quite different roles. For example, the Republic of Azerbaijan that emerged from the Soviet Union in 1991 contains only 5.8 million of the world's estimated 19 million Azerbaijanis, with most of the balance living in Iran across a southern border fixed when Persia and Russia in the nineteenth century. At the same time, slightly more than half the world's 6.3 million Armenians are widely scattered outside the borders of the Republic of Armenia as a result of a centuries−long diaspora and step−by−step reduction of their national territory. In contrast, the great majority of the world's Georgian population lives in the Republic of Georgia (together with ethnic minorities constituting about 30 percent of the republic's population), after having experienced centuries of foreign domination but little forcible alteration of national boundaries.

The starting points and the outside influences that formed the three cultures also were quite different. In pre−Christian times, Georgia's location along the Black Sea opened it to cultural influence from Greece.

During the same period, Armenia was settled by tribes from southeastern Europe, and Azerbaijan was settled by Asiatic Medes, Persians, and Scythians. In Azerbaijan, Persian cultural influence dominated in the formative period of the first millennium B.C. In the early fourth century, kings of Armenia and Georgia accepted Christianity after extensive contact with the proselytizing early Christians at the eastern end of the Mediterranean. Following their conversion, Georgians remained tied by religion to the Roman Empire and later the Byzantine Empire centered at Constantinople. Although Armenian Christianity broke with Byzantine Orthodoxy very early, Byzantine occupation of Armenian territory enhanced the influence of Greek culture on Armenians in the Middle Ages.

In Azerbaijan, the Zoroastrian religion, a legacy of the early Persian influence there, was supplanted in the seventh century by the Muslim faith introduced by conquering Arabs. Conquest and occupation by the Turks added centuries of Turkic influence, which remains a primary element of secular Azerbaijani culture, notably in language and the arts. In the twentieth century, Islam remains the prevalent religion of Azerbaijan, with about three−quarters of the population adhering to the Shia (see Glossary) branch.

Golden ages of peace and independence enabled the three civilizations to individualize their forms of art and literature before 1300, and all have retained unique characteristics that arose during those eras. The Armenian, Azerbaijani, and Georgian languages also grew in different directions: Armenian developed from a combination of Indo−European and non−Indo−European language stock, with an alphabet based on the Greek; Azerbaijani, akin to Turkish and originating in Central Asia, now uses the Roman alphabet after periods of official usage of the Arabic and Cyrillic alphabets; and Georgian, unrelated to any major world language, use a Greek−based alphabet quite different from the Armenian.

Beginning in the eighteenth century, the Russian Empire constantly probed the Caucasus region for possible expansion toward the Black Sea and the Caspian Sea. These efforts engaged Russia in a series of wars with the Persian and Ottoman empires, both of which by that time were decaying from within. By 1828 Russia had annexed or had been awarded by treaty all of present− day Azerbaijan and Georgia and most of present−day Armenia. (At that time, much of the Armenian population remained across the border in the Ottoman Empire.)

Except for about two years of unstable independence following World War I, the Transcaucasus countries remained under Russian, and later Soviet, control until 1991. As part of the Soviet Union from 1922 to 1991, they underwent approximately the same degree of economic and political regimentation as the other constituent republics of the union (until 1936 the Transcaucasian Soviet Federated Socialist Republic included all three countries). The Sovietization process included intensive industrialization, collectivization of agriculture, and large−scale shifts of the rural work force to industrial centers, as well as expanded and standardized systems for education, health care, and social welfare. Although industries came under uniform state direction, private farms in the three republics, especially in Georgia, remained important agriculturally because of the inefficiency of collective farms.

The achievement of independence in 1991 left the three republics with inefficient and often crumbling remains of the Soviet−era state systems. In the years that followed, political, military, and financial chaos prevented reforms from being implemented in most areas. Land redistribution proceeded rapidly in Armenia and Georgia, although agricultural inputs often remained under state control. In contrast, in 1994 Azerbaijan still depended mainly on collective farms. Education and health institutions remained substantially the same centralized suppliers as they had in the Soviet era, but availability of educational and medical materials and personnel dropped sharply after 1991. The military conflict in Azerbaijan's Nagorno− Karabakh Autonomous Region put enormous stress on the health and social welfare systems of combatants Armenia and Azerbaijan, and Azerbaijan's blockade of Armenia, which began in 1989, caused acute shortages of all types of materials (see fig. 3).

The relationship of Russia to the former Soviet republics in the Transcaucasus caused increasing international concern in the transition years. The presence of Russian peacekeeping troops between Georgian and Abkhazian separatist forces remained an irritation to Georgian nationalists and an indication that Russia intended to intervene in that part of the world when opportunities arose. Russian nationalists saw such intervention as an opportunity to recapture nearby parts of the old Russian, and later Soviet empire. In the fall of 1994, in spite of strong nationalist resistance in each of the Transcaucasus countries, Russia was poised to improve its economic and military influence in Armenia and Azerbaijan, as it had in Georgia, if its mediation activities in Nagorno−Karabakh bore fruit.

The countries of Transcaucasia each inherited large state− owned enterprises specializing in products assigned by the Soviet system: military electronics and chemicals in Armenia, petroleum− based and textile industries in Azerbaijan, and chemicals, machine tools, and metallurgy in Georgia. As in most of the nations in the former Soviet sphere, redistribution and revitalization of such enterprises proved a formidable obstacle to economic growth and foreign investment in Armenia, Azerbaijan, and Georgia. Efforts at enterprise privatization were hindered by the stresses of prolonged military engagements, the staying power of underground economies that had defied control under communist and governments, the lack of commercial expertise, and the lack of a legal infrastructure on which to base new business relationships. As a result, in 1994 the governments were left with oversized, inefficient, and often bankrupt heavy industries whose operation was vital to provide jobs and to revive the national economies. At the same time, small private enterprises were growing rapidly, especially in Armenia and Georgia.

In the early 1990s, the Caucasus took its place among the regions of the world having violent post−Cold War ethnic conflict. Several wars broke out in the region once Soviet authority ceased holding the lid on disagreements that had been fermenting for decades. (Joseph V. Stalin's forcible relocation of ethnic groups after the redrawing of the region's political map was a chief source of the friction of the 1990s.) Thus, the three republics devoted critical resources to military campaigns in a period when the need for internal restructuring was paramount.

In Georgia, minority separatist movements—primarily on the part of the Ossetians and the Abkhaz, both given intermittent encouragement by the Soviet regime over the years—demanded fuller recognition in the new order of the early 1990s. Asserting its newly gained national prerogatives, Georgia responded with military attempts to

restrain separatism forcibly. A year−long battle in South Ossetia, initiated by Zviad Gamsakhurdia, post− Soviet Georgia's ultranationalist first president, reached an uneasy peace in mid−1992.

Early in 1992, however, the violent eviction of Gamsakhurdia from the presidency added another opponent of Georgian unity as the exiled Gamsakhurdia gathered his forces across the border.

In mid−1992 Georgian paramilitary troops entered the Abkhazian Autonomous Republic of Georgia, beginning a new conflict that in 1993 threatened to break apart the country. When Georgian troops were driven from Abkhazia in September 1993, Georgia's President Eduard Shevardnadze was able to gain Russian military aid to prevent the collapse of the country. In mid−1994 an uneasy cease−fire was in force; Abkhazian forces controlled their entire region, but no negotiated settlement had been reached. Life in Georgia had stabilized, but no permanent answers had been found to ethnic claims and counterclaims.

For Armenia and Azerbaijan, the center of nationalist self−expression in this period was the Nagorno−Karabakh Autonomous Region of Azerbaijan. After the Armenian majority there declared unification with Armenia in 1988, ethnic conflict broke out in both republics, leaving many Armenians and Azerbaijanis dead. For the next six years, battles raged between Armenian and Azerbaijani regular forces and between Armenian militias from Nagorno−Karabakh (“mountainous Karabakh” in Russian), and foreign mercenaries, killing thousands in and around Karabakh and causing massive refugee movements in both directions. Armenian military forces, better supplied and better organized, generally gained ground in the conflict, but the sides were evened as Armenia itself was devastated by six years of Azerbaijani blockades. In 1993 and early 1994, international mediation efforts were stymied by the intransigence of the two sides and by competition between Russia and the Conference on Security and Cooperation in Europe (CSCE—see Glossary) for the role of chief peace negotiator.

ARMENIA Armenia, in the twentieth century the smallest of the three republics in size and population, has undergone the greatest change in the location of its indigenous population. After occupying eastern Anatolia (now eastern Turkey) for nearly 2,000 years, the Armenian population of the Ottoman Empire was extinguished or driven out by 1915 adding to a diaspora that had begun centuries earlier. After 1915, only the eastern population, in and around Erevan, remained in its original location. In the Soviet era, Armenians preserved their cultural traditions, both in Armenia and abroad. The Armenian people's strong sense of unity has been reinforced by periodic threats to their existence. When Armenia, Azerbaijan, and Georgia gained their independence in 1991, Armenia possessed the fewest natural and man−made resources upon which to build a new state. Fertile agricultural areas are relatively small, transportation is limited by the country's landlocked position and mountainous terrain (and, beginning in 1989, by the Azerbaijani blockade), and the material base for industry is not broad. A high percentage of cropland requires irrigation, and disorganized land privatization has delayed the benefits that should result from reducing state agricultural control. Although harvests were bountiful in 1993, gaps in support systems for transport and food processing prevented urban populations from benefiting.

The intensive industrialization of Armenia between the world wars was accomplished within the controlled barter system of the Soviet republics, not within a separate economic unit. The specialized industrial roles assigned Armenia in the Soviet system offered little of value to the world markets from which the republic had been protected until 1991. Since 1991 Armenia has sought to reorient its Soviet−era scientific−research, military electronics, and chemicals infrastructures to satisfy new demands, and international financial assistance has been forthcoming. In the meantime, basic items of Armenian manufacturing, such as textiles, shoes, and carpets, have remained exportable. However, the extreme paucity of energy sources—little coal, natural gas, or petroleum is extracted in Armenia—always has been a severe limitation to industry. And about 30 percent of the existing industrial infrastructure was lost in the earthquake of 1988. Desperate crises arose throughout society when Azerbaijan strangled energy imports that had provided over 90 percent of Armenia's energy. Every winter of the early 1990s brought more difficult conditions, especially for urban Armenians.

In the early 1990s, the Armenian economy was also stressed by direct support of Karabakh self−determination Karabakh, which received massive shipments of food and other materials through the Lachin corridor that Karabakh Armenian forces had opened across southwestern Azerbaijan. Although Karabakh sent electricity to Armenia in return, the balance of trade was over two to one in favor of Karabakh, and Armenian credits covered most of Karabakh's budget deficits. Meanwhile, Armenia remained a command rather than a free−market

economy to ensure that the military received adequate economic support.

In addition to the Karabakh conflict, wage, price, and social welfare conditions have caused substantial social unrest since independence. The dram (for value of the dram—see Glossary), the national currency introduced in 1992, underwent almost immediate devaluation as the national banking system tried to stabilize international exchange rates. Accordingly, in 1993 prices rose to an average of 130 percent of wages, which the government indexed through that year. The scarcity of many commodities, caused by the blockade, also pushed prices higher. In the first post−Soviet years, and especially in 1993, plant closings and the energy crisis caused unemployment to more than double. At the same time, the standard of living of the average Armenian deteriorated; by 1993 an estimated 90 percent of the population were living below the official poverty line.

Armenia's first steps toward democracy were uneven. Upon declaring independence, Armenia adapted the political system, set forth in its Soviet−style 1978 constitution, to the short− term requirements of governance.

The chief executive would be the chairman of Armenia's Supreme Soviet, which was the chief legislative body of the new republic—but in independent Armenia the legislature and the executive branch would no longer merely rubber−stamp policy decisions handed down from Moscow.

The inherited Soviet system was used in the expectation that a new constitution would prescribe Western−style institutions in the near future. However, between 1992 and 1994 consensus was not reached between factions backing a strong executive and those backing a strong legislature.

At the center of the dispute over the constitution was Levon Ter−Petrosian, president (through late 1994) of post−Soviet Armenia. Beginning in 1991, Ter−Petrosian responded to the twin threats of political chaos and military defeat at the hands of Azerbaijan by accumulating extraordinary executive powers. His chief opposition, a faction that was radically nationalist but held few seats in the fragmented Supreme Soviet, sought to build coalitions to cut the president's power, then to finalize such a move in a constitution calling for a strong legislature. As they had on other legislation, however, the chaotic deliberations of parliament yielded no decision. Ter−Petrosian was able to continue his pragmatic approach to domestic policy, privatizing the economy whenever possible, and to continue his moderate, sometimes conciliatory, tone on the Karabakh issue.

Beginning in 1991, Armenia's foreign policy also was dictated by the Karabakh conflict. After independence, Russian troops continued serving as border guards and in other capacities that Armenia's new national army could not fill. Armenia, a charter member of the Russian−sponsored Commonwealth of Independent States (CIS—see Glossary), forged security agreements with CIS member states and took an active part in the organization. After 1991 Russia remained Armenia's foremost trading partner, supplying the country with fuel. As the Karabakh conflict evolved, Armenia took a more favorable position toward Russian leadership of peace negotiations than did Azerbaijan.

The dissolution of the Soviet Union made possible closer relations with Armenia's traditional enemy Turkey, whose membership in the North Atlantic Treaty Organization (NATO—see Glossary) had put it on the opposite side in the Cold war. In the Karabakh conflict, Turkey sided with Islamic Azerbaijan, blocking pipeline deliveries to Armenia through its territory. Most important, Turkey withheld acknowledgment of the 1915 massacre, without which no Armenian government could permit a rapprochement. Nevertheless, tentative contacts continued throughout the early 1990s.

In spite of pressure from nationalist factions, the Ter−Petrosian government held that Armenia should not unilaterally annex Karabakh and that the citizens of Karabakh had a right to self−determination (presumably meaning either independence or union with Armenia). Although Ter−Petrosian maintained contact with Azerbaijan's President Heydar Aliyev, and Armenia officially accepted the terms of several peace proposals, recriminations for the failure of peace talks flew from both sides in 1993.

The United States and the countries of the European Union (EU) have aided independent Armenia in several ways, although the West has criticized Armenian incursions into Azerbaijani territory. Humanitarian aid, most of it from the United States, played a large role between 1991 and 1994 in Armenia's survival through the winters of the blockade. Armenia successively pursued aid from the European Bank for Reconstruction and Development, the International Monetary Fund (IMF—see Glossary), and the World Bank (see Glossary).

Two categories of assistance, humanitarian and technical, were offered through those lenders. Included was aid for recovery from the 1988 earthquake, whose destructive effects were still being felt in Armenia's industry and transportation infrastructure as of late 1994.

After the Soviet Union collapsed, Armenia's national security continued to depend heavily on the Russian military. The officer corps of the new national army created in 1992 included many Armenian former officers of the Soviet army, and Russian institutes trained new Armenian officers. Two Russian divisions were transferred to Armenian control, but another division remained under full Russian control on Armenian soil.

Internal security was problematic in the transitional years. The Ministry of Internal Affairs, responsible for internal security agencies, remained outside regular government control, as it had been in the Soviet period.

This arrangement led to corruption, abuses of power, and public cynicism, a state of affairs that was especially serious because the main internal security agency acted as the nation's regular police force. The distraction of the Karabakh crisis combined with security lapses to stimulate a rapid rise in crime in the early 1990s. The political situation was also complicated by charges of abuse of power exchanged by high government officials in relation to security problems.

By the spring of 1994, Armenians had survived a fourth winter of acute shortages, and Armenian forces in Karabakh had survived the large−scale winter offensive that Azerbaijan launched in December 1993. In May 1994, a flurry of diplomatic activity by Russia and the CIS, stimulated by the new round of fighting, produced a cease−fire that held, with some violations, through the summer. A lasting treaty was delayed, however, by persistent disagreement over the nationality of peacekeeping forces that would occupy Azerbaijan. Azerbaijan resisted the return of Russian troops to its territory, while the Russian plan called for at least half the forces to be Russian. On both diplomatic and economic fronts, new signs of stability caused guarded optimism in Armenia in the fall of 1994.

The failure of the CSCE peace plan, which Azerbaijan supported, had caused that country to mount an all−out, human− wave offensive in December 1993 and January 1994, which initially pushed back Armenian defensive lines in Karabakh and regained some lost territory. When the offensive stalled in February, Russia's minister of defense, Pavel Grachev, negotiated a cease− fire, which enabled Russia to supplant the CSCE as the primary peace negotiator. Intensive Russian−sponsored talks continued through the spring, although Azerbaijan mounted air strikes on Karabakh as late as April. In May 1994, Armenia, Azerbaijan, and Nagorno−Karabakh signed the CIS−sponsored Bishkek Protocol, calling for a cease−fire and the beginning of troop withdrawals. In July the defense ministers of the three jurisdictions officially extended the cease−fire, signaling that all parties were moving toward some combination of the Russian and the CSCE peace plans. In September the exchange of Armenian and Azerbaijani prisoners of war began.

Under these conditions, Russia was able to intensify its three−way diplomatic gambit in the Transcaucasus, steadily erasing Armenians' memory of airborne Soviet forces landing unannounced as a show of strength in 1991. In the first half of 1994, Armenia moved closer to Russia on several fronts. A February treaty established bilateral barter of vital resources. In March Russia agreed to joint operation of the Armenian Atomic Power Station at Metsamor, whose scheduled 1995 reopening is a vital element in easing the country's energy crisis. Also in March, Armenia replaced its mission in Moscow with a full embassy. In June the Armenian parliament approved the addition of airborne troops to the Russian garrison at Gyumri near the Turkish border. Then in July, Russia extended 100 billion rubles (about US$35 million at that time) for reactivation of the Metsamor station, and Armenia signed a US$250 million contract with Russia for Armenia to process precious metals and gems supplied by Russia. In addition, Armenia consistently favored the Russian peace plan for Nagorno−Karabakh, in opposition to Azerbaijan's insistence on reviving the CSCE plan that prescribed international monitors rather than combat troops (most of whom would be Russian) on Azerbaijani soil.

Armenia was active on other diplomatic fronts as well in 1994. President Ter−Petrosian made official visits to Britain's Prime Minister John Major in February (preceding Azerbaijan's Heydar Aliyev by a few weeks when the outcome of the last large− scale campaign in the Karabakh conflict remained in doubt) and to President William J. Clinton in the United States in August. Clinton promised more active United States support for peace negotiations, and an exchange of military attachés was set. While in Washington, Ter−Petrosian expressed interest in joining the NATO Partnership for Peace, in which Azerbaijan had gained membership three months earlier.

Relations with Turkey remained cool, however. In 1994 Turkey continued its blockade of Armenia in support of Azerbaijan and accused Armenia of fostering rebel activity by Kurdish groups in eastern Turkey; it reiterated its denial of responsibility for the 1915 massacre of Armenians in the Ottoman Empire. In June these policies prompted Armenia to approve the security agreement with Russia that stationed Russian airborne troops in

Armenia near the Turkish border. In July Armenia firmly refused Turkey's offer to send peacekeeping forces to Nagorno−Karabakh. Thus, Armenia became an important player in the continuing contest between Russia and Turkey for influence in the Black Sea and Caucasus regions. Armenians considered the official commemoration by Israel and Russia of the 1915 Armenian massacre a significant advancement in the country's international position.

Early in 1994, Armenia's relations with Georgia worsened after Azerbaijani terrorists in Georgia again sabotaged the natural gas pipeline supplying Armenia through Georgia. Delayed rail delivery to Armenia of goods arriving in Georgian ports also caused friction. Underlying these stresses were Georgia's unreliable transport system and its failure to prevent violent acts on Georgian territory. Pipeline and railroad sabotage incidents continued through mid−1994.

The domestic political front remained heated in 1994. As the parliamentary elections of 1995 approached, Ter−Petrosian's centrist Armenian Pannational Movement (APM), which dominated political life after 1991, had lost ground to the right and the left because Armenians were losing patience with economic hardship.

Opposition newspapers and citizens' groups, which Ter− Petrosian refused to outlaw, continued their accusations of official corruption and their calls for the resignation of the Ter−Petrosian government early in the year. Then, in mid−1994 the opposition accelerated its activity by mounting antigovernment street demonstrations of up to 50,000 protesters.

In the protracted struggle over a new constitution, the opposition intensified rhetoric supporting a document built around a strong legislature rather than the strong−executive version supported by Ter−Petrosian. By the fall of 1994, little progress had been made even on the method of deciding this critical issue. While opposition parties called for a constitutional assembly, the president offered to hold a national referendum, following which he would resign if defeated.

Economic conditions were also a primary issue for the opposition. The value of the dram, pegged at 14.5 to the United States dollar when it was established in November 1993, had plummeted to 390 to the dollar by May 1994. In September a major overhaul of Armenia's financial system was under way, aimed at establishing official interest rates and a national credit system, controlling inflation, opening a securities market, regulating currency exchange, and licensing lending institutions. In the overall plan, the Central Bank of Armenia and the Erevan Stock Exchange assumed central roles in redirecting the flow of resources toward production of consumer goods. And government budgeting began diverting funds from military to civilian production support, a step advertised as the beginning of the transition from a command to a market economy.

This process included the resumption of privatization of state enterprises, which had ceased in mid−1992, including full privatization of small businesses and cautious partial privatization of larger ones. In mid−1994 the value of the dram stabilized, and industrial production increased somewhat. As another winter approached, however, the amount of goods and food available to the average consumer remained at or below subsistence level, and social unrest threatened to increase.

In September Armenia negotiated terms for the resumption of natural gas deliveries from its chief supplier, Turkmenistan, which had threatened a complete cutoff because of outstanding debts. Under the current agreement, all purchases of Turkmen gas were destined for electric power generation in Armenia. Also in September, the IMF offered favorable interest rates on a loan of US$800 million if Armenia raised consumer taxes and removed controls on bread prices. Armenian officials resisted those conditions because they would further erode living conditions.

Thus in mid−1994 Armenia, blessed with strong leadership and support from abroad but cursed with a poor geopolitical position and few natural resources, was desperate for peace after the Karabakh Armenians had virtually won their war for self− determination. With many elements of post−Soviet economic reform in place, a steady flow of assistance from the West, and an end to the Karabakh conflict in sight, Armenia looked forward to a new era of development.

AZERBAIJAN Azerbaijan, the easternmost and largest of the Transcaucasus states in size and in population, has the richest combination of agricultural and industrial resources of the three states. But Azerbaijan's quest for reform has been hindered by the limited contact it had with Western institutions and cultures before the Soviet era began in 1922.

Although Azerbaijan normally is included in the three−part grouping of the Transcaucasus countries (and was

so defined politically between 1922 and 1936), it has more in common culturally with the Central Asian republics east of the Caspian Sea than with Armenia and Georgia. The common link with the latter states is the Caucasus mountain range, which defines the topography of the northern and western parts of Azerbaijan.

A unique aspect of Azerbaijan's political geography is the enclave of the Nakhichevan Autonomous Republic, created by the Soviet Union in 1924 in the area between Armenia and Iran and separated from the rest of Azerbaijan by Armenian territory. In 1924 the Soviet Union also created the Nagorno−Karabakh Autonomous Region within Azerbaijan, an enclave whose population was about 94 percent Armenian at that time and remained about 75 percent Armenian in the late 1980s.

Beginning in the last years of the Soviet Union and extending into the 1990s, the drive for independence by Nagorno−Karabakh's Armenian majority was an issue of conflict between Armenia, which insisted on self−determination for its fellow Armenians, and Azerbaijan, which cited historical acceptance of its sovereignty whatever the region's ethnic composition. By the 1991 independence struggle was an issue of de facto war between Azerbaijan and the Karabakh Armenians, who by 1993 controlled all of Karabakh and much of adjoining Azerbaijan.

The population of Azerbaijan, already 83 percent Azerbaijani before independence, became even more homogeneous as members of the two principal minorities, Armenians and Russians, emigrated in the early 1990s and as thousands of Azerbaijanis immigrated from neighboring Armenia. The heavily urbanized population of Azerbaijan is concentrated around the cities of Baku, Gyandzha, and Sumgait.

Like the other former Soviet republics, Azerbaijan began in 1991 to seek the right combination of indigenous and “borrowed” qualities to replace the awkwardly imposed economic and political imprint of the Soviet era.

And, like Armenia and Georgia, Azerbaijan faced the complications of internal political disruption and military crisis in the first years of this process.

For more than 100 years, Azerbaijan's economy has been dominated by petroleum extraction and processing.

In the Soviet system, Azerbaijan's delegated role had evolved from supplying crude oil to supplying oil−extraction equipment, as Siberian oil fields came to dominate the Soviet market and as Caspian oil fields were allowed to deteriorate. Although exploited oil deposits were greatly depleted in the Soviet period, the economy still depends heavily on industries linked to oil. The country also depends heavily on trade with Russia and other former Soviet republics. Azerbaijan's overall industrial production dropped in the early 1990s, although not as drastically as that of Armenia and Georgia. The end of Soviet−supported trade connections and the closing of inefficient factories caused unemployment to rise and industrial productivity to fall an estimated 26 percent in 1992; acute inflation caused a major economic crisis in 1993.

Azerbaijan did not restructure its agriculture as quickly as did Armenia and Georgia; inefficient Soviet methods continued to hamper production, and the role of private initiative remained small. Agriculture in Azerbaijan also was hampered by the conflict in Nagorno−Karabakh, which was an important source of fruits, grain, grapes, and livestock. As much as 70 percent of Azerbaijan's arable land was occupied by military forces at some stage of the conflict.

In spite of these setbacks, Azerbaijan's economy remains the healthiest among the three republics, largely because unexploited oil and natural gas deposits are plentiful (although output declined in the early 1990s)

and because ample electric−power generating plants are in operation. Azerbaijan has been able to attract Western investment in its oil industry in the post−Soviet years, although Russia remains a key oil customer and investor. In 1993 the former Soviet republics remained Azerbaijan's most important trading partners, and state bureaucracies still controlled most foreign trade. Political instability in Baku, however, continued to discourage Turkey, a natural trading partner, from expanding commercial relations.

The political situation of Azerbaijan was extremely volatile in the first years of independence. With performance in Nagorno− Karabakh rather than achievement of economic and political reform as their chief criterion, Azerbaijanis deposed presidents in 1992 and 1993, then returned former communist party boss Heydar Aliyev to power. In 1992, in the country's first and only free election, the people had chosen Abulfaz Elchibey, leader of the Azerbaijani Popular Front (APF), as president. Meanwhile, the Azerbaijani Communist Party, formally disbanded in 1991, retained positions of political and economic power and was key in the coup that returned Aliyev to power in June 1993. Former communists dominated policy making in the government Aliyev formed after his rubber−stamp election as president the following October. However, the APF remained a

formidable opposition force, especially critical of any sign of weakness on the Nagorno− Karabakh issue.

During the transition period, the only national legislative body was the Melli−Majlis (National Council), a fifty−member interim assembly that came under the domination of former communists and, by virtue of postponing parliamentary elections indefinitely, continued to retain its power in late 1994. Aliyev promised a new constitution and democratic rule, but he prolonged his dictatorial powers on the pretext of the continuing military emergency. Work on a new constitution was begun in 1992, but the Nagorno−Karabakh conflict and political turmoil delayed its completion; meanwhile, elements of the 1978 constitution (based on the 1977 constitution of the Soviet Union) remain the highest law of the land, supplemented only by provisions of the 1991 Act of Independence.

Azerbaijan's post−Soviet foreign policy attempted to balance the interests of three stronger, often mutually hostile, neighbors—Iran, Russia, and Turkey—while using those nations' interests in regional peace to help resolve the Karabakh conflict. The Elchibey regime of 1992−93 leaned toward Turkey, which it saw as the best mediator in Karabakh. Armenia took advantage of this strategy, however, to form closer ties with Russia, whose economic assistance it needed desperately. Beginning in 1993, Aliyev sought to rekindle relations with Russia and Iran, believing that Russia could negotiate a positive settlement in Karabakh. Relations with Turkey were carefully maintained, however.

Beginning in 1991, Azerbaijan's external national security was breached by the incursion of the Armenian separatist forces of Karabakh militias and reinforcements from Armenia. Azerbaijan's main strategy in this early period was to blockade landlocked Armenia's supply lines and to rely for national defense on the Russian 4th Army, which remained in Azerbaijan in 1991. Clashes between Russian troops and Azerbaijani civilians in 1991 and the collapse of the Soviet Union, however, led Russia to a rapid commitment for withdrawal of troops and equipment, which was completed in mid−1993.

Under those circumstances, a new, limited national armed force was planned in 1992, and, as had been done in Armenia, the government appealed to Azerbaijani veterans of the Soviet army to defend their homeland.

But the force took shape slowly, and outside assistance—mercenaries and foreign training officers— were summoned to stem the Armenian advance that threatened all of southern Azerbaijan. In 1993 continued military failures brought reports of mass desertion and subsequent large−scale recruitment of teenage boys, as well as wholesale changes in the national defense establishment.

In the early 1990s, the domestic and international confusion bred by the Karabakh conflict increased customs violations, white−collar crime, and threats to the populace by criminal bands. The role of Azerbaijanis in the international drug market expanded noticeably. In 1993 the Aliyev government responded to these problems with a major reform of the Ministry of Internal Affairs, which had been plagued by corruption and incompetence, but experts agreed that positive results required a more stable overall atmosphere.

In December 1993, Azerbaijan launched a major surprise attack on all fronts in Karabakh, using newly drafted personnel in wave attacks, with air support. The attack initially overwhelmed Armenian positions in the north and south but ultimately was unsuccessful. An estimated 8,000 Azerbaijani troops died in the two−month campaign, which Armenian authorities described as Azerbaijan's best−planned offensive of the conflict.

When the winter offensive failed, Aliyev began using diplomatic channels to seek peace terms acceptable to his constituents, involving Russia as little as possible. Already in March, the chairman of the Azerbaijani parliament had initiated a private meeting with his opposite number from Armenia, an event hailed in the Azerbaijani press as a major Azerbaijani peace initiative. Official visits by Aliyev to Ankara and London early in 1994 yielded little additional support for Azerbaijan's position. (Turkey remained suspicious of Aliyev's communist background.)

At this point, Azerbaijan reasserted its support for the CSCE peace plan, which would use international monitors rather than military forces to enforce the cease−fire in Karabakh. Perhaps with the goal of avoiding further military losses, Aliyev approved in May the provisional cease−fire conditions of the Bishkek Protocol, sponsored by the CIS. That agreement, which softened Azerbaijan's position on recognizing the sovereignty of Nagorno−Karabakh, was subsequently the basis for terms of a true armistice.

Azerbaijan's official position on armistice conditions remained unchanged, however, during the negotiations of the summer and fall of 1994, in the face of Armenia's insistence that only an armed peacekeeping force (inevitably Russian) could prevent new outbreaks of fighting. During that period, sporadic Azerbaijani attacks

tended to confirm Armenia's judgment. At the same time, Aliyev urged that his countrymen take a more conciliatory position toward Russia. Aliyev argued that the Soviet Union, not Russia, had sent the troops who had killed Azerbaijanis when they arrived to keep peace with Armenia in 1990 and that Azerbaijan could profit from exploiting rather than rejecting the remaining ties between the two countries.

In May Aliyev signed the NATO Partnership for Peace agreement, giving Azerbaijan the associate status that NATO had offered to East European nations and the former republics of the Soviet Union in late 1993. The same month, Aliyev received a mid− level United States delegation charged with discussing diplomatic support for the Nagorno−Karabakh peace process, Caspian Sea oil exploration by United States firms, and bilateral trade agreements.

In July Aliyev extended his diplomacy to the Muslim world, visiting Saudi Arabia and Iran in an effort to balance his diplomatic contacts with the West. Iran was especially important because of its proximity to Karabakh and its interest in ending the conflict on its border. Iran responded to offers of economic cooperation by insisting that any agreement must await a peace treaty between Azerbaijan and Armenia.

In the fall of 1994, a seventeen−point peace agreement was drafted, but major issues remained unresolved.

Azerbaijani concerns centered on withdrawal of Armenian forces from Azerbaijani territory and conditions that would permit Azerbaijani refugees to return home. (An estimated 1 million Azerbaijanis had fled to other parts of Azerbaijan or Iran from occupied territory.) The top priorities for Armenia were ensuring security for Armenians in Karabakh and defining the status of the region prior to the withdrawal of forces.

A second result of the failed winter offensive of 1993−94 was a new crackdown by the Aliyev government on dissident activity. Early in 1994, censors in the Main Administration for Protecting State Secrets in the Press sharply increased censorship of material criticizing the regime, and the government cut the supply of paper and printing plates to opposition newspapers. In May a confrontation between Aliyev loyalists and opponents in the Melli−Majlis resulted in arrests of opposition leaders and reduction in the number of members required for a quorum to pass presidential proposals.

The issue behind the May dispute was Aliyev's handling of the Karabakh peace process. A variety of opposition parties and organizations claimed that the Bishkek Protocol had betrayed Azerbaijan by recognizing the sovereignty of Nagorno−Karabakh. A new coalition, the National Resistance Movement, was formed immediately after the May confrontation in the Mellis−Majlis. The movement's two principles were opposition to reintroduction of Russian forces in Azerbaijan and opposition to Aliyev's “dictatorship.” By the end of the summer, however, the movement had drawn closer to Aliyev's position on the first point, and the announcement of long−delayed parliamentary elections to be held in the summer of 1995 aimed to defuse charges of dictatorship. Draft election legislation called for replacing the “temporary” Melli−Majlis with a 150−seat legislature in 1995.

In October 1994, a military coup, supported by Prime Minister Suret Huseynov, failed to topple Aliyev.

Aliyev responded by declaring a two−month state of emergency, banning demonstrations, and taking military control of key positions. Huseynov, who had signed the Bishkek Protocol as Azerbaijan's representative, was dismissed.

Price and wage levels continued to reduce the standard of living in Azerbaijan in 1994. Between mid−1993 and mid−1994, prices increased by an average of about sixteen times; from November 1993 to July 1994, the state−established minimum wage more than doubled. To speed conversion to a market economy, the ministries of finance and economics submitted plans in July to combine state−run enterprises in forms more suitable for privatization. Land privatization has proceeded cautiously because of strong political support for maintaining the Soviet− era state−farm system. In mid−1994 about 1 percent of arable land was in private hands, the bureaucratic process for obtaining private land remained long and cumbersome, and state allocation of equipment to private farmers was meager.

Meanwhile, in 1994 currency−exchange activity increased dramatically in Azerbaijani banks, bringing more foreign currency into the country. The ruble remained the most widely used foreign unit in 1994. In June, at the insistence of the IMF and the World Bank, the National Bank of Azerbaijan stopped issuing credit that lacked monetary backing, a practice that had fueled inflation and destabilized the economy.

The main hope for Azerbaijan's economic recovery lies in reviving exploitation of offshore oil deposits in the Caspian Sea. By 1993 these deposits had attracted strong interest among British, Norwegian, Russian, Turkish,

and United States firms. Within a consortium of such firms, Russia would likely have a 10 percent share and provide the pipeline and the main port (Novorossiysk on the Black Sea) for export of Azerbaijan's oil. An agreement signed in September 1994 included United, British, Turkish, Russian, and Azerbaijani oil companies.

In the early 1990s, the development of Azerbaijan's foreign trade was skewed by the refusal of eighteen nations, including the United States, Canada, Israel, India, and the Republic of Korea (South Korea), to import products from Azerbaijan as long as the blockade of Armenia continued. At the same time, many of those countries sold significant amounts of goods in Azerbaijan. Overall, in the first half of 1994 one−third of Azerbaijan's imports came from the “far abroad” (all non−CIS trading partners), and 46 percent of its exports went outside the CIS. In that period, total imports exceeded total exports by US$140 million. At the same time, the strongest long−term commercial ties within the CIS were with Kazakhstan, Russia, Turkmenistan, and Ukraine.

Like Armenia, Azerbaijan was able to improve internal conditions only marginally while awaiting the relief of a final peace settlement in Karabakh. Unlike either of its Transcaucasus neighbors, however, Azerbaijan had the prospect of major large− scale Western investment once investment conditions improved. Combined with potential oil earnings, diplomatic approaches by President Aliyev in 1994 to a number of foreign countries, including all of Azerbaijan's neighbors, seemed to offer it a much−improved postwar international position. A great deal depended, however, on the smooth surrender of wartime emergency powers by the Aliyev government and on accelerating the stalled development of a market economy.

GEORGIA Georgia possesses the advantages of a subtropical Black Sea coastline and a rich mixture of Western and Eastern cultural elements. A combination of topographical and national idiosyncracies has preserved that cultural blend, whose chief impetus was the Georgian golden age of the twelfth and early thirteenth centuries, during long periods of occupation by foreign empires. Perhaps the most vivid result of this cultural independence is the Georgian language, unrelated to any other major tongue and largely unaffected by the languages of conquering peoples—at least until the massive influx of technical loanwords at the end of the twentieth century.

Since independence, Georgia has had difficulty establishing solid political institutions. This difficulty has been caused by the distractions of continuing military crises and by the chronic indecision of policy makers about the country's proper long−term goals and the strategy to reach them. Also, like the other Transcaucasus states, Georgia lacks experience with the democratic institutions that are now its political ideal; rubber− stamp passage of Moscow's agenda is quite different from creation of a legislative program useful to an emerging nation.

As in Azerbaijan, Georgia's most pressing problem has been ethnic separatism within the country's borders.

Despite Georgia's modest size, throughout history all manifestations of a Georgian nation have included ethnic minorities that have conflicted with, or simply ignored, central power. Even in the golden age, when a central ruling power commanded the most widespread loyalty, King David the Builder was called “King of the Abkhaz, the Kartvelians, the Ran, the Kakhetians, and the Armenians.” In the twentieth century, arbitrary rearrangement of ethnic boundaries by the Soviet regime resulted in the sharpening of various nationalist claims after Soviet power finally disappeared. Thus, in 1991 the South Ossetians of Georgia demanded union with the Ossetians across the Russian border, and in 1992 the Abkhaz of Georgia demanded recognition as an independent nation, despite their minority status in the region of Georgia they inhabited.

As in Armenia and Azerbaijan, influential, intensely nationalist factions pushed hard for unqualified military success in the struggle for separatist territory. And, as in the other Transcaucasus nations, those factions were frustrated by military and geopolitical reality: in Georgia's case, an ineffective Georgian army required assistance from Russia, the imperialist neighbor against whom nationalists had sharpened their teeth only three years earlier, to save the nation from fragmentation. At the end of 1993, Russia seemingly had settled into a long−term role of peacekeeping and occupation between Georgian and Abkhazian forces.

The most unsettling internal crisis was the failed presidency of Zviad Gamsakhurdia, once a respected human rights advocate and the undisputed leader of Georgia's nationalist opposition as the collapse of the Soviet Union became imminent. In 1991 Gamsakhurdia's dictatorial and paranoid regime, followed by the bloody process of unseating him, gave Georgia a lasting reputation for instability that damaged prospects for foreign investment and for participation in international organizations.

The failure of the one−year Gamsakhurdia regime necessitated a new political beginning that coincided with

the establishment of Eduard Shevardnadze as head of state in early 1992. Easily the most popular politician in Georgia and facing chronically fragmented opposition in parliament, Shevardnadze acquired substantial “temporary” executive powers as he maneuvered to maintain national unity. At the same time, his hesitation to imitate Gamsakhurdia's grab for power often left a vacuum that was filled by quarreling splinter parties with widely varied agendas. Shevardnadze preserved parts of his reform program by forming temporary coalitions that dissolved when a contentious issue appeared. Despite numerous calls for his resignation, and despite rampant government corruption and frequent shifts in his cabinet between 1992 and 1994, there were no other serious contenders for Shevardnadze's position as of late 1994.

Shevardnadze also used familiarity with the world of diplomacy to reestablish international contacts, gain sympathy for Georgia's struggle to remain unified, and seek economic ties wherever they might be available.

Unlike Armenia and Azerbaijan, Georgia did not arouse particular loyalty or hostility among any group of nations. In the first years of independence, Shevardnadze made special overtures to Russia, Turkey, and the United States and attempted to balance Georgia's approach to Armenia and Azerbaijan, its feuding neighbors in the Transcaucasus.

The collapse of the Soviet Union changed Georgia's economic position significantly, although industrial production already was declining in the last Soviet years. In the Soviet system, Georgia's assignment was mainly to supply the union with agricultural products, metal products, and the foreign currency collected by Georgian tourist attractions. This specialization made Georgia dependent on other Soviet republics for a wide range of products that were unavailable after 1991. Neither diversification nor meaningful privatization was possible, however, under the constant upheaval and energy shortages of the early 1990s. In addition, powerful organized criminal groups gained control of large segments of the national economy, including the export trade.

After the January 1992 fall of Gamsakhurdia's xenophobic regime, the maintenance of internal peace and unity was a critical national security issue. Although some progress was made in establishing a national armed force in 1994 the paramilitary organizations—the Mkhedrioni (horsemen) and the National Guard—

remained influential military forces in the fall of 1994. The small size and the poor organization of those groups had forced the request for Russian troop assistance in late 1993, which in turn renewed the national security dilemma of occupation by foreign troops. Meanwhile, civilian internal security forces, of which Shevardnadze took personal control in 1993, gained only partial victories over the crime wave that accompanied Georgia's post−Soviet upheavals. A series of reorganizations in security agencies failed to improve the protection of individuals against random crime or of the economic system against organized groups.

Through most of 1994, the Abkhazian conflict was more diplomatic than military. In spite of periodic hostilities, the uneasy truce line held along the Inguri River in far northwestern Georgia (in the campaign of October 1993, Georgian forces had been pushed out of all of Abkhazia except the far northern corner). The role of the 3,000 Russian peacekeepers on the border, and their relationship with United Nations (UN)

observers, was recognized by a resolution of the UN Security Council in July. Throughout that period, the issue of the return of as many as 300,000 Georgian refugees to Abkhazia was the main sticking point of negotiations. The Abkhaz saw the influx of so many Georgians as a danger to their sovereignty, which Georgia did not recognize, and the refugees' plight as a bargaining chip to induce further Georgian withdrawal. No settlement was likely before the refugee issue was resolved. Meanwhile, supporting the refugees placed additional stress on Georgian society.

A legal basis for the presence of Russian troops in Georgia had been established in a status−of−forces treaty between the two nations in January 1994. The treaty prescribed the authority and operating conditions of the Group of Russian Troops in the Caucasus (GRTC), which was characterized as on Georgian territory for a “transitional period.” In the summer of 1994, high−level bilateral talks covered Georgian−Russian military cooperation and further integration of CIS forces.

The Georgian economy continued to struggle in 1994, showing only isolated signs of progress. At the beginning of the year, state monopolies were reaffirmed in vital industries such as tea and food processing and electric power. By May, however, after prodding from the IMF, Shevardnadze began issuing decrees that eased privatization conditions. This policy spurred a noticeable acceleration of privatization in the summer of 1994. When the new stimulus began, about 23 percent of state enterprises had been privatized, and only thirty−nine joint−stock companies had formed out of the more than 900 large firms designated for that type of conversion. A

voucher system for collecting private investment funds, delayed by a shortage of hard currency, finally began operating. But the state economic bureaucracy, entrenched since the Soviet era, was able to slow the privatization process when dispersal of economic power threatened its privileged position in 1994.

Between mid−1993 and mid−1994, prices rose by an average of 300 percent, and inflation severely eroded the government− guaranteed minimum wage. (In August the minimum wage, which was stipulated in coupons [for value of the coupon—see Glossary], equaled US$0.33 per month.) Often wages were withheld for months because of the currency shortage. In September the government raised price standards sharply for basic food items, transportation, fuel, and services. Lump−sum payments to all citizens, designed to offset this cost, failed to reach many, prompting new calls for Shevardnadze's resignation. Under those conditions, most Georgians were supported by a vast network of unofficial economic activities.

In mid−1994 unemployment was estimated unofficially at 1.5 million people, nearly 50 percent of Georgia's working−age population. The exchange rate of the Georgian coupon stabilized in early 1994 after many months of high inflation, but by that time the coupon had been virtually displaced in private transactions by the ruble and the dollar. The national financial system remained chaotic—especially in tax collection, customs, and import−export operations. The first major state bank was privatized in the summer of 1994. In August parliament approved a major reform program for social welfare, pricing, and the financial system.

In July 1994, a Georgian−Russian conference on economic cooperation discussed transnational corporations and concluded some contracts for joint economic activities, but most Russian investors demanded stronger legal guarantees for their risks. Numerous Western firms established small joint ventures in 1994, but the most critical investment project under discussion sought to exploit the substantial oil deposits that had been located by recent Australian, British, Georgian, and United States explorations in the Black Sea shelf near Batumi and Poti. A first step in foreign involvement, an oil refinery near Tbilisi, received funding in July, but the Western firms demanded major reform of commercial legislation before expanding their participation.

Georgia experienced a major energy crisis in the winter of 1993−94; following the crisis, in mid−1994 Turkmenistan drastically reduced natural gas supplies because of unpaid debts. Some fuel aid was expected for the winter of 1994−95 from Azerbaijan, the EU, Iran, and Turkey. The output of the domestic oil industry increased sharply in mid−1994. As winter approached, Georgia also offered Turkmenistan new assurances of payment in return for resumption of natural gas delivery.

Georgia's communications system, a chronically weak infrastructure link that also had discouraged foreign investment, began integration into world systems in early 1994 when the country joined international postal, satellite, and electronic communications organizations. Joint enterprises with Australian, French, German, Turkish, and United States communications companies allowed the upgrading of the national telephone system and installation of fiber−optic cables.

In the first half of 1994, the most frequent topic of government debate was the role of Russian troops in Abkhazia. By that time, opposition nationalist parties had accepted the Russian presence but rejected Abkhazian delays in allowing the return of refugees and Shevardnadze's tolerance of those delays. In May Shevardnadze overcame parliament's objections to new concessions to the Abkhaz by threatening to resign.

The new agreement passed, and opposition leaders muted their demands for Shevardnadze's ouster in the belief that Russia was seeking to replace him with someone more favorable to Russian intervention.

Nevertheless, in the fall of 1994 few Georgian refugees had returned to Abkhazia.

Shevardnadze's exercise of extraordinary executive powers remained a hot issue in parliament. One faction called for reduced powers in the name of democracy, but another claimed that a still stronger executive was needed to enforce order. In a July poll, 48 percent of respondents said the government was obstructing the mass media. Although the 1992 state of emergency continued to restrict dissemination of information, the Georgian media consistently presented various opposition views. Likewise, the Zviadists, Gamsakhurdia's supporters, although banned from radio and television, continued to hold rallies under the leadership of a young radical, Irakli Tsereteli.

In 1994 the government took steps to improve the internal security situation. In the latest of a long series of organizational and leadership shuffles, Shevardnadze replaced the Emergency Committee, which had been headed by former Mkhedrioni leader Jaba Ioseliani, with the Emergency Coordinating Commission, headed by Shevardnadze, and gave the commission a vague mandate to coordinate economic, political, defense, and

law−enforcement matters. Ioseliani, whose command of the Mkhedrioni still gave him great influence, became a deputy head of the commission.

Shevardnadze's attempt to form a new, one−battalion Georgian army was delayed throughout the first half of 1994. The Ministry of Defense continued drafting potential soldiers (a very high percentage of whom evaded recruitment) for the Georgian armed forces and streamlining its organization. In September the national budget had not yet allocated wages, and sources of rations and equipment had not been identified—mainly because parliament had not passed the necessary legislation. Ministry of Defense plans called for the country's remaining state farms to be designated for direct military supply, as was the practice in the Soviet era. The disposition of existing paramilitary forces remained undecided as of late 1994.

The intelligence service had been reorganized in late 1993 to include elite troops mandated to fight drug smuggling and organized crime. In the spring of 1994, new agencies were formed in the State Security Service to investigate fiscal crimes and to combat terrorism. And in August 1994, the Ministry of Internal Affairs announced a major new drive against organized crime and drug traffickers throughout Georgia.

Parliament and local jurisdictions offered indifferent support, however.

In 1994 Georgia began solving some of its most critical problems—laying a political base for a market economy, solidifying to a degree Shevardnadze's position as head of state, stabilizing inflation, and avoiding large−scale military conflict. But long−term stability will depend on comprehensive reform of the entire economy, eradication of the corruption that has pervaded both government and economic institutions, redirection of resources from the Abkhazian conflict into a civilian infrastructure suitable for international trade (and for major loans from international lenders), and, ultimately, finding political leaders besides Shevardnadze who are capable of focusing Georgians' attention on building a nation, rather than on advancing local interests. All those factors will influence the other major imponderable: Russia's long−term economic and political influence in Georgia, which increased greatly in late 1993 and in the first half of 1994. October 18, 1994

In the months following preparation of this manuscript, a number of significant events occurred in the three countries of the Transcaucasus. Cease−fires in two major conflicts, between Abkhazia and Georgia and between Armenia and Nagorno−Karabakh on one side and Azerbaijan on the other, remained in effect despite periodic hostilities. Although the two sets of peace talks continued to encounter fundamental differences, signs of compromise emerged from both in the first months of 1995, with the assistance of international mediators. All three countries continued efforts to stabilize their economies, reduce crime, and normalize political systems distorted by lengthy states of emergency.

At the beginning of 1995, Armenia had made the most progress toward economic recovery and political stability, although its population suffered another winter of privation because of Azerbaijan's fuel blockade. In December a summit of the Organisation on Security and Cooperation in Europe (OSCE, formerly the CSCE)

had succeeded in merging OSCE and Russian peace efforts on Nagorno−Karabakh for the first time in an accord signed in Budapest. Russia was expected to become the head of the OSCE Minsk Group, which had been negotiating on behalf of Western Europe for the previous two years. In return, Russia accepted OSCE oversight of peacekeeping in the conflict zone. Armenia's President Ter−Petrosian reported the opening of three defense plants and full staffing of the Armenian Army in 1994, improving Armenia's national security position.

In November 1994, the World Bank announced loans to Armenia of US$265 million for infrastructural, agricultural, and energy applications. The bank cited Armenia's new reform program to control inflation and expand the private sector, together with the first increase in Armenia's gross national product (GNP—see Glossary) since independence, as the reasons for this investment. In December the reform package went into effect. Expected to improve the standing of President Ter−Petrosian's embattled government, the reform included substantial reduction of the government's budget deficit, which had caused many workers to go unpaid and others, including teachers, to accept barely subsistence wages. The second major reform measure was ending government subsidies for basic staples, including bread and utilities—a stringency measure highly unpopular in the short term but calculated to attract more international assistance. The price of bread rose by ten times as soon as the new law went into effect. In late 1994 and early 1995, Armenia also continued reestablishing commercial ties with Iran by signing a series of three economic treaties covering taxation, free trade, and capital investments. Beginning in 1992, commercial activity between the two countries had doubled annually, and the pace was expected to

accelerate markedly in 1995.

Although the Armenian government had made more extensive preparations for another winter of hardship under the Azerbaijani blockade, conditions for the average Armenian were barely better than the year before.

In the winter of 1994−95, Armenia's chronic fuel shortage, and the rising social unrest caused by it, were relieved somewhat by a new fuel agreement with Georgia and Turkmenistan. The pact provided for substantial increases in delivery of Turkmen natural gas through the Georgian pipeline. Although this measure increased the daily electricity ration from one hour to two hours, long−term fuel increases depended on additional negotiations and of the payment of Armenia's substantial debt to Turkmenistan. In January the State Duma, the lower house of Russia's legislative body, was considering a major grant of credit to Armenia, which would be used in reopening the Armenian Atomic Power Station at Metsamor. The arrangement would be a major step in solidifying economic ties with Russia, which has also given technical assistance for the plant.

According to Armenian Ministry of Industry figures, 40 percent of the country's industrial 1994 output, worth a total of US$147 million, was sold for hard currency. Among the main customers were Iran, Syria, the United Arab Emirates, Cyprus, Belgium, and several North African countries. Although machinebuilding industries did not work at full capacity in 1994 because of a reduced market in Russia, industry was buoyed by the resumption of full production at the Nairit Chemical Plant after several years of shutdown. Nairit was expected to produce goods worth US$60 million per month in 1995.

Armenia's state commission for privatization vouchers began voucher distribution to the public in October 1994. At that point, vouchers for ten enterprises were available, with another fifty due for consideration in February 1995. High profitability was the chief criterion for listing enterprises for privatization. The Nairit plant and the Armenian Electrical Machine Plant, Armenia's largest and most profitable industrial facilities, were converted to private joint−stock enterprises in January 1995.

In Azerbaijan, hopes for economic improvement depended most on foreign investment in offshore oil deposits in the Caspian Sea. Those hopes were subdued somewhat by disagreements over the September 1994 agreement of Western, Russian, and Iranian oil interests to aid Socar, Azerbaijan's state oil company, to develop offshore deposits in the Caspian Sea.

Throughout the last months of 1994, Russia insisted that its 10 percent share of the new deal was unfair on the grounds that all Caspian countries should have equal access to Caspian resources. Russia also continued strong opposition to a new pipeline through Iran to Turkey, which the Western partners favored. The Western firms were dismayed by Azerbaijan's offer of 25 percent of its oil deal to Iran, by the political uncertainty that seemed to escalate in Azerbaijan after the oil deal was signed, and by the rapid deterioration of existing Caspian fields, many of which were deserted in early 1995. Experts agreed an important determinant of Azerbaijan's profit from the agreement would be the maintenance of world oil prices.

In December 1994, Russia's military occupation of its separatist Chechen Autonomous Republic closed the main rail line from Russia, the chief trade route to other CIS republics and elsewhere. Replacement trade routes were sought through Iran, Turkey, and the United Arab Emirates. At the same time, hyperinflation continued (the value of the manat had dropped to 4,300 per US$1 at the end of 1994, down from 120 manats per US$1 in October 1993), spurred by full liberalization of prices to conform with IMF credit requirements.

The 1995 budget deficit equaled 20 percent of the gross domestic product (GDP—see Glossary). Foreign credit, especially loans from Turkey, was being used to provide food and social services—needs exacerbated by the continuing influx of Karabakh refugees. Economic reform, meanwhile, was delayed by more immediate concerns. Most industries were operating at about 25 percent of capacity in the winter of 1994−95.

In the last months of 1994, Russia struggled to maintain influence in Azerbaijan. Its position was threatened by approval of the multinational Caspian oil deal in September and by the Azerbaijani perception that the West was restraining Armenian aggression in Karabakh. In November President Aliyev met with Russia's President Yeltsin, who offered 300,000 tons of Russian grain and the reopening of Russian railroad lines in an apparent effort to optimize Russia's influence throughout the Transcaucasus. Azerbaijani opposition parties, led by the Azerbaijani Popular Front (APF), continued to predict that Aliyev's overtures to Russia would return Russia to a dominant position in Azerbaijani political and economic affairs. Experts predicted, however, that Russia would continue to play a vital economic role; at the end of 1994, about 60 percent of Azerbaijan's trade turnover involved Russia.

In early 1995, the issue of Nagorno−Karabakh's status continued to stymie the peace talks jointly sponsored in Moscow by the OSCE and Russia under the Budapest agreement of November 1994. Although Azerbaijan had signed several agreements with Nagorno−Karabakh as a full participant, the extent of the region's autonomy remained a key issue, as did the terms of the liberation of Azerbaijan's Lachin and Shusha regions from Armenian occupation. The Azerbaijani position was that the principals of the negotiations were Armenia and Azerbaijan, with the respective Armenian and Azerbaijani communities in Nagorno−Karabakh as “interested parties.” (At the end of 1994, an estimated 126,000 Armenians and 37,000 Azerbaijanis remained in the region.) Azerbaijan lodged an official protest against Russian insistence that the Karabakh Armenians constituted a third principal. In February presidents Aliyev and Ter−Petrosian met with presidents Nursultan Nazarbayev of Kazakhstan and Shevardnadze of Georgia in Moscow and expressed optimism that the nine−month cease−fire would hold until complete settlement could be reached. Nazarbayev and the presidents of Russia and Ukraine offered to be guarantors of stability in Nagorno−Karabakh if Azerbaijan would guarantee the region's borders.

After the unsuccessful coup against him by Prime Minister Suret Huseynov in October 1994, Azerbaijan's President Heydar Aliyev maintained his position. Despite loud opposition from the APF and other parties, Aliyev appeared to occupy a strong position at the beginning of 1995. In early 1995, friction developed between Aliyev and Rusul Guliyev, speaker of the Melli− Majlis (National Council), each accusing the other of responsibility for worsening socioeconomic conditions. Former president Abulfaz Elchibey of the APF remained a vocal critic of Aliyev and had a substantial following.

In Georgia, the unresolved conflict with the Abkhazian Autonomous Republic remained the most important issue. The repatriation of Georgian refugees to Abkhazia, a process conducted very slowly by Abkhazian authorities in the early autumn of 1994, ended completely between November 1994 and January 1995.

Opposition parties in Georgia, especially the National Liberation Front led by former Prime Minister Tengiz Sigua, increased their pressure on the government to take action, likening Abkhazia to Russia's secessionist Chechen Autonomous Republic, which Russia invaded in December 1994. (In fact, the official position of the Shevardnadze government supported the Russian move, both because of the parallel with Abkhazia and because of the need for continued Russian military monitoring of the cease−fire.) In January an attempted march of 1,400 armed Georgian refugees into Abkhazia was halted by Georgian government troops, and organizer Tengiz Kitovani, former minister of defense, was arrested for having organized the group. Although the UN adopted resolutions in January condemning the Abkhazian refugee policy, UN officials saw little hope of a rapid change in the situation in 1995.

The issue of human rights continued to dog the Shevardnadze administration in late 1994 and early 1995. In February 1995, the Free Media Association of Georgia, which included most of the country's largest independent newspapers, officially protested police oppression and confiscation of newspapers. Newspaper production had already been restricted since the beginning of winter because of Georgia's acute energy shortage.

The Georgian political world was shocked by the assassination in December 1994 of Gia Chanturia, leader of the moderate opposition National Democratic Party and one of the country's most popular politicians.

Responsibility for the act was not established. Chanturia's death escalated calls for resignation of the Cabinet of Ministers, an outcome made more likely by the parliament's failure to pass Shevardnadze's proposed 1995 budget and by continued factionalism within the cabinet.

An important emerging figure was Minister of Defense Vardiko Nadibaidze, an army general entrusted in 1994 with finally developing a professional Georgian military force that would reduce reliance on outside forces (such as Russia's) to protect national security. At the end of 1994, Georgian forces were estimated at 15,000 ground troops, 3,000 air and air defense personnel, and 1,500 to 2,000 in the coastal defense force.

Economic reform continued unevenly under the direction of Vice Premier for Economics Temur Basilia. By design, inflation and prices continued to rise in the last months of 1994, and rubles and dollars remained the chief currency instead of the Georgian coupon. In a November 1994 poll, one−third of respondents said they spent their entire income on food. Distribution of privatization vouchers among the population was scheduled to begin in mid−1995. In November 1994, more than 1,500 enterprises had been privatized, most of them classified as commercial or service establishments. A group of Western and Japanese donors pledged a minimum of US$274 million in credits to Georgia in 1995, with another US$162 million available pending “visible success" in economic reform.

In Geneva, peace talks between the Georgian government and the Abkhazian Autonomous Republic reached the eighteen−month mark; the major points of disagreement continued to be the political status of Abkhazia and the repatriation of Georgian refugees. The Abkhazian delegation insisted on equal status with Georgia in a new confederation. The Russian and UN mediators proposed a federal legislature and joint agencies for foreign policy, foreign trade, taxation, energy, communications, and human rights, providing Abkhazia substantially more autonomy than it had had when Georgia became independent but leaving open the question of relative power within such a system. In early February 1995, preliminary accord was reached on several points of the mediators' proposal.

As 1995 began, prospects for stability in the Transcaucasus were marginally better than they had been since the three countries achieved independence in 1991. Much depended on continued strong leadership from presidents Aliyev, Shevardnadze, and Ter−Petrosian, on a peaceful environment across the borders in Russia and Iran, and on free access to the natural resources needed to restart the national economies.

February 28, 1995 Glenn E. Curtis

Country

Formal Name: Republic of Azerbaijan.
Short Form: Azerbaijan.
Term for Citizens: Azerbaijani(s).
Capital: Baku.
Date of Independence: October 18, 1991.
Geography *Size:* Approximately 86,600 square kilometers.
Topography: About half mountainous; surrounded by mountain ranges, most notably Greater Caucasus range to north. Flatlands in center and along Caspian Sea coast.
Climate: Dry, semiarid steppe in center and east, subtropical in southeast, cold at high mountain elevations to north, temperate on Caspian Sea coast.

Economy

Gross National Product (GNP): In 1992 estimated at US$18.6 billion, or US$2,480 per capita. Average growth rate 1.9 percent in 1980−91. Production dropped throughout early 1990s because of adjustments to post−Soviet system and because of Nagorno−Karabakh conflict.

Agriculture: Main crops grapes, cotton, tobacco, citrus fruits, and vegetables. Livestock, dairy products, and wine also produced. Slow privatization hinders productivity increase, and production of most crops decreased in early 1990s. Irrigation and other equipment outmoded, although irrigation critical for many crops.

Industry and Mining: Principal industries oil extraction, oil equipment manufacture, petrochemicals, and construction. Besides oil, large natural gas deposits and some iron ore, bauxite, cobalt, and molybdenum. Oil production in decline since 1980s.

Energy: Abundant hydroelectric potential, but majority of electric power generated by oil−fired plants.

Domestic natural gas production meets 35 percent of domestic needs. Foreign assistance sought to rejuvenate oil extraction industry.

Exports: In 1992 estimated at US$926 million with Commonwealth of Independent States (CIS) nations and US$821 million outside CIS, of which 61 percent refined oil and gas products, 25 percent machinery and metal products, and 7 percent light industrial products (textiles and food products). Largest export markets Russia, Ukraine, Iran, Turkey, and Hungary.

Imports: In 1992 estimated at US$300 million outside CIS, of which 36 percent machine parts, 21 percent processed foods, and 12 percent nonfood light industrial products. Largest import sources Russia, Turkey, and Ukraine.

Balance of Payments: In 1992 trade surplus approximately US$24 million.

Exchange Rate: Manat, established in 1992 at ten rubles to the manat, was used together with ruble until end of 1993, after which manat became sole currency. October 1993 exchange rate US$1=120 manat.

Inflation: Estimated at 1,200 percent for 1993.

Fiscal Year: Calendar year.

Fiscal Policy: State budget consists of central government budget and budgets of sixty−eight local and regional government budgets. Tax system revised in 1992 to improve state income, and budgetary expenditures tightly controlled to minimize budget deficits.

Government and Politics

Government: One autonomous republic, Nakhichevan Autonomous Republic; one autonomous region, Nagorno−Karabakh Autonomous Region (under dispute with Armenia). Fifty−six districts and ten cities under direct central control. Executive branch includes president, elected by direct popular vote and Council of Ministers, appointed by president with legislative approval; 350−member legislature, Azerbaijani Supreme Soviet, dissolved in May 1992, superseded by fifty−member Melli−Majlis (National Council). Regimes of early 1990s unstable. Adoption of new constitution delayed by political turmoil. Judicial branch remains substantially unchanged from Soviet system, which offered limited rights to those accused.

Politics: Azerbaijani Communist Party, previously only legal party, dissolved formally September 1991 but remained influential and was reconstituted December 1993. Major parties New Azerbaijan Party, led by President Heydar Aliyev; Azerbaijani Popular Front, major opposition party 1990−92; and National Independence Party, major opposition party 1992−94. Several smaller parties influential in coalition politics of MelliMajlis .

Foreign Relations: Major goal countering worldwide Armenian information campaign on Nagorno−Karabakh. Policy toward Turkey and Russia varies with perception of support and mediation of Nagorno−Karabakh conflict; Aliyev government closer to Russia. Blockade of Armenia brought United States restriction of relations and aid in 1992. Recognized by 120 countries by 1993.

International Agreements and Membership: Member of Commonwealth of Independent States, United Nations, Conference on Security and Cooperation in Europe, International Bank for Reconstruction and Development, and International Monetary Fund.

Historical Background

Figure 8. Azerbaijan, 1994 Icheri−Shekher Fortress, Baku Courtesy Tatiana Zagorskaya U DER THE DOMINATION of the Soviet Union for most of the twentieth century, Azerbaijan began a period of tentative autonomy when the Soviet state collapsed at the end of 1991. A culturally and linguistically Turkic people, the Azerbaijanis have retained a rich cultural heritage despite long periods of Persian and Russian domination. In the 1990s, the newly independent nation still faced strong and contrary religious and political influences from neighbors such as Iran to the south, Turkey to the west, and Russia to the north (see fig. 8). Despite the country's rich oil reserves, Azerbaijan's natural and economic resources and social welfare system have been rated below those of most of the other former Soviet republics. Furthermore, in the early 1990s a long military and diplomatic struggle with neighboring Armenia was sapping resources and distracting the country from the task of devising post−Soviet internal systems and establishing international relations.

The territory of modern Azerbaijan has been subject to myriad invasions, migrations, and cultural and political influences. During most of its history, Azerbaijan was under Persian influence, but as the Persian Empire declined, Russia began a 200−year dominance, some aspects of which have persisted into the 1990s.

The Introduction of Islam and the Turkish Language

Between the first and third centuries A.D., the Romans conquered the Scythians and Seleucids, who were among the successor groups to the fragmented empire of Alexander. The Romans annexed the region of present−day Azerbaijan and called the area Albania. As Roman control weakened, the Sasanid Dynasty reestablished Persian control. Between the seventh and eleventh centuries, Arabs controlled Azerbaijan, bringing with them the precepts of Islam. In the mid−eleventh century, Turkic−speaking groups, including the Oghuz tribes and their Seljuk Turkish dynasty, ended Arab control by invading Azerbaijan from Central Asia and asserting political domination. The Seljuks brought with them the Turkish language and Turkish customs.

By the thirteenth century, the basic characteristics of the Azerbaijani nation had been established. Several masterpieces of Azerbaijani architecture and literature were created during the cultural golden age that spanned the eleventh through the thirteenth centuries. Among the most notable cultural monuments of this period are the writings of Nezami Ganjavi and the mausoleum of Momine−Khatun in Nakhichevan (see The Arts , this ch.).

Under the leadership of Hulegu Khan, Mongols invaded Azerbaijan in the early thirteenth century; Hulegu ruled Azerbaijan and Persia from his capital in the Persian city of Tabriz. At the end of the fourteenth century, another Mongol, Timur (also known as Tamarlane), invaded Azerbaijan, at about the same time that Azerbaijani rule was reviving under the Shirvan Dynasty. Shirvan shah Ibrahim I ibn Sultan Muhammad briefly accepted Timur as his overlord. (In earlier times, the Shirvan shahs had accepted the suzerainty of Seljuk overlords.) Another extant architectural treasure, the Shirvan shahs' palace in Baku, dates from this period. In the sixteenth century, the Azerbaijani Safavid Dynasty took power in Persia. This dynasty fought off efforts by the Ottoman Turks during the eighteenth century to establish control over Azerbaijan; the Safavids could not, however, halt Russian advances into the region.

Russian Influences in the Nineteenth Century

In the nineteenth century, Russian influence over daily life in Azerbaijan was less pervasive than that of indigenous religious and political elites and the cultural and intellectual influences of Persia and Turkey.

During most of the nineteenth century, the Russian Empire extracted commodities from Azerbaijan and invested little in the economy. However, the exploitation of oil in Azerbaijan at the end of the nineteenth century brought an influx of Russians into Baku, increasing Russian influence and expanding the local economy.

Although ethnic Russians came to dominate the oil business and government administration in the late 1800s, many Azerbaijanis became prominent in particular sectors of oil production, such as oil transport on the Caspian Sea. Armenians also became important as merchants and local officials of the Russian monarchy. The population of Baku increased from about 13,000 in the 1860s to 112,000 in 1897 and 215,000 in 1913, making Baku the largest city in the Caucasus region. At this point, more than one−third of Baku's population consisted of ethnic Russians. In 1905 social tensions erupted in riots and other forms of death and destruction as Azerbaijanis and Armenians struggled for local control and Azerbaijanis resisted Russian sovereignty.

AZERBAIJAN

Country studies Federal Research Division Library of Congress Edited by Glenn E. Curtis Research Completed March 1994 On the cover: Cultural artifacts from Georgia (upper left) and Azerbaijan (right), and folk costume from Armenia *Data as of March 1994 March 1994*

Foreword

This volume is one in a continuing series of books prepared by the Federal Research Division of the Library of Congress under the Country Studies/Area Handbook Program sponsored by the Department of the Army.

The last two pages of this book list the other published studies.

Most books in the series deal with a particular foreign country, describing and analyzing its political, economic, social, and national security systems and institutions, and examining the interrelationships of those systems and the ways they are shaped by cultural factors. The authors seek to provide a basic understanding of the observed society, striving for a dynamic rather than a static portrayal. Particular attention is devoted to the people who make up the society, their origins, dominant beliefs and values, their common interests and the issues on which they are divided, the nature and extent of their involvement with national institutions, and their attitudes toward each other and toward their social system and political order.

The books represent the analysis of the authors and should not be construed as an expression of an official United States government position, policy, or decision. The authors have sought to adhere to accepted standards of scholarly objectivity. Corrections, additions, and suggestions for changes from readers will be welcomed for use in future editions.

Louis R. Mortimer Chief Federal Research Division Library of Congress Washington, D C. 20540−5220

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Preface

At the end of 1991, the formal liquidation of the Soviet Union was the surprisingly swift result of partially hidden decrepitude and centrifugal forces within that empire. Of the fifteen “new” states that emerged from the process, many had been independent political entities at some time in the past. Aside from their coverage in the 1989 *Soviet Union: A Country Study*, none had received individual treatment in this series, however.

Armenia, Azerbaijan, and Georgia: Country Studies is the first in a new subseries describing the fifteen postSoviet republics, both as they existed before and during the Soviet era and as they have developed since 1991. This volume covers Armenia, Azerbaijan, and Georgia, the three small nations grouped around the Caucasus mountain range east of the Black Sea.

The marked relaxation of information restrictions, which began in the late 1980s and accelerated after 1991, allows the reporting of nearly complete data on every aspect of life in the three countries. Scholarly articles and periodical reports have been especially helpful in accounting for the years of independence in the 1990s.

The authors have described the historical, political, and social backgrounds of the countries as the background for their current portraits. In each case, the authors' goal was to provide a compact, accessible, and objective treatment of five main topics: historical background, the society and its environment, the economy, government and politics, and national security.

In all cases, personal names have been transliterated from the vernacular languages according to standard practice. Placenames are rendered in the form approved by the United States Board on Geographic Names, when available. Because in many cases the board had not yet applied vernacular tables in transliterating official place−names at the time of printing, the most recent Soviet−era forms have been used in this volume.

Conventional international variants, such as Moscow, are used when appropriate. Organizations commonly known by their acronyms (such as IMF—International Monetary Fund) are introduced by their full names.

Autonomous republics and autonomous regions, such as the Nakhichevan Autonomous Republic, the Ajarian Autonomous Republic, and the Abkhazian Autonomous Republic, are introduced in their full form (before 1991 these also included the phrase “Soviet socialist"), and subsequently referred to by shorter forms (Nakhichevan, Ajaria, and Abkhazia, respectively).

Measurements are given in the metric system; a conversion table is provided in the Appendix. A chronology is provided at the beginning of the book, combining significant historical events of the three countries. To amplify points in the text of the chapters, tables in the Appendix provide statistics on aspects of the societies and the economies of the countries.

The body of the text reflects information available as of March 1994. Certain other portions of the text, however, have been updated. The Introduction discusses significant events and trends that have occurred since the completion of research; the Country Profiles include updated information as available; and the Bibliography lists recently published sources thought to be particularly helpful to the reader.

Table A. Chronology of Important Events

Period Description EARLY HISTORY 95–55 B.C.

Armenian Empire reaches greatest size and influence under Tigran the Great.

66 B.C.

Romans complete conquest of Caucasus Mountains region, including Georgian kingdom of Kartli−Iberia.

30 B.C.

Romans conquer Armenian Empire.

A.D. 100−300 Romans annex Azerbaijan and name it Albania.

ca. 310 Tiridates III accepts Christianity for the Armenian people.

330 King Marian III of Kartli−Iberia accepts Christianity for the Georgian people.

FIFTH–SEVENTH CENTURIES First golden age of Armenian culture.

ca. 600 Four centuries of Arab control of Azerbaijan begin, introducing Islam in seventh century.

645 Arabs capture Tbilisi.

653 Byzantine Empire cedes Armenia to Arabs.

NINTH–TENTH CENTURIES 806 Arabs install Bagratid family to govern Armenia.

813 Armenian prince Ashot I begins 1,000 years of rule in Georgia by Bagratid Dynasty.

862−977 Second golden age of Armenian culture, under Ashot I and Ashot III.

ELEVENTH–FOURTEENTH CENTURIES Byzantine Greeks invade Armenia from west, Seljuk Turks from east; Turkish groups wrest political control of Azerbaijan from Arabs, introducing Turkish language and culture.

1099−1125 David IV the Builder establishes expanded Georgian Empire and begins golden age of Georgia.

1000−late 1200s Golden age of Azerbaijani literature and architecture.

1100s−1300s Cilician Armenian and Georgian armies aid European armies in Crusades to limit Muslim control of Holy Land.

1200−1400 Mongols twice invade Azerbaijan, establishing temporary dynasties.

1375 Cilician Armenia conquered by Mamluk Turks.

1386 Timur (Tamerlane) sacks Tbilisi, ending Georgian Empire ***FIFTEENTH CENTURY*** Most of modern Armenia, Azerbaijan, and Georgia become part of Ottoman Empire.

SIXTEENTH CENTURY 1501 Azerbaijani Safavid Dynasty begins rule by Persian Empire.

1553 Ottoman Turks and Persians divide Georgia between them.

EIGHTEENTH CENTURY ca. 1700 Russia begins moving into northern Azerbaijan as Persian Empire weakens.

1762 Herekle II reunites eastern Georgian regions in kingdom of Kartli−Kakhetia.

NINETEENTH CENTURY 1801 After Herekle II's appeal for aid, Russian Empire abolishes Bagratid Dynasty and begins annexation of Georgia.

1811 Georgian Orthodox Church loses autocephalous status in Russification process.

1813 Treaty of Gulistan officially divides Azerbaijan into Russian (northern) and Persian (southern) spheres.

1828 Treaty of Turkmanchay awards Nakhichevan and area around Erevan to Russia, strengthening Russian control of Transcaucasus and beginning period of modernization and security.

1872 Oil industry established around Baku, beginning rapid expansion.

1878 “Armenian question” emerges at Congress of Berlin; disposition of Armenia becomes ongoing European issue.

1891 First Armenian revolutionary party formed.

1895 Massacre of 300,000 Armenian subjects by Ottoman Turks.

TWENTIETH CENTURY ca. 1900 Radical political organizations begin to form in Azerbaijan.

1908 Young Turks take over government of Ottoman Empire with reform agenda, supported by Armenian population.

1915 Young Turks massacre 600,000 to 2 million Armenians; most survivors leave eastern Anatolia.

1917 Armenia, Azerbaijan, and Georgia form independent Transcaucasian federation. Tsar Nicholas II abdicates Russian throne; Bolsheviks take power in Russia.

1918 Independent Armenian, Azerbaijani, and Georgian states emerge from defeat of Ottoman Empire in World War I.

1920 Red Army invades Azerbaijan and forces Armenia to accept communist−dominated government.

1921 Red Army invades Georgia and drives out Zhordania government.

1922 Transcaucasian Soviet Federated Socialist Republic combines Armenia, Azerbaijan, and Georgia as single republic within Soviet Union.

1936 Armenia, Azerbaijan, and Georgia become separate republics within Soviet Union.

1936−37 Purges under political commissar Lavrenti Beria reach their peak in Armenia, Azerbaijan, and Georgia.

1943 Autonomy restored to Georgian Orthodox Church.

1946 Western powers force Soviet Union to abandon Autonomous Government of Azerbaijan, formed in 1945 after Soviet occupation of northern Iran.

1959 Nikita S. Khrushchev purges Azerbaijani Communist Party.

1969 Heydar Aliyev named head of Azerbaijani Communist Party.

ca. 1970 Zviad Gamsakhurdia begins organizing dissident Georgian nationalists.

1972 Eduard Shevardnadze named first secretary of Georgian Communist Party.

1974 Moscow installs regime of Karen Demirchian in Armenia to end party corruption; regime later removed for corruption.

1978 Mass demonstrations prevent Moscow from making Russian an official language of Georgia.

1982 Aliyev of Azerbaijan named full member of Politburo of Communist Party of the Soviet Union.

1985 Shevardnadze named minister of foreign affairs of Soviet Union and leaves post as first secretary of Georgian Communist Party.

Late 1980s Mikhail S. Gorbachev initiates policies of *glasnost* and *perestroika* throughout Soviet Union.

1988 Armenian nationalist movement revived by Karabakh and corruption concerns.

February Nagorno−Karabakh government votes to unify that autonomous region of Azerbaijan with Armenia.

December Disastrous earthquake in northern Armenia heavily damages Leninakan (now Gyumri).

1989 April Soviet troops kill Georgian civilian demonstrators in Tbilisi, radicalizing Georgian public opinion.

Spring Mass demonstrations in Armenia achieve release of Karabakh Committee arrested by Soviets to quell nationalist movement.

September Azerbaijan begins blockade of Armenian fuel and supply lines over Karabakh issue.

Fall Azerbaijani opposition parties lead mass protests against Soviet rule; national sovereignty officially proclaimed.

November Nagorno−Karabakh National Council declares unification of Nagorno−Karabakh with Armenia.

1990 January Moscow sends troops to Azerbaijan, nominally to stem violence against Armenians over Karabakh.

Spring Levon Ter−Petrosian of Armenian Pannational Movement chosen chairman of Armenian Supreme Soviet.

October In first multiparty election held in Georgia, Gamsakhurdia's oppositionist party crushes communists; Gamsakhurdia named president.

1991 January Georgian forces invade South Ossetia in response to independence movement there; fighting continues all year; Soviet troops invade Azerbaijan, ostensibly to halt anti−Armenian pogroms.

April After referendum approval, Georgian parliament declares Georgia independent of Soviet Union.

May Gamsakhurdia becomes first president of Georgia, elected directly in multiparty election.

August Attempted coup against Gorbachev in Moscow fails.

September Armenian voters approve national independence.

October Azerbaijani referendum declares Azerbaijan independent of Soviet Union; Ter−Petrosian elected president of Armenia.

December Armenians in Nagorno−Karabakh declare independent state as fighting there continues; Soviet Union officially dissolved.

1992 January Gamsakhurdia driven from Georgia into exile by opposition forces.

March Shevardnadze returns to Tbilisi and forms new government.

Spring Armenian forces occupy Lachin corridor linking Nagorno−Karabakh to Armenia.

June Abulfaz Elchibey elected president of Azerbaijan and forms first postcommunist government there.

July Cease−fire mediated by Russia's President Yeltsin in South Ossetia.

October Parliamentary election held in Georgia; Shevardnazde receives overwhelming support.

Fall Fighting begins between Abkhazian independence forces and Georgian forces; large−scale refugee displacement continues through next two years.

June Military coup deposes Elchibey in Azerbaijan; Aliyev returns to power.

Fall Multilateral negotiations seek settlement of Karabakh conflict, without result; fighting, blockade, and international negotiation continue into 1994.

October Shevardnadze responds to deterioration of Georgian military position by having Georgia join Commonwealth of Independent States, thus gaining Russian military support; Aliyev elected president of Azerbaijan.

Introduction

Figure 1. Armenia, Azerbaijan, and Georgia: Geographic Setting, 1994 Figure 2. Armenia, Azerbaijan, and Georgia: Topography and Drainage Figure 3. Nagorno−Karabakh, 1994 T E THREE REPUBLICS of Transcaucasia—Armenia, Azerbaijan, and Georgia—were included in the Soviet Union in the early 1920s after their inhabitants had passed through long and varied periods as separate nations and as parts of neighboring empires, most recently the Russian Empire. By the time the Soviet Union dissolved at the end of 1991, the three republics had regained their independence, but their economic weakness and the turmoil surrounding them jeopardized that independence almost immediately. By 1994 Russia had regained substantial influence in the region by arbitrating disputes and by judiciously inserting peacekeeping troops. Geographically isolated, the three nations gained some Western economic support in the early 1990s, but in 1994 the leaders of all three asserted that national survival depended chiefly on diverting resources from military applications to restructuring economic and social institutions.

Location at the meeting point of southeastern Europe with the western border of Asia greatly influenced the histories of the three national groups forming the present−day Transcaucasian republics (see fig. 1; fig. 2).

Especially between the twelfth and the twentieth centuries, their peoples were subject to invasion and control by the Ottoman, Persian, and Russian empires. But, with the formation of the twentieth−century states named for them, the Armenian, Azerbaijani, and Georgian peoples as a whole underwent different degrees of displacement and played quite different roles. For example, the Republic of Azerbaijan that emerged from the Soviet Union in 1991 contains only 5.8 million of the world's estimated 19 million Azerbaijanis, with most of the balance living in Iran across a southern border fixed when Persia and Russia in the nineteenth century. At the same time, slightly more than half the world's 6.3 million Armenians are widely scattered outside the borders of the Republic of Armenia as a result of a centuries−long diaspora and step−by−step reduction of their national territory. In contrast, the great majority of the world's Georgian population lives in the Republic of Georgia (together with ethnic minorities constituting about 30 percent of the republic's population), after having experienced centuries of foreign domination but little forcible alteration of national boundaries.

The starting points and the outside influences that formed the three cultures also were quite different. In pre−Christian times, Georgia's location along the Black Sea opened it to cultural influence from Greece.

During the same period, Armenia was settled by tribes from southeastern Europe, and Azerbaijan was settled by Asiatic Medes, Persians, and Scythians. In Azerbaijan, Persian cultural influence dominated in the formative period of the first millennium B.C. In the early fourth century, kings of Armenia and Georgia accepted Christianity after extensive contact with the proselytizing early Christians at the eastern end of the Mediterranean. Following their conversion, Georgians remained tied by religion to the Roman Empire and later the Byzantine Empire centered at Constantinople. Although Armenian Christianity broke with Byzantine Orthodoxy very early, Byzantine occupation of Armenian territory enhanced the influence of Greek culture on Armenians in the Middle Ages.

In Azerbaijan, the Zoroastrian religion, a legacy of the early Persian influence there, was supplanted in the seventh century by the Muslim faith introduced by conquering Arabs. Conquest and occupation by the Turks added centuries of Turkic influence, which remains a primary element of secular Azerbaijani culture, notably in language and the arts. In the twentieth century, Islam remains the prevalent religion of Azerbaijan, with about three−quarters of the population adhering to the Shia (see Glossary) branch.

Golden ages of peace and independence enabled the three civilizations to individualize their forms of art and literature before 1300, and all have retained unique characteristics that arose during those eras. The Armenian, Azerbaijani, and Georgian languages also grew in different directions: Armenian developed from a combination of Indo−European and non−Indo−European language stock, with an alphabet based on the Greek; Azerbaijani, akin to Turkish and originating in Central Asia, now uses the Roman alphabet after periods of official usage of the Arabic and Cyrillic alphabets; and Georgian, unrelated to any major world language, use a Greek−based alphabet quite different from the Armenian.

Beginning in the eighteenth century, the Russian Empire constantly probed the Caucasus region for possible expansion toward the Black Sea and the Caspian Sea. These efforts engaged Russia in a series of wars with the Persian and Ottoman empires, both of which by that time were decaying from within. By 1828 Russia had annexed or had been awarded by treaty all of present− day Azerbaijan and Georgia and most of present−day Armenia. (At that time, much of the Armenian population remained across the border in the Ottoman Empire.)

Except for about two years of unstable independence following World War I, the Transcaucasus countries remained under Russian, and later Soviet, control until 1991. As part of the Soviet Union from 1922 to 1991, they underwent approximately the same degree of economic and political regimentation as the other constituent republics of the union (until 1936 the Transcaucasian Soviet Federated Socialist Republic included all three countries). The Sovietization process included intensive industrialization, collectivization of agriculture, and large−scale shifts of the rural work force to industrial centers, as well as expanded and standardized systems for education, health care, and social welfare. Although industries came under uniform state direction, private farms in the three republics, especially in Georgia, remained important agriculturally because of the inefficiency of collective farms.

The achievement of independence in 1991 left the three republics with inefficient and often crumbling remains of the Soviet−era state systems. In the years that followed, political, military, and financial chaos prevented reforms from being implemented in most areas. Land redistribution proceeded rapidly in Armenia and Georgia, although agricultural inputs often remained under state control. In contrast, in 1994 Azerbaijan still depended mainly on collective farms. Education and health institutions remained substantially the same centralized suppliers as they had in the Soviet era, but availability of educational and medical materials and personnel dropped sharply after 1991. The military conflict in Azerbaijan's Nagorno− Karabakh Autonomous Region put enormous stress on the health and social welfare systems of combatants Armenia and Azerbaijan, and Azerbaijan's blockade of Armenia, which began in 1989, caused acute shortages of all types of materials (see fig. 3).

The relationship of Russia to the former Soviet republics in the Transcaucasus caused increasing international concern in the transition years. The presence of Russian peacekeeping troops between Georgian and Abkhazian separatist forces remained an irritation to Georgian nationalists and an indication that Russia intended to intervene in that part of the world when opportunities arose. Russian nationalists saw such intervention as an opportunity to recapture nearby parts of the old Russian, and later Soviet empire. In the fall of 1994, in spite of strong nationalist resistance in each of the Transcaucasus countries, Russia was poised to improve its economic and military influence in Armenia and Azerbaijan, as it had in Georgia, if its mediation activities in Nagorno−Karabakh bore fruit.

The countries of Transcaucasia each inherited large state− owned enterprises specializing in products assigned by the Soviet system: military electronics and chemicals in Armenia, petroleum− based and textile industries in Azerbaijan, and chemicals, machine tools, and metallurgy in Georgia. As in most of the nations in the former Soviet sphere, redistribution and revitalization of such enterprises proved a formidable obstacle to economic growth and foreign investment in Armenia, Azerbaijan, and Georgia. Efforts at enterprise privatization were hindered by the stresses of prolonged military engagements, the staying power of underground economies that had defied control under communist and governments, the lack of commercial expertise, and the lack of a legal infrastructure on which to base new business relationships. As a result, in 1994 the governments were left with oversized, inefficient, and often bankrupt heavy industries whose operation was vital to provide jobs and to revive the national economies. At the same time, small private enterprises were growing rapidly, especially in Armenia and Georgia.

In the early 1990s, the Caucasus took its place among the regions of the world having violent post−Cold War ethnic conflict. Several wars broke out in the region once Soviet authority ceased holding the lid on disagreements that had been fermenting for decades. (Joseph V. Stalin's forcible relocation of ethnic groups after the redrawing of the region's political map was a chief source of the friction of the 1990s.) Thus, the three republics devoted critical resources to military campaigns in a period when the need for internal restructuring was paramount.

In Georgia, minority separatist movements—primarily on the part of the Ossetians and the Abkhaz, both given intermittent encouragement by the Soviet regime over the years—demanded fuller recognition in the new order of the early 1990s. Asserting its newly gained national prerogatives, Georgia responded with military attempts to

restrain separatism forcibly. A year−long battle in South Ossetia, initiated by Zviad Gamsakhurdia, post− Soviet Georgia's ultranationalist first president, reached an uneasy peace in mid−1992.

Early in 1992, however, the violent eviction of Gamsakhurdia from the presidency added another opponent of Georgian unity as the exiled Gamsakhurdia gathered his forces across the border.

In mid−1992 Georgian paramilitary troops entered the Abkhazian Autonomous Republic of Georgia, beginning a new conflict that in 1993 threatened to break apart the country. When Georgian troops were driven from Abkhazia in September 1993, Georgia's President Eduard Shevardnadze was able to gain Russian military aid to prevent the collapse of the country. In mid−1994 an uneasy cease−fire was in force; Abkhazian forces controlled their entire region, but no negotiated settlement had been reached. Life in Georgia had stabilized, but no permanent answers had been found to ethnic claims and counterclaims.

For Armenia and Azerbaijan, the center of nationalist self−expression in this period was the Nagorno−Karabakh Autonomous Region of Azerbaijan. After the Armenian majority there declared unification with Armenia in 1988, ethnic conflict broke out in both republics, leaving many Armenians and Azerbaijanis dead. For the next six years, battles raged between Armenian and Azerbaijani regular forces and between Armenian militias from Nagorno−Karabakh (“mountainous Karabakh” in Russian), and foreign mercenaries, killing thousands in and around Karabakh and causing massive refugee movements in both directions. Armenian military forces, better supplied and better organized, generally gained ground in the conflict, but the sides were evened as Armenia itself was devastated by six years of Azerbaijani blockades. In 1993 and early 1994, international mediation efforts were stymied by the intransigence of the two sides and by competition between Russia and the Conference on Security and Cooperation in Europe (CSCE—see Glossary) for the role of chief peace negotiator.

ARMENIA A menia, in the twentieth century the smallest of the three republics in size and population, has undergone the greatest change in the location of its indigenous population. After occupying eastern Anatolia (now eastern Turkey) for nearly 2,000 years, the Armenian population of the Ottoman Empire was extinguished or driven out by 1915 adding to a diaspora that had begun centuries earlier. After 1915, only the eastern population, in and around Erevan, remained in its original location. In the Soviet era, Armenians preserved their cultural traditions, both in Armenia and abroad. The Armenian people's strong sense of unity has been reinforced by periodic threats to their existence. When Armenia, Azerbaijan, and Georgia gained their independence in 1991, Armenia possessed the fewest natural and man−made resources upon which to build a new state. Fertile agricultural areas are relatively small, transportation is limited by the country's landlocked position and mountainous terrain (and, beginning in 1989, by the Azerbaijani blockade), and the material base for industry is not broad. A high percentage of cropland requires irrigation, and disorganized land privatization has delayed the benefits that should result from reducing state agricultural control. Although harvests were bountiful in 1993, gaps in support systems for transport and food processing prevented urban populations from benefiting.

The intensive industrialization of Armenia between the world wars was accomplished within the controlled barter system of the Soviet republics, not within a separate economic unit. The specialized industrial roles assigned Armenia in the Soviet system offered little of value to the world markets from which the republic had been protected until 1991. Since 1991 Armenia has sought to reorient its Soviet−era scientific−research, military electronics, and chemicals infrastructures to satisfy new demands, and international financial assistance has been forthcoming. In the meantime, basic items of Armenian manufacturing, such as textiles, shoes, and carpets, have remained exportable. However, the extreme paucity of energy sources—little coal, natural gas, or petroleum is extracted in Armenia—always has been a severe limitation to industry. And about 30 percent of the existing industrial infrastructure was lost in the earthquake of 1988. Desperate crises arose throughout society when Azerbaijan strangled energy imports that had provided over 90 percent of Armenia's energy. Every winter of the early 1990s brought more difficult conditions, especially for urban Armenians.

In the early 1990s, the Armenian economy was also stressed by direct support of Karabakh self−determination Karabakh, which received massive shipments of food and other materials through the Lachin corridor that Karabakh Armenian forces had opened across southwestern Azerbaijan. Although Karabakh sent electricity to Armenia in return, the balance of trade was over two to one in favor of Karabakh, and Armenian credits covered most of Karabakh's budget deficits. Meanwhile, Armenia remained a command rather than a free−market economy to ensure that the military received adequate economic support.

In addition to the Karabakh conflict, wage, price, and social welfare conditions have caused substantial social unrest since independence. The dram (for value of the dram—see Glossary), the national currency introduced in 1992, underwent almost immediate devaluation as the national banking system tried to stabilize international exchange rates. Accordingly, in 1993 prices rose to an average of 130 percent of wages, which the government indexed through that year. The scarcity of many commodities, caused by the blockade, also pushed prices higher. In the first post−Soviet years, and especially in 1993, plant closings and the energy crisis caused unemployment to more than double. At the same time, the standard of living of the average Armenian deteriorated; by 1993 an estimated 90 percent of the population were living below the official poverty line.

Armenia's first steps toward democracy were uneven. Upon declaring independence, Armenia adapted the political system, set forth in its Soviet−style 1978 constitution, to the short− term requirements of governance.

The chief executive would be the chairman of Armenia's Supreme Soviet, which was the chief legislative body of the new republic—but in independent Armenia the legislature and the executive branch would no longer merely rubber−stamp policy decisions handed down from Moscow.

The inherited Soviet system was used in the expectation that a new constitution would prescribe Western−style institutions in the near future. However, between 1992 and 1994 consensus was not reached between factions backing a strong executive and those backing a strong legislature.

At the center of the dispute over the constitution was Levon Ter−Petrosian, president (through late 1994) of post−Soviet Armenia. Beginning in 1991, Ter−Petrosian responded to the twin threats of political chaos and military defeat at the hands of Azerbaijan by accumulating extraordinary executive powers. His chief opposition, a faction that was radically nationalist but held few seats in the fragmented Supreme Soviet, sought to build coalitions to cut the president's power, then to finalize such a move in a constitution calling for a strong legislature. As they had on other legislation, however, the chaotic deliberations of parliament yielded no decision. Ter−Petrosian was able to continue his pragmatic approach to domestic policy, privatizing the economy whenever possible, and to continue his moderate, sometimes conciliatory, tone on the Karabakh issue.

Beginning in 1991, Armenia's foreign policy also was dictated by the Karabakh conflict. After independence, Russian troops continued serving as border guards and in other capacities that Armenia's new national army could not fill. Armenia, a charter member of the Russian−sponsored Commonwealth of Independent States (CIS—see Glossary), forged security agreements with CIS member states and took an active part in the organization. After 1991 Russia remained Armenia's foremost trading partner, supplying the country with fuel. As the Karabakh conflict evolved, Armenia took a more favorable position toward Russian leadership of peace negotiations than did Azerbaijan.

The dissolution of the Soviet Union made possible closer relations with Armenia's traditional enemy Turkey, whose membership in the North Atlantic Treaty Organization (NATO—see Glossary) had put it on the opposite side in the Cold war. In the Karabakh conflict, Turkey sided with Islamic Azerbaijan, blocking pipeline deliveries to Armenia through its territory. Most important, Turkey withheld acknowledgment of the 1915 massacre, without which no Armenian government could permit a rapprochement. Nevertheless, tentative contacts continued throughout the early 1990s.

In spite of pressure from nationalist factions, the Ter−Petrosian government held that Armenia should not unilaterally annex Karabakh and that the citizens of Karabakh had a right to self−determination (presumably meaning either independence or union with Armenia). Although Ter−Petrosian maintained contact with Azerbaijan's President Heydar Aliyev, and Armenia officially accepted the terms of several peace proposals, recriminations for the failure of peace talks flew from both sides in 1993.

The United States and the countries of the European Union (EU) have aided independent Armenia in several ways, although the West has criticized Armenian incursions into Azerbaijani territory. Humanitarian aid, most of it from the United States, played a large role between 1991 and 1994 in Armenia's survival through the winters of the blockade. Armenia successively pursued aid from the European Bank for Reconstruction and Development, the International Monetary Fund (IMF—see Glossary), and the World Bank (see Glossary).

Two categories of assistance, humanitarian and technical, were offered through those lenders. Included was aid for recovery from the 1988 earthquake, whose destructive effects were still being felt in Armenia's industry and transportation infrastructure as of late 1994.

After the Soviet Union collapsed, Armenia's national security continued to depend heavily on the Russian

military. The officer corps of the new national army created in 1992 included many Armenian former officers of the Soviet army, and Russian institutes trained new Armenian officers. Two Russian divisions were transferred to Armenian control, but another division remained under full Russian control on Armenian soil.

Internal security was problematic in the transitional years. The Ministry of Internal Affairs, responsible for internal security agencies, remained outside regular government control, as it had been in the Soviet period.

This arrangement led to corruption, abuses of power, and public cynicism, a state of affairs that was especially serious because the main internal security agency acted as the nation's regular police force. The distraction of the Karabakh crisis combined with security lapses to stimulate a rapid rise in crime in the early 1990s. The political situation was also complicated by charges of abuse of power exchanged by high government officials in relation to security problems.

By the spring of 1994, Armenians had survived a fourth winter of acute shortages, and Armenian forces in Karabakh had survived the large−scale winter offensive that Azerbaijan launched in December 1993. In May 1994, a flurry of diplomatic activity by Russia and the CIS, stimulated by the new round of fighting, produced a cease−fire that held, with some violations, through the summer. A lasting treaty was delayed, however, by persistent disagreement over the nationality of peacekeeping forces that would occupy Azerbaijan. Azerbaijan resisted the return of Russian troops to its territory, while the Russian plan called for at least half the forces to be Russian. On both diplomatic and economic fronts, new signs of stability caused guarded optimism in Armenia in the fall of 1994.

The failure of the CSCE peace plan, which Azerbaijan supported, had caused that country to mount an all−out, human− wave offensive in December 1993 and January 1994, which initially pushed back Armenian defensive lines in Karabakh and regained some lost territory. When the offensive stalled in February, Russia's minister of defense, Pavel Grachev, negotiated a cease− fire, which enabled Russia to supplant the CSCE as the primary peace negotiator. Intensive Russian−sponsored talks continued through the spring, although Azerbaijan mounted air strikes on Karabakh as late as April. In May 1994, Armenia, Azerbaijan, and Nagorno−Karabakh signed the CIS−sponsored Bishkek Protocol, calling for a cease−fire and the beginning of troop withdrawals. In July the defense ministers of the three jurisdictions officially extended the cease−fire, signaling that all parties were moving toward some combination of the Russian and the CSCE peace plans. In September the exchange of Armenian and Azerbaijani prisoners of war began.

Under these conditions, Russia was able to intensify its three−way diplomatic gambit in the Transcaucasus, steadily erasing Armenians' memory of airborne Soviet forces landing unannounced as a show of strength in 1991. In the first half of 1994, Armenia moved closer to Russia on several fronts. A February treaty established bilateral barter of vital resources. In March Russia agreed to joint operation of the Armenian Atomic Power Station at Metsamor, whose scheduled 1995 reopening is a vital element in easing the country's energy crisis. Also in March, Armenia replaced its mission in Moscow with a full embassy. In June the Armenian parliament approved the addition of airborne troops to the Russian garrison at Gyumri near the Turkish border. Then in July, Russia extended 100 billion rubles (about US$35 million at that time) for reactivation of the Metsamor station, and Armenia signed a US$250 million contract with Russia for Armenia to process precious metals and gems supplied by Russia. In addition, Armenia consistently favored the Russian peace plan for Nagorno−Karabakh, in opposition to Azerbaijan's insistence on reviving the CSCE plan that prescribed international monitors rather than combat troops (most of whom would be Russian) on Azerbaijani soil.

Armenia was active on other diplomatic fronts as well in 1994. President Ter−Petrosian made official visits to Britain's Prime Minister John Major in February (preceding Azerbaijan's Heydar Aliyev by a few weeks when the outcome of the last large− scale campaign in the Karabakh conflict remained in doubt) and to President William J. Clinton in the United States in August. Clinton promised more active United States support for peace negotiations, and an exchange of military attachés was set. While in Washington, Ter−Petrosian expressed interest in joining the NATO Partnership for Peace, in which Azerbaijan had gained membership three months earlier.

Relations with Turkey remained cool, however. In 1994 Turkey continued its blockade of Armenia in support of Azerbaijan and accused Armenia of fostering rebel activity by Kurdish groups in eastern Turkey; it reiterated its denial of responsibility for the 1915 massacre of Armenians in the Ottoman Empire. In June these policies prompted Armenia to approve the security agreement with Russia that stationed Russian airborne troops in Armenia near the Turkish border. In July Armenia firmly refused Turkey's offer to send peacekeeping forces to

Nagorno−Karabakh. Thus, Armenia became an important player in the continuing contest between Russia and Turkey for influence in the Black Sea and Caucasus regions. Armenians considered the official commemoration by Israel and Russia of the 1915 Armenian massacre a significant advancement in the country's international position.

Early in 1994, Armenia's relations with Georgia worsened after Azerbaijani terrorists in Georgia again sabotaged the natural gas pipeline supplying Armenia through Georgia. Delayed rail delivery to Armenia of goods arriving in Georgian ports also caused friction. Underlying these stresses were Georgia's unreliable transport system and its failure to prevent violent acts on Georgian territory. Pipeline and railroad sabotage incidents continued through mid−1994.

The domestic political front remained heated in 1994. As the parliamentary elections of 1995 approached, Ter−Petrosian's centrist Armenian Pannational Movement (APM), which dominated political life after 1991, had lost ground to the right and the left because Armenians were losing patience with economic hardship.

Opposition newspapers and citizens' groups, which Ter− Petrosian refused to outlaw, continued their accusations of official corruption and their calls for the resignation of the Ter−Petrosian government early in the year. Then, in mid−1994 the opposition accelerated its activity by mounting antigovernment street demonstrations of up to 50,000 protesters.

In the protracted struggle over a new constitution, the opposition intensified rhetoric supporting a document built around a strong legislature rather than the strong−executive version supported by Ter−Petrosian. By the fall of 1994, little progress had been made even on the method of deciding this critical issue. While opposition parties called for a constitutional assembly, the president offered to hold a national referendum, following which he would resign if defeated.

Economic conditions were also a primary issue for the opposition. The value of the dram, pegged at 14.5 to the United States dollar when it was established in November 1993, had plummeted to 390 to the dollar by May 1994. In September a major overhaul of Armenia's financial system was under way, aimed at establishing official interest rates and a national credit system, controlling inflation, opening a securities market, regulating currency exchange, and licensing lending institutions. In the overall plan, the Central Bank of Armenia and the Erevan Stock Exchange assumed central roles in redirecting the flow of resources toward production of consumer goods. And government budgeting began diverting funds from military to civilian production support, a step advertised as the beginning of the transition from a command to a market economy.

This process included the resumption of privatization of state enterprises, which had ceased in mid−1992, including full privatization of small businesses and cautious partial privatization of larger ones. In mid−1994 the value of the dram stabilized, and industrial production increased somewhat. As another winter approached, however, the amount of goods and food available to the average consumer remained at or below subsistence level, and social unrest threatened to increase.

In September Armenia negotiated terms for the resumption of natural gas deliveries from its chief supplier, Turkmenistan, which had threatened a complete cutoff because of outstanding debts. Under the current agreement, all purchases of Turkmen gas were destined for electric power generation in Armenia. Also in September, the IMF offered favorable interest rates on a loan of US$800 million if Armenia raised consumer taxes and removed controls on bread prices. Armenian officials resisted those conditions because they would further erode living conditions.

Thus in mid−1994 Armenia, blessed with strong leadership and support from abroad but cursed with a poor geopolitical position and few natural resources, was desperate for peace after the Karabakh Armenians had virtually won their war for self− determination. With many elements of post−Soviet economic reform in place, a steady flow of assistance from the West, and an end to the Karabakh conflict in sight, Armenia looked forward to a new era of development.

AZERBAIJAN A erbaijan, the easternmost and largest of the Transcaucasus states in size and in population, has the richest combination of agricultural and industrial resources of the three states. But Azerbaijan's quest for reform has been hindered by the limited contact it had with Western institutions and cultures before the Soviet era began in 1922.

Although Azerbaijan normally is included in the three−part grouping of the Transcaucasus countries (and was so defined politically between 1922 and 1936), it has more in common culturally with the Central Asian republics

east of the Caspian Sea than with Armenia and Georgia. The common link with the latter states is the Caucasus mountain range, which defines the topography of the northern and western parts of Azerbaijan.

A unique aspect of Azerbaijan's political geography is the enclave of the Nakhichevan Autonomous Republic, created by the Soviet Union in 1924 in the area between Armenia and Iran and separated from the rest of Azerbaijan by Armenian territory. In 1924 the Soviet Union also created the Nagorno−Karabakh Autonomous Region within Azerbaijan, an enclave whose population was about 94 percent Armenian at that time and remained about 75 percent Armenian in the late 1980s.

Beginning in the last years of the Soviet Union and extending into the 1990s, the drive for independence by Nagorno−Karabakh's Armenian majority was an issue of conflict between Armenia, which insisted on self−determination for its fellow Armenians, and Azerbaijan, which cited historical acceptance of its sovereignty whatever the region's ethnic composition. By the 1991 independence struggle was an issue of de facto war between Azerbaijan and the Karabakh Armenians, who by 1993 controlled all of Karabakh and much of adjoining Azerbaijan.

The population of Azerbaijan, already 83 percent Azerbaijani before independence, became even more homogeneous as members of the two principal minorities, Armenians and Russians, emigrated in the early 1990s and as thousands of Azerbaijanis immigrated from neighboring Armenia. The heavily urbanized population of Azerbaijan is concentrated around the cities of Baku, Gyandzha, and Sumgait.

Like the other former Soviet republics, Azerbaijan began in 1991 to seek the right combination of indigenous and “borrowed” qualities to replace the awkwardly imposed economic and political imprint of the Soviet era.

And, like Armenia and Georgia, Azerbaijan faced the complications of internal political disruption and military crisis in the first years of this process.

For more than 100 years, Azerbaijan's economy has been dominated by petroleum extraction and processing.

In the Soviet system, Azerbaijan's delegated role had evolved from supplying crude oil to supplying oil−extraction equipment, as Siberian oil fields came to dominate the Soviet market and as Caspian oil fields were allowed to deteriorate. Although exploited oil deposits were greatly depleted in the Soviet period, the economy still depends heavily on industries linked to oil. The country also depends heavily on trade with Russia and other former Soviet republics. Azerbaijan's overall industrial production dropped in the early 1990s, although not as drastically as that of Armenia and Georgia. The end of Soviet−supported trade connections and the closing of inefficient factories caused unemployment to rise and industrial productivity to fall an estimated 26 percent in 1992; acute inflation caused a major economic crisis in 1993.

Azerbaijan did not restructure its agriculture as quickly as did Armenia and Georgia; inefficient Soviet methods continued to hamper production, and the role of private initiative remained small. Agriculture in Azerbaijan also was hampered by the conflict in Nagorno−Karabakh, which was an important source of fruits, grain, grapes, and livestock. As much as 70 percent of Azerbaijan's arable land was occupied by military forces at some stage of the conflict.

In spite of these setbacks, Azerbaijan's economy remains the healthiest among the three republics, largely because unexploited oil and natural gas deposits are plentiful (although output declined in the early 1990s)

and because ample electric−power generating plants are in operation. Azerbaijan has been able to attract Western investment in its oil industry in the post−Soviet years, although Russia remains a key oil customer and investor. In 1993 the former Soviet republics remained Azerbaijan's most important trading partners, and state bureaucracies still controlled most foreign trade. Political instability in Baku, however, continued to discourage Turkey, a natural trading partner, from expanding commercial relations.

The political situation of Azerbaijan was extremely volatile in the first years of independence. With performance in Nagorno− Karabakh rather than achievement of economic and political reform as their chief criterion, Azerbaijanis deposed presidents in 1992 and 1993, then returned former communist party boss Heydar Aliyev to power. In 1992, in the country's first and only free election, the people had chosen Abulfaz Elchibey, leader of the Azerbaijani Popular Front (APF), as president. Meanwhile, the Azerbaijani Communist Party, formally disbanded in 1991, retained positions of political and economic power and was key in the coup that returned Aliyev to power in June 1993. Former communists dominated policy making in the government Aliyev formed after his rubber−stamp election as president the following October. However, the APF remained a formidable opposition force, especially critical of any sign of weakness on the Nagorno− Karabakh issue.

During the transition period, the only national legislative body was the Melli−Majlis (National Council), a fifty−member interim assembly that came under the domination of former communists and, by virtue of postponing parliamentary elections indefinitely, continued to retain its power in late 1994. Aliyev promised a new constitution and democratic rule, but he prolonged his dictatorial powers on the pretext of the continuing military emergency. Work on a new constitution was begun in 1992, but the Nagorno−Karabakh conflict and political turmoil delayed its completion; meanwhile, elements of the 1978 constitution (based on the 1977 constitution of the Soviet Union) remain the highest law of the land, supplemented only by provisions of the 1991 Act of Independence.

Azerbaijan's post−Soviet foreign policy attempted to balance the interests of three stronger, often mutually hostile, neighbors—Iran, Russia, and Turkey—while using those nations' interests in regional peace to help resolve the Karabakh conflict. The Elchibey regime of 1992−93 leaned toward Turkey, which it saw as the best mediator in Karabakh. Armenia took advantage of this strategy, however, to form closer ties with Russia, whose economic assistance it needed desperately. Beginning in 1993, Aliyev sought to rekindle relations with Russia and Iran, believing that Russia could negotiate a positive settlement in Karabakh. Relations with Turkey were carefully maintained, however.

Beginning in 1991, Azerbaijan's external national security was breached by the incursion of the Armenian separatist forces of Karabakh militias and reinforcements from Armenia. Azerbaijan's main strategy in this early period was to blockade landlocked Armenia's supply lines and to rely for national defense on the Russian 4th Army, which remained in Azerbaijan in 1991. Clashes between Russian troops and Azerbaijani civilians in 1991 and the collapse of the Soviet Union, however, led Russia to a rapid commitment for withdrawal of troops and equipment, which was completed in mid−1993.

Under those circumstances, a new, limited national armed force was planned in 1992, and, as had been done in Armenia, the government appealed to Azerbaijani veterans of the Soviet army to defend their homeland.

But the force took shape slowly, and outside assistance—mercenaries and foreign training officers— were summoned to stem the Armenian advance that threatened all of southern Azerbaijan. In 1993 continued military failures brought reports of mass desertion and subsequent large−scale recruitment of teenage boys, as well as wholesale changes in the national defense establishment.

In the early 1990s, the domestic and international confusion bred by the Karabakh conflict increased customs violations, white−collar crime, and threats to the populace by criminal bands. The role of Azerbaijanis in the international drug market expanded noticeably. In 1993 the Aliyev government responded to these problems with a major reform of the Ministry of Internal Affairs, which had been plagued by corruption and incompetence, but experts agreed that positive results required a more stable overall atmosphere.

In December 1993, Azerbaijan launched a major surprise attack on all fronts in Karabakh, using newly drafted personnel in wave attacks, with air support. The attack initially overwhelmed Armenian positions in the north and south but ultimately was unsuccessful. An estimated 8,000 Azerbaijani troops died in the two−month campaign, which Armenian authorities described as Azerbaijan's best−planned offensive of the conflict.

When the winter offensive failed, Aliyev began using diplomatic channels to seek peace terms acceptable to his constituents, involving Russia as little as possible. Already in March, the chairman of the Azerbaijani parliament had initiated a private meeting with his opposite number from Armenia, an event hailed in the Azerbaijani press as a major Azerbaijani peace initiative. Official visits by Aliyev to Ankara and London early in 1994 yielded little additional support for Azerbaijan's position. (Turkey remained suspicious of Aliyev's communist background.)

At this point, Azerbaijan reasserted its support for the CSCE peace plan, which would use international monitors rather than military forces to enforce the cease−fire in Karabakh. Perhaps with the goal of avoiding further military losses, Aliyev approved in May the provisional cease−fire conditions of the Bishkek Protocol, sponsored by the CIS. That agreement, which softened Azerbaijan's position on recognizing the sovereignty of Nagorno−Karabakh, was subsequently the basis for terms of a true armistice.

Azerbaijan's official position on armistice conditions remained unchanged, however, during the negotiations of the summer and fall of 1994, in the face of Armenia's insistence that only an armed peacekeeping force (inevitably Russian) could prevent new outbreaks of fighting. During that period, sporadic Azerbaijani attacks tended to confirm Armenia's judgment. At the same time, Aliyev urged that his countrymen take a more

conciliatory position toward Russia. Aliyev argued that the Soviet Union, not Russia, had sent the troops who had killed Azerbaijanis when they arrived to keep peace with Armenia in 1990 and that Azerbaijan could profit from exploiting rather than rejecting the remaining ties between the two countries.

In May Aliyev signed the NATO Partnership for Peace agreement, giving Azerbaijan the associate status that NATO had offered to East European nations and the former republics of the Soviet Union in late 1993. The same month, Aliyev received a mid− level United States delegation charged with discussing diplomatic support for the Nagorno−Karabakh peace process, Caspian Sea oil exploration by United States firms, and bilateral trade agreements.

In July Aliyev extended his diplomacy to the Muslim world, visiting Saudi Arabia and Iran in an effort to balance his diplomatic contacts with the West. Iran was especially important because of its proximity to Karabakh and its interest in ending the conflict on its border. Iran responded to offers of economic cooperation by insisting that any agreement must await a peace treaty between Azerbaijan and Armenia.

In the fall of 1994, a seventeen−point peace agreement was drafted, but major issues remained unresolved.

Azerbaijani concerns centered on withdrawal of Armenian forces from Azerbaijani territory and conditions that would permit Azerbaijani refugees to return home. (An estimated 1 million Azerbaijanis had fled to other parts of Azerbaijan or Iran from occupied territory.) The top priorities for Armenia were ensuring security for Armenians in Karabakh and defining the status of the region prior to the withdrawal of forces.

A second result of the failed winter offensive of 1993−94 was a new crackdown by the Aliyev government on dissident activity. Early in 1994, censors in the Main Administration for Protecting State Secrets in the Press sharply increased censorship of material criticizing the regime, and the government cut the supply of paper and printing plates to opposition newspapers. In May a confrontation between Aliyev loyalists and opponents in the Melli−Majlis resulted in arrests of opposition leaders and reduction in the number of members required for a quorum to pass presidential proposals.

The issue behind the May dispute was Aliyev's handling of the Karabakh peace process. A variety of opposition parties and organizations claimed that the Bishkek Protocol had betrayed Azerbaijan by recognizing the sovereignty of Nagorno−Karabakh. A new coalition, the National Resistance Movement, was formed immediately after the May confrontation in the Mellis−Majlis. The movement's two principles were opposition to reintroduction of Russian forces in Azerbaijan and opposition to Aliyev's "dictatorship." By the end of the summer, however, the movement had drawn closer to Aliyev's position on the first point, and the announcement of long−delayed parliamentary elections to be held in the summer of 1995 aimed to defuse charges of dictatorship. Draft election legislation called for replacing the "temporary" Melli−Majlis with a 150−seat legislature in 1995.

In October 1994, a military coup, supported by Prime Minister Suret Huseynov, failed to topple Aliyev.

Aliyev responded by declaring a two−month state of emergency, banning demonstrations, and taking military control of key positions. Huseynov, who had signed the Bishkek Protocol as Azerbaijan's representative, was dismissed.

Price and wage levels continued to reduce the standard of living in Azerbaijan in 1994. Between mid−1993 and mid−1994, prices increased by an average of about sixteen times; from November 1993 to July 1994, the state−established minimum wage more than doubled. To speed conversion to a market economy, the ministries of finance and economics submitted plans in July to combine state−run enterprises in forms more suitable for privatization. Land privatization has proceeded cautiously because of strong political support for maintaining the Soviet− era state−farm system. In mid−1994 about 1 percent of arable land was in private hands, the bureaucratic process for obtaining private land remained long and cumbersome, and state allocation of equipment to private farmers was meager.

Meanwhile, in 1994 currency−exchange activity increased dramatically in Azerbaijani banks, bringing more foreign currency into the country. The ruble remained the most widely used foreign unit in 1994. In June, at the insistence of the IMF and the World Bank, the National Bank of Azerbaijan stopped issuing credit that lacked monetary backing, a practice that had fueled inflation and destabilized the economy.

The main hope for Azerbaijan's economic recovery lies in reviving exploitation of offshore oil deposits in the Caspian Sea. By 1993 these deposits had attracted strong interest among British, Norwegian, Russian, Turkish, and United States firms. Within a consortium of such firms, Russia would likely have a 10 percent share and

provide the pipeline and the main port (Novorossiysk on the Black Sea) for export of Azerbaijan's oil. An agreement signed in September 1994 included United, British, Turkish, Russian, and Azerbaijani oil companies.

In the early 1990s, the development of Azerbaijan's foreign trade was skewed by the refusal of eighteen nations, including the United States, Canada, Israel, India, and the Republic of Korea (South Korea), to import products from Azerbaijan as long as the blockade of Armenia continued. At the same time, many of those countries sold significant amounts of goods in Azerbaijan. Overall, in the first half of 1994 one−third of Azerbaijan's imports came from the “far abroad” (all non−CIS trading partners), and 46 percent of its exports went outside the CIS. In that period, total imports exceeded total exports by US$140 million. At the same time, the strongest long−term commercial ties within the CIS were with Kazakhstan, Russia, Turkmenistan, and Ukraine.

Like Armenia, Azerbaijan was able to improve internal conditions only marginally while awaiting the relief of a final peace settlement in Karabakh. Unlike either of its Transcaucasus neighbors, however, Azerbaijan had the prospect of major large− scale Western investment once investment conditions improved. Combined with potential oil earnings, diplomatic approaches by President Aliyev in 1994 to a number of foreign countries, including all of Azerbaijan's neighbors, seemed to offer it a much−improved postwar international position. A great deal depended, however, on the smooth surrender of wartime emergency powers by the Aliyev government and on accelerating the stalled development of a market economy.

GEORGIA Georgia possesses the advantages of a subtropical Black Sea coastline and a rich mixture of Western and Eastern cultural elements. A combination of topographical and national idiosyncracies has preserved that cultural blend, whose chief impetus was the Georgian golden age of the twelfth and early thirteenth centuries, during long periods of occupation by foreign empires. Perhaps the most vivid result of this cultural independence is the Georgian language, unrelated to any other major tongue and largely unaffected by the languages of conquering peoples—at least until the massive influx of technical loanwords at the end of the twentieth century.

Since independence, Georgia has had difficulty establishing solid political institutions. This difficulty has been caused by the distractions of continuing military crises and by the chronic indecision of policy makers about the country's proper long−term goals and the strategy to reach them. Also, like the other Transcaucasus states, Georgia lacks experience with the democratic institutions that are now its political ideal; rubber− stamp passage of Moscow's agenda is quite different from creation of a legislative program useful to an emerging nation.

As in Azerbaijan, Georgia's most pressing problem has been ethnic separatism within the country's borders.

Despite Georgia's modest size, throughout history all manifestations of a Georgian nation have included ethnic minorities that have conflicted with, or simply ignored, central power. Even in the golden age, when a central ruling power commanded the most widespread loyalty, King David the Builder was called “King of the Abkhaz, the Kartvelians, the Ran, the Kakhetians, and the Armenians.” In the twentieth century, arbitrary rearrangement of ethnic boundaries by the Soviet regime resulted in the sharpening of various nationalist claims after Soviet power finally disappeared. Thus, in 1991 the South Ossetians of Georgia demanded union with the Ossetians across the Russian border, and in 1992 the Abkhaz of Georgia demanded recognition as an independent nation, despite their minority status in the region of Georgia they inhabited.

As in Armenia and Azerbaijan, influential, intensely nationalist factions pushed hard for unqualified military success in the struggle for separatist territory. And, as in the other Transcaucasus nations, those factions were frustrated by military and geopolitical reality: in Georgia's case, an ineffective Georgian army required assistance from Russia, the imperialist neighbor against whom nationalists had sharpened their teeth only three years earlier, to save the nation from fragmentation. At the end of 1993, Russia seemingly had settled into a long−term role of peacekeeping and occupation between Georgian and Abkhazian forces.

The most unsettling internal crisis was the failed presidency of Zviad Gamsakhurdia, once a respected human rights advocate and the undisputed leader of Georgia's nationalist opposition as the collapse of the Soviet Union became imminent. In 1991 Gamsakhurdia's dictatorial and paranoid regime, followed by the bloody process of unseating him, gave Georgia a lasting reputation for instability that damaged prospects for foreign investment and for participation in international organizations.

The failure of the one−year Gamsakhurdia regime necessitated a new political beginning that coincided with the establishment of Eduard Shevardnadze as head of state in early 1992. Easily the most popular politician in

Georgia and facing chronically fragmented opposition in parliament, Shevardnadze acquired substantial “temporary” executive powers as he maneuvered to maintain national unity. At the same time, his hesitation to imitate Gamsakhurdia's grab for power often left a vacuum that was filled by quarreling splinter parties with widely varied agendas. Shevardnadze preserved parts of his reform program by forming temporary coalitions that dissolved when a contentious issue appeared. Despite numerous calls for his resignation, and despite rampant government corruption and frequent shifts in his cabinet between 1992 and 1994, there were no other serious contenders for Shevardnadze's position as of late 1994.

Shevardnadze also used familiarity with the world of diplomacy to reestablish international contacts, gain sympathy for Georgia's struggle to remain unified, and seek economic ties wherever they might be available.

Unlike Armenia and Azerbaijan, Georgia did not arouse particular loyalty or hostility among any group of nations. In the first years of independence, Shevardnadze made special overtures to Russia, Turkey, and the United States and attempted to balance Georgia's approach to Armenia and Azerbaijan, its feuding neighbors in the Transcaucasus.

The collapse of the Soviet Union changed Georgia's economic position significantly, although industrial production already was declining in the last Soviet years. In the Soviet system, Georgia's assignment was mainly to supply the union with agricultural products, metal products, and the foreign currency collected by Georgian tourist attractions. This specialization made Georgia dependent on other Soviet republics for a wide range of products that were unavailable after 1991. Neither diversification nor meaningful privatization was possible, however, under the constant upheaval and energy shortages of the early 1990s. In addition, powerful organized criminal groups gained control of large segments of the national economy, including the export trade.

After the January 1992 fall of Gamsakhurdia's xenophobic regime, the maintenance of internal peace and unity was a critical national security issue. Although some progress was made in establishing a national armed force in 1994 the paramilitary organizations—the Mkhedrioni (horsemen) and the National Guard—

remained influential military forces in the fall of 1994. The small size and the poor organization of those groups had forced the request for Russian troop assistance in late 1993, which in turn renewed the national security dilemma of occupation by foreign troops. Meanwhile, civilian internal security forces, of which Shevardnadze took personal control in 1993, gained only partial victories over the crime wave that accompanied Georgia's post−Soviet upheavals. A series of reorganizations in security agencies failed to improve the protection of individuals against random crime or of the economic system against organized groups.

Through most of 1994, the Abkhazian conflict was more diplomatic than military. In spite of periodic hostilities, the uneasy truce line held along the Inguri River in far northwestern Georgia (in the campaign of October 1993, Georgian forces had been pushed out of all of Abkhazia except the far northern corner). The role of the 3,000 Russian peacekeepers on the border, and their relationship with United Nations (UN)

observers, was recognized by a resolution of the UN Security Council in July. Throughout that period, the issue of the return of as many as 300,000 Georgian refugees to Abkhazia was the main sticking point of negotiations. The Abkhaz saw the influx of so many Georgians as a danger to their sovereignty, which Georgia did not recognize, and the refugees' plight as a bargaining chip to induce further Georgian withdrawal. No settlement was likely before the refugee issue was resolved. Meanwhile, supporting the refugees placed additional stress on Georgian society.

A legal basis for the presence of Russian troops in Georgia had been established in a status−of−forces treaty between the two nations in January 1994. The treaty prescribed the authority and operating conditions of the Group of Russian Troops in the Caucasus (GRTC), which was characterized as on Georgian territory for a “transitional period.” In the summer of 1994, high−level bilateral talks covered Georgian−Russian military cooperation and further integration of CIS forces.

The Georgian economy continued to struggle in 1994, showing only isolated signs of progress. At the beginning of the year, state monopolies were reaffirmed in vital industries such as tea and food processing and electric power. By May, however, after prodding from the IMF, Shevardnadze began issuing decrees that eased privatization conditions. This policy spurred a noticeable acceleration of privatization in the summer of 1994. When the new stimulus began, about 23 percent of state enterprises had been privatized, and only thirty−nine joint−stock companies had formed out of the more than 900 large firms designated for that type of conversion. A voucher system for collecting private investment funds, delayed by a shortage of hard currency, finally began

operating. But the state economic bureaucracy, entrenched since the Soviet era, was able to slow the privatization process when dispersal of economic power threatened its privileged position in 1994.

Between mid−1993 and mid−1994, prices rose by an average of 300 percent, and inflation severely eroded the government− guaranteed minimum wage. (In August the minimum wage, which was stipulated in coupons [for value of the coupon—see Glossary], equaled US$0.33 per month.) Often wages were withheld for months because of the currency shortage. In September the government raised price standards sharply for basic food items, transportation, fuel, and services. Lump−sum payments to all citizens, designed to offset this cost, failed to reach many, prompting new calls for Shevardnadze's resignation. Under those conditions, most Georgians were supported by a vast network of unofficial economic activities.

In mid−1994 unemployment was estimated unofficially at 1.5 million people, nearly 50 percent of Georgia's working−age population. The exchange rate of the Georgian coupon stabilized in early 1994 after many months of high inflation, but by that time the coupon had been virtually displaced in private transactions by the ruble and the dollar. The national financial system remained chaotic—especially in tax collection, customs, and import−export operations. The first major state bank was privatized in the summer of 1994. In August parliament approved a major reform program for social welfare, pricing, and the financial system.

In July 1994, a Georgian−Russian conference on economic cooperation discussed transnational corporations and concluded some contracts for joint economic activities, but most Russian investors demanded stronger legal guarantees for their risks. Numerous Western firms established small joint ventures in 1994, but the most critical investment project under discussion sought to exploit the substantial oil deposits that had been located by recent Australian, British, Georgian, and United States explorations in the Black Sea shelf near Batumi and Poti. A first step in foreign involvement, an oil refinery near Tbilisi, received funding in July, but the Western firms demanded major reform of commercial legislation before expanding their participation.

Georgia experienced a major energy crisis in the winter of 1993−94; following the crisis, in mid−1994 Turkmenistan drastically reduced natural gas supplies because of unpaid debts. Some fuel aid was expected for the winter of 1994−95 from Azerbaijan, the EU, Iran, and Turkey. The output of the domestic oil industry increased sharply in mid−1994. As winter approached, Georgia also offered Turkmenistan new assurances of payment in return for resumption of natural gas delivery.

Georgia's communications system, a chronically weak infrastructure link that also had discouraged foreign investment, began integration into world systems in early 1994 when the country joined international postal, satellite, and electronic communications organizations. Joint enterprises with Australian, French, German, Turkish, and United States communications companies allowed the upgrading of the national telephone system and installation of fiber−optic cables.

In the first half of 1994, the most frequent topic of government debate was the role of Russian troops in Abkhazia. By that time, opposition nationalist parties had accepted the Russian presence but rejected Abkhazian delays in allowing the return of refugees and Shevardnadze's tolerance of those delays. In May Shevardnadze overcame parliament's objections to new concessions to the Abkhaz by threatening to resign.

The new agreement passed, and opposition leaders muted their demands for Shevardnadze's ouster in the belief that Russia was seeking to replace him with someone more favorable to Russian intervention.

Nevertheless, in the fall of 1994 few Georgian refugees had returned to Abkhazia.

Shevardnadze's exercise of extraordinary executive powers remained a hot issue in parliament. One faction called for reduced powers in the name of democracy, but another claimed that a still stronger executive was needed to enforce order. In a July poll, 48 percent of respondents said the government was obstructing the mass media. Although the 1992 state of emergency continued to restrict dissemination of information, the Georgian media consistently presented various opposition views. Likewise, the Zviadists, Gamsakhurdia's supporters, although banned from radio and television, continued to hold rallies under the leadership of a young radical, Irakli Tsereteli.

In 1994 the government took steps to improve the internal security situation. In the latest of a long series of organizational and leadership shuffles, Shevardnadze replaced the Emergency Committee, which had been headed by former Mkhedrioni leader Jaba Ioseliani, with the Emergency Coordinating Commission, headed by Shevardnadze, and gave the commission a vague mandate to coordinate economic, political, defense, and law−enforcement matters. Ioseliani, whose command of the Mkhedrioni still gave him great influence, became a

deputy head of the commission.

Shevardnadze's attempt to form a new, one−battalion Georgian army was delayed throughout the first half of 1994. The Ministry of Defense continued drafting potential soldiers (a very high percentage of whom evaded recruitment) for the Georgian armed forces and streamlining its organization. In September the national budget had not yet allocated wages, and sources of rations and equipment had not been identified—mainly because parliament had not passed the necessary legislation. Ministry of Defense plans called for the country's remaining state farms to be designated for direct military supply, as was the practice in the Soviet era. The disposition of existing paramilitary forces remained undecided as of late 1994.

The intelligence service had been reorganized in late 1993 to include elite troops mandated to fight drug smuggling and organized crime. In the spring of 1994, new agencies were formed in the State Security Service to investigate fiscal crimes and to combat terrorism. And in August 1994, the Ministry of Internal Affairs announced a major new drive against organized crime and drug traffickers throughout Georgia.

Parliament and local jurisdictions offered indifferent support, however.

In 1994 Georgia began solving some of its most critical problems—laying a political base for a market economy, solidifying to a degree Shevardnadze's position as head of state, stabilizing inflation, and avoiding large−scale military conflict. But long−term stability will depend on comprehensive reform of the entire economy, eradication of the corruption that has pervaded both government and economic institutions, redirection of resources from the Abkhazian conflict into a civilian infrastructure suitable for international trade (and for major loans from international lenders), and, ultimately, finding political leaders besides Shevardnadze who are capable of focusing Georgians' attention on building a nation, rather than on advancing local interests. All those factors will influence the other major imponderable: Russia's long−term economic and political influence in Georgia, which increased greatly in late 1993 and in the first half of 1994. October 18, 1994

In the months following preparation of this manuscript, a number of significant events occurred in the three countries of the Transcaucasus. Cease−fires in two major conflicts, between Abkhazia and Georgia and between Armenia and Nagorno−Karabakh on one side and Azerbaijan on the other, remained in effect despite periodic hostilities. Although the two sets of peace talks continued to encounter fundamental differences, signs of compromise emerged from both in the first months of 1995, with the assistance of international mediators. All three countries continued efforts to stabilize their economies, reduce crime, and normalize political systems distorted by lengthy states of emergency.

At the beginning of 1995, Armenia had made the most progress toward economic recovery and political stability, although its population suffered another winter of privation because of Azerbaijan's fuel blockade. In December a summit of the Organisation on Security and Cooperation in Europe (OSCE, formerly the CSCE)

had succeeded in merging OSCE and Russian peace efforts on Nagorno−Karabakh for the first time in an accord signed in Budapest. Russia was expected to become the head of the OSCE Minsk Group, which had been negotiating on behalf of Western Europe for the previous two years. In return, Russia accepted OSCE oversight of peacekeeping in the conflict zone. Armenia's President Ter−Petrosian reported the opening of three defense plants and full staffing of the Armenian Army in 1994, improving Armenia's national security position.

In November 1994, the World Bank announced loans to Armenia of US$265 million for infrastructural, agricultural, and energy applications. The bank cited Armenia's new reform program to control inflation and expand the private sector, together with the first increase in Armenia's gross national product (GNP—see Glossary) since independence, as the reasons for this investment. In December the reform package went into effect. Expected to improve the standing of President Ter−Petrosian's embattled government, the reform included substantial reduction of the government's budget deficit, which had caused many workers to go unpaid and others, including teachers, to accept barely subsistence wages. The second major reform measure was ending government subsidies for basic staples, including bread and utilities—a stringency measure highly unpopular in the short term but calculated to attract more international assistance. The price of bread rose by ten times as soon as the new law went into effect. In late 1994 and early 1995, Armenia also continued reestablishing commercial ties with Iran by signing a series of three economic treaties covering taxation, free trade, and capital investments. Beginning in 1992, commercial activity between the two countries had doubled annually, and the pace was expected to accelerate markedly in 1995.

Although the Armenian government had made more extensive preparations for another winter of hardship under the Azerbaijani blockade, conditions for the average Armenian were barely better than the year before.

In the winter of 1994−95, Armenia's chronic fuel shortage, and the rising social unrest caused by it, were relieved somewhat by a new fuel agreement with Georgia and Turkmenistan. The pact provided for substantial increases in delivery of Turkmen natural gas through the Georgian pipeline. Although this measure increased the daily electricity ration from one hour to two hours, long−term fuel increases depended on additional negotiations and of the payment of Armenia's substantial debt to Turkmenistan. In January the State Duma, the lower house of Russia's legislative body, was considering a major grant of credit to Armenia, which would be used in reopening the Armenian Atomic Power Station at Metsamor. The arrangement would be a major step in solidifying economic ties with Russia, which has also given technical assistance for the plant.

According to Armenian Ministry of Industry figures, 40 percent of the country's industrial 1994 output, worth a total of US$147 million, was sold for hard currency. Among the main customers were Iran, Syria, the United Arab Emirates, Cyprus, Belgium, and several North African countries. Although machinebuilding industries did not work at full capacity in 1994 because of a reduced market in Russia, industry was buoyed by the resumption of full production at the Nairit Chemical Plant after several years of shutdown. Nairit was expected to produce goods worth US$60 million per month in 1995.

Armenia's state commission for privatization vouchers began voucher distribution to the public in October 1994. At that point, vouchers for ten enterprises were available, with another fifty due for consideration in February 1995. High profitability was the chief criterion for listing enterprises for privatization. The Nairit plant and the Armenian Electrical Machine Plant, Armenia's largest and most profitable industrial facilities, were converted to private joint−stock enterprises in January 1995.

In Azerbaijan, hopes for economic improvement depended most on foreign investment in offshore oil deposits in the Caspian Sea. Those hopes were subdued somewhat by disagreements over the September 1994 agreement of Western, Russian, and Iranian oil interests to aid Socar, Azerbaijan's state oil company, to develop offshore deposits in the Caspian Sea.

Throughout the last months of 1994, Russia insisted that its 10 percent share of the new deal was unfair on the grounds that all Caspian countries should have equal access to Caspian resources. Russia also continued strong opposition to a new pipeline through Iran to Turkey, which the Western partners favored. The Western firms were dismayed by Azerbaijan's offer of 25 percent of its oil deal to Iran, by the political uncertainty that seemed to escalate in Azerbaijan after the oil deal was signed, and by the rapid deterioration of existing Caspian fields, many of which were deserted in early 1995. Experts agreed an important determinant of Azerbaijan's profit from the agreement would be the maintenance of world oil prices.

In December 1994, Russia's military occupation of its separatist Chechen Autonomous Republic closed the main rail line from Russia, the chief trade route to other CIS republics and elsewhere. Replacement trade routes were sought through Iran, Turkey, and the United Arab Emirates. At the same time, hyperinflation continued (the value of the manat had dropped to 4,300 per US$1 at the end of 1994, down from 120 manats per US$1 in October 1993), spurred by full liberalization of prices to conform with IMF credit requirements.

The 1995 budget deficit equaled 20 percent of the gross domestic product (GDP—see Glossary). Foreign credit, especially loans from Turkey, was being used to provide food and social services—needs exacerbated by the continuing influx of Karabakh refugees. Economic reform, meanwhile, was delayed by more immediate concerns. Most industries were operating at about 25 percent of capacity in the winter of 1994−95.

In the last months of 1994, Russia struggled to maintain influence in Azerbaijan. Its position was threatened by approval of the multinational Caspian oil deal in September and by the Azerbaijani perception that the West was restraining Armenian aggression in Karabakh. In November President Aliyev met with Russia's President Yeltsin, who offered 300,000 tons of Russian grain and the reopening of Russian railroad lines in an apparent effort to optimize Russia's influence throughout the Transcaucasus. Azerbaijani opposition parties, led by the Azerbaijani Popular Front (APF), continued to predict that Aliyev's overtures to Russia would return Russia to a dominant position in Azerbaijani political and economic affairs. Experts predicted, however, that Russia would continue to play a vital economic role; at the end of 1994, about 60 percent of Azerbaijan's trade turnover involved Russia.

In early 1995, the issue of Nagorno−Karabakh's status continued to stymie the peace talks jointly sponsored in

Moscow by the OSCE and Russia under the Budapest agreement of November 1994. Although Azerbaijan had signed several agreements with Nagorno−Karabakh as a full participant, the extent of the region's autonomy remained a key issue, as did the terms of the liberation of Azerbaijan's Lachin and Shusha regions from Armenian occupation. The Azerbaijani position was that the principals of the negotiations were Armenia and Azerbaijan, with the respective Armenian and Azerbaijani communities in Nagorno−Karabakh as “interested parties.” (At the end of 1994, an estimated 126,000 Armenians and 37,000 Azerbaijanis remained in the region.) Azerbaijan lodged an official protest against Russian insistence that the Karabakh Armenians constituted a third principal. In February presidents Aliyev and Ter−Petrosian met with presidents Nursultan Nazarbayev of Kazakhstan and Shevardnadze of Georgia in Moscow and expressed optimism that the nine−month cease−fire would hold until complete settlement could be reached. Nazarbayev and the presidents of Russia and Ukraine offered to be guarantors of stability in Nagorno−Karabakh if Azerbaijan would guarantee the region's borders.

After the unsuccessful coup against him by Prime Minister Suret Huseynov in October 1994, Azerbaijan's President Heydar Aliyev maintained his position. Despite loud opposition from the APF and other parties, Aliyev appeared to occupy a strong position at the beginning of 1995. In early 1995, friction developed between Aliyev and Rusul Guliyev, speaker of the Melli− Majlis (National Council), each accusing the other of responsibility for worsening socioeconomic conditions. Former president Abulfaz Elchibey of the APF remained a vocal critic of Aliyev and had a substantial following.

In Georgia, the unresolved conflict with the Abkhazian Autonomous Republic remained the most important issue. The repatriation of Georgian refugees to Abkhazia, a process conducted very slowly by Abkhazian authorities in the early autumn of 1994, ended completely between November 1994 and January 1995.

Opposition parties in Georgia, especially the National Liberation Front led by former Prime Minister Tengiz Sigua, increased their pressure on the government to take action, likening Abkhazia to Russia's secessionist Chechen Autonomous Republic, which Russia invaded in December 1994. (In fact, the official position of the Shevardnadze government supported the Russian move, both because of the parallel with Abkhazia and because of the need for continued Russian military monitoring of the cease−fire.) In January an attempted march of 1,400 armed Georgian refugees into Abkhazia was halted by Georgian government troops, and organizer Tengiz Kitovani, former minister of defense, was arrested for having organized the group. Although the UN adopted resolutions in January condemning the Abkhazian refugee policy, UN officials saw little hope of a rapid change in the situation in 1995.

The issue of human rights continued to dog the Shevardnadze administration in late 1994 and early 1995. In February 1995, the Free Media Association of Georgia, which included most of the country's largest independent newspapers, officially protested police oppression and confiscation of newspapers. Newspaper production had already been restricted since the beginning of winter because of Georgia's acute energy shortage.

The Georgian political world was shocked by the assassination in December 1994 of Gia Chanturia, leader of the moderate opposition National Democratic Party and one of the country's most popular politicians.

Responsibility for the act was not established. Chanturia's death escalated calls for resignation of the Cabinet of Ministers, an outcome made more likely by the parliament's failure to pass Shevardnadze's proposed 1995 budget and by continued factionalism within the cabinet.

An important emerging figure was Minister of Defense Vardiko Nadibaidze, an army general entrusted in 1994 with finally developing a professional Georgian military force that would reduce reliance on outside forces (such as Russia's) to protect national security. At the end of 1994, Georgian forces were estimated at 15,000 ground troops, 3,000 air and air defense personnel, and 1,500 to 2,000 in the coastal defense force.

Economic reform continued unevenly under the direction of Vice Premier for Economics Temur Basilia. By design, inflation and prices continued to rise in the last months of 1994, and rubles and dollars remained the chief currency instead of the Georgian coupon. In a November 1994 poll, one−third of respondents said they spent their entire income on food. Distribution of privatization vouchers among the population was scheduled to begin in mid−1995. In November 1994, more than 1,500 enterprises had been privatized, most of them classified as commercial or service establishments. A group of Western and Japanese donors pledged a minimum of US$274 million in credits to Georgia in 1995, with another US$162 million available pending “visible success" in economic reform.

In Geneva, peace talks between the Georgian government and the Abkhazian Autonomous Republic reached

the eighteen−month mark; the major points of disagreement continued to be the political status of Abkhazia and the repatriation of Georgian refugees. The Abkhazian delegation insisted on equal status with Georgia in a new confederation. The Russian and UN mediators proposed a federal legislature and joint agencies for foreign policy, foreign trade, taxation, energy, communications, and human rights, providing Abkhazia substantially more autonomy than it had had when Georgia became independent but leaving open the question of relative power within such a system. In early February 1995, preliminary accord was reached on several points of the mediators' proposal.

As 1995 began, prospects for stability in the Transcaucasus were marginally better than they had been since the three countries achieved independence in 1991. Much depended on continued strong leadership from presidents Aliyev, Shevardnadze, and Ter−Petrosian, on a peaceful environment across the borders in Russia and Iran, and on free access to the natural resources needed to restart the national economies.

February 28, 1995 Glenn E. Curtis

Chapter 2. Azerbaijan

Country Profile
Sixth−century water pitcher Data as of March 1994

Country

Formal Name: Republic of Azerbaijan.
Short Form: Azerbaijan.
Term for Citizens: Azerbaijani(s).
Capital: Baku.
Date of Independence: October 18, 1991.
Geography *Size:* Approximately 86,600 square kilometers.
Topography: About half mountainous; surrounded by mountain ranges, most notably Greater Caucasus range to north. Flatlands in center and along Caspian Sea coast.
Climate: Dry, semiarid steppe in center and east, subtropical in southeast, cold at high mountain elevations to north, temperate on Caspian Sea coast.

Society

Population: Mid−1994 estimate 7,684,456; 1994 annual growth rate 1.4 percent. Density in 1991 approximately eightythree people per square kilometer.

Ethnic Groups: Azerbaijanis 82.7 percent, Russians 5.6 percent, Armenians 5.6 percent, and Lezgins (Daghestanis) 3.2 percent, per 1989 census (Armenians and Russians much less in early 1990s).

Languages: Azerbaijani 82 percent, Russian 7 percent, and Armenian 5 percent, per 1989 census (Armenian much less in early 1990s).

Religion: In 1989 Muslim 87 percent (about 70 percent of which Shia), Russian Orthodox 5.6 percent, and Armenian Apostolic 5.6 percent (much less in early 1990s). Many mosques reopened or established after religious restrictions of Soviet period.

Education and Literacy: Compulsory education through eighth grade. In 1970 literacy estimated at 100 percent (ages nine to forty−nine). After 1991 major reform program was begun to modify Soviet system, eliminate ideology, increase use of Azerbaijani language, and reintroduce traditional religious instruction.

Health: Nominally universal health care available but facilities limited, especially after independence.

Sanitation, pharmacies, health care delivery, and research and development at relatively low level; medicines and equipment in short supply.

Economy

Gross National Product (GNP): In 1992 estimated at US$18.6 billion, or US$2,480 per capita. Average growth rate 1.9 percent in 1980−91. Production dropped throughout early 1990s because of adjustments to post−Soviet system and because of Nagorno−Karabakh conflict.

Agriculture: Main crops grapes, cotton, tobacco, citrus fruits, and vegetables. Livestock, dairy products, and wine also produced. Slow privatization hinders productivity increase, and production of most crops decreased in early 1990s. Irrigation and other equipment outmoded, although irrigation critical for many crops.

Industry and Mining: Principal industries oil extraction, oil equipment manufacture, petrochemicals, and construction. Besides oil, large natural gas deposits and some iron ore, bauxite, cobalt, and molybdenum. Oil production in decline since 1980s.

Energy: Abundant hydroelectric potential, but majority of electric power generated by oil−fired plants.

Domestic natural gas production meets 35 percent of domestic needs. Foreign assistance sought to rejuvenate oil extraction industry.

Exports: In 1992 estimated at US$926 million with Commonwealth of Independent States (CIS) nations and US$821 million outside CIS, of which 61 percent refined oil and gas products, 25 percent machinery and metal products, and 7 percent light industrial products (textiles and food products). Largest export markets Russia, Ukraine, Iran, Turkey, and Hungary.

Imports: In 1992 estimated at US$300 million outside CIS, of which 36 percent machine parts, 21 percent processed foods, and 12 percent nonfood light industrial products. Largest import sources Russia, Turkey, and Ukraine.

Balance of Payments: In 1992 trade surplus approximately US$24 million.

Exchange Rate: Manat, established in 1992 at ten rubles to the manat, was used together with ruble until end of 1993, after which manat became sole currency. October 1993 exchange rate US$1=120 manat.

Inflation: Estimated at 1,200 percent for 1993.

Fiscal Year: Calendar year.

Fiscal Policy: State budget consists of central government budget and budgets of sixty−eight local and regional government budgets. Tax system revised in 1992 to improve state income, and budgetary expenditures tightly controlled to minimize budget deficits.

Transportation and Telecommunications

Highways: In 1990 about 36,700 kilometers of roads, of which 31,800 hard−surface. Generally poorly maintained.

Railroads: 2,090 kilometers of rail line in 1990. Lines connect Baku with Tbilisi, Makhachkala (Daghestan), and Erevan; rail line in Nakhichevan Autonomous Republic goes to Tabriz (Iran). Operating costs high because of poor equipment condition. Service disrupted by Nagorno−Karabakh conflict in early 1990s.

Civil Aviation: Total thirty−three usable airports, twenty−six with permanent−surface runways. Longest runway at Baku International Airport. National airline, Azerbaijan Airlines, founded in 1992.

Inland Waterways: Most rivers not navigable.

Ports: Baku center of Caspian shipping lines to Iran and Turkmenistan.

Pipelines: In 1994 crude oil pipeline 1,130 kilometers, petroleum products pipeline 630 kilometers, and natural gas pipeline 1,240 kilometers.

Telecommunications: In 1991 total telephone lines 644,000 (nine per 100 persons). Connections to CIS countries by cable and microwave. Connections to other countries through Moscow. International Telecommunications Satellite Organization (Intelsat) station in Baku gives access to 200 countries through Turkey. Turkish and Iranian television stations received through satellite; domestic and Russian broadcasts received locally.

Government and Politics

Government: One autonomous republic, Nakhichevan Autonomous Republic; one autonomous region, Nagorno−Karabakh Autonomous Region (under dispute with Armenia). Fifty−six districts and ten cities under direct central control. Executive branch includes president, elected by direct popular vote and Council of Ministers, appointed by president with legislative approval; 350−member legislature, Azerbaijani Supreme Soviet, dissolved in May 1992, superseded by fifty−member Melli−Majlis (National Council). Regimes of early 1990s unstable. Adoption of new constitution delayed by political turmoil. Judicial branch remains substantially unchanged from Soviet system, which offered limited rights to those accused.

Politics: Azerbaijani Communist Party, previously only legal party, dissolved formally September 1991 but remained influential and was reconstituted December 1993. Major parties New Azerbaijan Party, led by President Heydar Aliyev; Azerbaijani Popular Front, major opposition party 1990−92; and National Independence Party, major opposition party 1992−94. Several smaller parties influential in coalition politics of MelliMajlis .

Foreign Relations: Major goal countering worldwide Armenian information campaign on Nagorno−Karabakh. Policy toward Turkey and Russia varies with perception of support and mediation of Nagorno−Karabakh conflict; Aliyev government closer to Russia. Blockade of Armenia brought United States restriction of relations and aid in 1992. Recognized by 120 countries by 1993.

International Agreements and Membership: Member of Commonwealth of Independent States, United Nations, Conference on Security and Cooperation in Europe, International Bank for Reconstruction and Development, and International Monetary Fund.

National Security

Armed Forces: Military affairs overseen by Defense Council reporting to president, not by Ministry of Defense. Armed forces consist of army, air force, air defense forces, navy, and National Guard. In 1994 total of about 56,000 troops (about half of which conscripts), 49,000 of which allocated to ground forces, 3,000 to navy, and 2,000 each to air force and air defense forces. Paramilitary groups extensively used in Nagorno−Karabakh conflict in early 1990s, and volunteers widely sought abroad. All Russian forces withdrawn by 1993. Forced recruitment reported in 1993; discipline poor.

Military Budget: Estimated expenditure in 1992 about 10.5 percent (about US$125 million) of state budget.

Internal Security: Border Guards, established in 1992, limited; some Russian troops included. In 1993 major reform of Ministry of Internal Affairs, which controls 20,000 militia troops used as regular police. Customs service unable to prevent smuggling, especially of narcotics.

Historical Background

Figure 8. Azerbaijan, 1994 Icheri−Shekher Fortress, Baku Courtesy Tatiana Zagorskaya U DER THE DOMINATION of the Soviet Union for most of the twentieth century, Azerbaijan began a period of tentative autonomy when the Soviet state collapsed at the end of 1991. A culturally and linguistically Turkic people, the Azerbaijanis have retained a rich cultural heritage despite long periods of Persian and Russian domination. In the 1990s, the newly independent nation still faced strong and contrary religious and political influences from neighbors such as Iran to the south, Turkey to the west, and Russia to the north (see fig. 8). Despite the country's rich oil reserves, Azerbaijan's natural and economic resources and social welfare system have been rated below those of most of the other former Soviet republics. Furthermore, in the early 1990s a long military and diplomatic struggle with neighboring Armenia was sapping resources and distracting the country from the task of devising post−Soviet internal systems and establishing international relations.

The territory of modern Azerbaijan has been subject to myriad invasions, migrations, and cultural and political influences. During most of its history, Azerbaijan was under Persian influence, but as the Persian Empire declined, Russia began a 200−year dominance, some aspects of which have persisted into the 1990s.

Early History

As a crossroads of tribal migration and military campaigns, Azerbaijan underwent a series of invasions and was part of several larger jurisdictions before the beginning of the Christian era.

In the ninth century B.C., the seminomadic Scythians settled in areas of what is now Azerbaijan. A century later, the Medes, who were related ethnically to the Persians, established an empire that included southernmost Azerbaijan. In the sixth century B.C., the Archaemenid Persians, under Cyrus the Great, took over the western part of Azerbaijan when they subdued the Assyrian Empire to the west. In 330 B.C., Alexander the Great absorbed the entire Archaemenid Empire into his holdings, leaving Persian satraps to govern as they advanced eastward. According to one account, Atropates, a Persian general in Alexander's command, whose name means “protected by fire,” lent his name to the region when Alexander made him its governor. Another legend explains that Azerbaijan's name derives from the Persian words meaning “the land of fire,” a reference either to the natural burning of surface oil deposits or to the oil−fueled fires in temples of the once−dominant Zoroastrian religion (see Religion , this ch.).

The Introduction of Islam and the Turkish Language

Between the first and third centuries A.D., the Romans conquered the Scythians and Seleucids, who were among the successor groups to the fragmented empire of Alexander. The Romans annexed the region of present−day Azerbaijan and called the area Albania. As Roman control weakened, the Sasanid Dynasty reestablished Persian control. Between the seventh and eleventh centuries, Arabs controlled Azerbaijan, bringing with them the precepts of Islam. In the mid−eleventh century, Turkic−speaking groups, including the Oghuz tribes and their Seljuk Turkish dynasty, ended Arab control by invading Azerbaijan from Central Asia and asserting political domination. The Seljuks brought with them the Turkish language and Turkish customs.

By the thirteenth century, the basic characteristics of the Azerbaijani nation had been established. Several masterpieces of Azerbaijani architecture and literature were created during the cultural golden age that spanned the eleventh through the thirteenth centuries. Among the most notable cultural monuments of this period are the writings of Nezami Ganjavi and the mausoleum of Momine−Khatun in Nakhichevan (see The Arts , this ch.).

Under the leadership of Hulegu Khan, Mongols invaded Azerbaijan in the early thirteenth century; Hulegu ruled Azerbaijan and Persia from his capital in the Persian city of Tabriz. At the end of the fourteenth century, another Mongol, Timur (also known as Tamarlane), invaded Azerbaijan, at about the same time that Azerbaijani rule was reviving under the Shirvan Dynasty. Shirvan shah Ibrahim I ibn Sultan Muhammad briefly accepted Timur as his overlord. (In earlier times, the Shirvan shahs had accepted the suzerainty of Seljuk overlords.) Another extant architectural treasure, the Shirvan shahs' palace in Baku, dates from this period. In the sixteenth century, the Azerbaijani Safavid Dynasty took power in Persia. This dynasty fought off efforts by the Ottoman Turks during the eighteenth century to establish control over Azerbaijan; the Safavids could not, however, halt Russian advances into the region.

Within the Russian Empire

Sixteenth−century palace of the Sheki khans, Sheki Courtesy Jay Kempen B ginning in the early eighteenth century, Russia slowly asserted political domination over the northern part of Azerbaijan, while Persia retained control of southern Azerbaijan. In the nineteenth century, the division between Russian and Persian Azerbaijan was largely determined by two treaties concluded after wars between the two countries. The Treaty of Gulistan (1813) established the Russo−Persian border roughly along the Aras River, and the Treaty of Turkmanchay (1828) awarded Russia the Nakhichevan khanates (along the present−day border between Armenia and Turkey) in the region of the Talysh Mountains. The land that is now Azerbaijan was split among three Russian administrative areas—Baku and Elizavetpol provinces and part of Yerevan Province, which also extended into present−day Armenia.

Russian Influences in the Nineteenth Century

In the nineteenth century, Russian influence over daily life in Azerbaijan was less pervasive than that of indigenous religious and political elites and the cultural and intellectual influences of Persia and Turkey.

During most of the nineteenth century, the Russian Empire extracted commodities from Azerbaijan and invested little in the economy. However, the exploitation of oil in Azerbaijan at the end of the nineteenth century brought an influx of Russians into Baku, increasing Russian influence and expanding the local economy.

Although ethnic Russians came to dominate the oil business and government administration in the late 1800s, many Azerbaijanis became prominent in particular sectors of oil production, such as oil transport on the Caspian Sea. Armenians also became important as merchants and local officials of the Russian monarchy. The population of Baku increased from about 13,000 in the 1860s to 112,000 in 1897 and 215,000 in 1913, making Baku the largest city in the Caucasus region. At this point, more than one−third of Baku's population consisted of ethnic Russians. In 1905 social tensions erupted in riots and other forms of death and destruction as Azerbaijanis and Armenians struggled for local control and Azerbaijanis resisted Russian sovereignty.

The Spirit of Revolution

The growth of industry and political influences from outside prompted the formation of radical and reformist political organizations at the turn of the century. A leftist party calling itself Himmat (Equality), composed mainly of Azerbaijani intellectuals, was formed in 1903−4 to champion Azerbaijani culture and language against Russian and other foreign influences. A small Social Democratic Party (which later split into Bolshevik and Menshevik factions) also existed, but that party was largely dominated by Russians and Armenians. Some members of Himmat broke away and formed the Musavat (Equality Party) in 1912. This organization aimed at establishing an independent Azerbaijani state, and its progressive and nationalist slogans gained wide appeal. Himmat's Marxist coloration involved it in wider ideological squabbles in the period leading up to the 1917 Bolshevik Revolution in Russia. After several further splits, the remainder of Himmat was absorbed into the Russian Communist Party (Bolshevik) shortly before Azerbaijan was occupied by the Red Army in 1920.

World War I and Independence

After the Bolshevik Revolution, a mainly Russian and Armenian grouping of Baku Bolsheviks declared a Marxist republic in Azerbaijan. Muslim nationalists separately declared the establishment of the Azerbaijan People's Democratic Republic in May 1918 and formed the “Army of Islam,” with substantial help from the Ottoman Turkish army, to defeat the Bolsheviks in Baku. The Army of Islam marched into the capital in September 1918, meeting little resistance from the Bolshevik forces. After some violence against Armenians still residing in the city, the new Azerbaijani government, dominated by the Musavat, moved into its capital.

Azerbaijan was occupied by Ottoman Turkish troops until the end of World War I in November 1918. British forces then replaced the defeated Turks and remained in Azerbaijan for most of that country's brief period of independence.

Facing imminent subjugation by the Red Army, Azerbaijan attempted to negotiate a union with Persia, but this effort was mooted when the Red Army invaded Azerbaijan in April 1920. Russian leader Vladimir I.

Lenin justified the invasion because of the importance of the Baku region's oil to the Bolsheviks, who were still embroiled in a civil war. The Red Army met little resistance from Azerbaijani forces because the Azerbaijanis were heavily involved in suppressing separatism among the Armenians that formed a majority in the Nagorno−Karabakh area of southcentral Azerbaijan. In September 1920, Azerbaijan signed a treaty with Russia unifying its military forces, economy, and foreign trade with those of Russia, although the fiction of Azerbaijani political independence was maintained.

Within the Soviet Union

The invasion of 1920 began a seventy−one−year period under total political and economic control of the state that became the Soviet Union in 1922. The borders and formal status of Azerbaijan underwent a period of change and uncertainty in the 1920s and 1930s, and then they remained stable through the end of the Soviet period in 1991.

In late 1921, the Russian leadership dictated the creation of a Transcaucasian federated republic, composed of Armenia, Azerbaijan, and Georgia, which in 1922 became part of the newly proclaimed Soviet Union as the Transcaucasian Soviet Federated Socialist Republic (TSFSR). In this large new republic, the three subunits ceded their nominal powers over foreign policy, finances, trade, transportation, and other areas to the unwieldy and artificial authority of the TSFSR. In 1936 the new “Stalin Constitution” abolished the TSFSR, and the three constituent parts were proclaimed separate Soviet republics.

In mid−1920 the Red Army occupied Nakhichevan, an Azerbaijani enclave between Armenia and northwestern Iran. The Red Army declared Nakhichevan a Soviet socialist republic with close ties to Azerbaijan. In early 1921, a referendum confirmed that most of the population of the enclave wanted to be included in Azerbaijan. Turkey also supported this solution. Nakhichevan's close ties to Azerbaijan were confirmed by the Russo−Turkish Treaty of Moscow and the Treaty of Kars among the three Transcaucasian states and Turkey, both signed in 1921.

Lenin and his successor, Joseph V. Stalin, assigned pacification of Transcaucasia and delineation of borders in the region to the Caucasian Bureau of the Russian Communist Party (Bolshevik). In 1924, despite opposition from many Azerbaijani officials, the bureau formally designated Nakhichevan an autonomous republic of Azerbaijan with wide local powers, a status it retains today.

The existence of an Azerbaijani majority population in northern Iran became a pretext for Soviet expansion.

In 1938 Soviet authorities expelled Azerbaijanis holding Iranian passports from the republic. During World War II, Soviet forces occupied the northern part of Iran. The occupiers stirred an irredentist movement fronted by the Democratic Party of Azerbaijan, which proclaimed the communist Autonomous Government of Azerbaijan at Tabriz at the end of 1945. The Western powers forced the Soviet Union to withdraw from Iran in 1946. Upon the subsequent collapse of the autonomous government, the Iranian government began harsh suppression of the Azerbaijani culture. From that time until the late 1980s, contacts between Azerbaijanis north and south of the Iranian−Soviet border were severely limited.

Stalin and Post−Stalin Politics

During Stalin's dictatorship in the Soviet Union (1926−53), Azerbaijan suffered, as did other Soviet republics, from forced collectivization and far−reaching purges. Yet during the same period, Azerbaijan also achieved significant gains in industrialization and literacy levels that were impressive in comparison with those of other Muslim states of the Middle East at that time.

After Stalin Moscow's intrusions were less sweeping but nonetheless authoritarian. In 1959 Nikita S. Khrushchev, first secretary of the Communist Party of the Soviet Union (CPSU), moved to purge leaders of the Azerbaijani Communist Party (ACP) because of corruption and nationalist tendencies. Leonid I. Brezhnev, Khrushchev's successor, also removed ACP leaders for nationalist leanings, naming Heydar Aliyev in 1969 as the new ACP leader. In turn, Mikhail S. Gorbachev removed Aliyev in 1987, ostensibly for health reasons, although later Aliyev was accused of corruption.

After Communist Rule

*Memorial to Azerbaijani victims of 1990 Russian invasion, Baku Courtesy David Dallas, United States Information Agency Soviet troops sent to quell Azerbaijani nationalist unrest, 1989−90 Courtesy Jay Kempen A*erbaijan was strongly affected by the autonomy that spread to most parts of the Soviet Union under Gorbachev's liberalized regime in the late 1980s. After independence was achieved in 1991, conflict with Armenia became chronic, and political stability eluded Azerbaijan in the early years of the 1990s.

Demands for Sovereignty and the Soviet Reaction

In the fall of 1989, the nationalist opposition Azerbaijani Popular Front (APF) led a wave of protest strikes expressing growing political opposition to ACP rule (see Government and Politics , this ch.). Under this pressure, the ACP authorities bowed to opposition calls to legalize the APF and proclaim Azerbaijani sovereignty. In September 1989, the Azerbaijani Supreme Court passed a resolution of sovereignty, among the first such resolutions in the Soviet republics. The resolution proclaimed Azerbaijan's sovereignty over its land, water, and natural resources and its right to secede from the Soviet Union following a popular referendum. The Presidium of the Supreme Soviet, the legislative body of the Soviet Union, declared this resolution invalid in November 1989. Another manifestation of nationalist ferment occurred at the end of 1989, when Azerbaijanis rioted along the Iranian border, destroying border checkpoints and crossing into Iranian provinces that had Azerbaijani majorities. Azerbaijani intellectuals also appealed to the CPSU Politburo for relaxation of border controls between Soviet and Iranian Azerbaijan, comparing the “tragic”

separation of the Azerbaijani nation to the divisions of Korea or Vietnam.

Meanwhile, Azerbaijanis unleashed a wave of violence against Armenian residents of Baku and other population centers, causing turmoil that seemed to jeopardize ACP rule. In response, in January 1990 Moscow deployed forces of its Ministry of Internal Affairs (Ministerstvo vnutrennikh del—MVD), Committee for State Security (Komitet gosudarstvennoi bezopasnosti—KGB), and the military in a brutal suppression of these riots. Moscow also began a crackdown on the APF and other opposition forces in Baku and other cities, and Soviet forces cooperated with Iranian authorities to secure the Azerbaijani−Iranian border. These actions further alienated the population from Moscow's rule. Ironically, the Soviet crackdown targeted the large and increasingly vocal Azerbaijani working class. In this process, martial law was declared, and the ACP leader was replaced by Ayaz Mutalibov, a former chairman of the Azerbaijani Council of Ministers. In May 1990, while martial law remained in effect, Mutalibov was elected president by the Azerbaijani Supreme Soviet; elections to the Supreme Soviet were held four months later. The APF, although declared illegal, retained immense popular appeal and visibility.

The Issue of Nagorno−Karabakh

The Soviet Union created the Nagorno−Karabakh Autonomous Region within Azerbaijan in 1924, when over 94 percent of the region's population was Armenian (see fig. 3). (The term Nagorno−Karabakh originates from the Russian for “mountainous Karabakh.”) As the Azerbaijani population grew, the Karabakh Armenians chafed under discriminatory rule, and by 1960 hostilities had begun between the two populations of the region.

On February 20, 1988, Armenian deputies to the National Council of Nagorno−Karabakh voted to unify that region with Armenia (see Population and Ethnic Composition , this ch.; Nagorno−Karabakh and Independence, ch. 1). Although Armenia did not formally respond, this act triggered an Azerbaijani massacre of more than 100 Armenians in the city of Sumgait, just north of Baku. A similar attack on Azerbaijanis occurred in the Armenian town of Spitak. Large numbers of refugees left Armenia and Azerbaijan as pogroms began against the minority populations of the respective countries. In the fall of 1989, intensified interethnic conflict in and around Nagorno−Karabakh led Moscow to grant Azerbaijani authorities greater leeway in controlling that region. The Soviet policy backfired, however, when a joint session of the Armenian Supreme Soviet and the National Council, the legislative body of Nagorno−Karabakh, proclaimed the unification of Nagorno−Karabakh with Armenia. In mid−January 1990, Azerbaijani protesters in Baku went on a rampage against remaining Armenians and the ACP. Moscow intervened, sending police troops of the MVD, who violently suppressed the APF and installed Mutalibov as president. The troops reportedly killed 122 Azerbaijanis in quelling the uprising, and Gorbachev denounced the APF for striving to establish an Islamic republic. These events further alienated the Azerbaijani population from Moscow and ACP rule. In a December 1991 referendum boycotted by local Azerbaijanis, Armenians in Nagorno−Karabakh approved the creation of an independent state. A Supreme Soviet was elected, and Nagorno−Karabakh appealed for world recognition.

Independence

Mutalibov initially supported the August 1991 coup attempted against the Gorbachev regime, drawing vehement objections from APF leaders and other political opponents. Once the coup failed, Mutalibov moved quickly to repair local damage and to insulate his rule from Moscow's retribution by announcing his resignation as first secretary of the ACP. These moves by Mutalibov and his supporters were in line with the pro−independence demands of the APF, even though the two groups remained political adversaries. In September 1991, Mutalibov was elected president without electoral opposition but under charges from the APF that the election process was corrupt.

Azerbaijan began the process of achieving formal independence October 18, when the Supreme Soviet passed a law on state independence, ratifying that body's August declaration of independence. Then in December, over 99 percent of voters cast ballots in favor of independence in a referendum on that issue. The constitution was duly amended to reflect the country's new status. Immediately after the law was passed, the Supreme Soviet appealed to the world's nations and the United Nations (UN) for recognition of Azerbaijan. In December Mutalibov signed accords on Azerbaijan's membership in the Commonwealth of Independent States (CIS—see Glossary), a move criticized by many Azerbaijani nationalists who opposed all links to Russia and Armenia. A year later, the Azerbaijani legislature repudiated the signature, rejecting membership in the CIS. Azerbaijan maintained observer status at CIS meetings, however, and it resumed full membership in late 1993.

Political Instability

The intractable conflict in Nagorno−Karabakh contributed to the fall of several governments in newly independent Azerbaijan. After a February 1992 armed attack by Armenians on Azerbaijani residents in Nagorno−Karabakh caused many civilian casualties, Mutalibov was forced by opposition parties to resign as president. The president of Azerbaijan's Supreme Soviet, Yakub Mamedov, became acting president.

Mamedov held this position until May 1992, when he in turn was forced from power in the face of continuing military defeats in Nagorno−Karabakh. Mutalibov loyalists in the Supreme Soviet reinstated him as president, but two days later he was forced to flee the country when APF−led crowds stormed the government buildings in Baku. An interim APF government assumed power until previously scheduled presidential elections could be held one month later. APF leader and intellectual Abulfaz Elchibey, who won over 59 percent of the vote in a five−candidate electoral contest, then formed Azerbaijan's first postcommunist government. Elchibey served as president only one year, however, before being forced to flee Baku in mid−June 1993 in the face of an insurrection led by a disgruntled military officer. Taking advantage of the chaos, Aliyev returned to power, and an election in October 1993 confirmed him as president.

Efforts to Resolve the Nagorno−Karabakh Crisis, 1993

By the end of 1993, the conflict over Nagorno−Karabakh had caused thousands of casualties and created hundreds of thousands of refugees on both sides. In a national address in November 1993, Aliyev stated that 16,000 Azerbaijani troops had died and 22,000 had been injured in nearly six years of fighting. The UN estimated that nearly 1 million refugees and displaced persons were in Azerbaijan at the end of 1993.

Mediation was attempted by officials from Russia, Kazakhstan, and Iran, among other countries, as well as by organizations including the UN and the Conference on Security and Cooperation in Europe (CSCE—see Glossary), which began sponsoring peace talks in mid−1992. All negotiations met with little success, and several cease−fires broke down. In mid−1993 Aliyev launched efforts to negotiate a solution directly with the Karabakh Armenians, a step Elchibey had refused to take. Aliyev's efforts achieved several relatively long cease−fires within Nagorno−Karabakh, but outside the region Armenians occupied large sections of southwestern Azerbaijan near the Iranian border during offensives in August and October 1993. Iran and Turkey warned the Nagorno−Karabakh Armenians to cease the offensive operations that threatened to spill over into foreign territory. The Armenians responded by claiming that they were driving back Azerbaijani forces to protect Nagorno−Karabakh from shelling.

In 1993 the UN Security Council called for Armenian forces to cease their attacks on and occupation of a number of Azerbaijani regions. In September 1993, Turkey strengthened its forces along its border with Armenia and issued a warning to Armenia to withdraw its troops from Azerbaijan immediately and unconditionally. At the same time, Iran was conducting military maneuvers near the Nakhichevan Autonomous Republic in a move widely regarded as a warning to Armenia. Iran proposed creation of a twenty−kilometer security zone along the Iranian−Azerbaijani border, where Azerbaijanis would be protected by Iranian firepower. Iran also contributed to the upkeep of camps in southwestern Azerbaijan to house and feed up to 200,000 Azerbaijanis fleeing the fighting.

Fighting continued into early 1994, with Azerbaijani forces reportedly winning some engagements and regaining some territory lost in previous months. In January 1994, Aliyev pledged that in the coming year occupied territory would be liberated and Azerbaijani refugees would return to their homes. At that point, Armenian forces held an estimated 20 percent of Azerbaijan outside Nagorno−Karabakh, including 160 kilometers along the Iranian border.

Physical Environment

Three physical features dominate Azerbaijan: the Caspian Sea, whose shoreline forms a natural boundary to the east; the Greater Caucasus mountain range to the north; and the extensive flatlands at the country's center (see fig. 2). About the size of Portugal or the state of Maine, Azerbaijan has a total land area of approximately 86,600 square kilometers, less than 1 percent of the land area of the former Soviet Union. Of the three Transcaucasian states, Azerbaijan has the greatest land area. Special administrative subdivisions are the Nakhichevan Autonomous Republic, which is separated from the rest of Azerbaijan by a strip of Armenian territory, and the NagornoKarabakh Autonomous Region, entirely within Azerbaijan. (The status of Nagorno−Karabakh was under negotiation in 1994.) Located in the region of the southern Caucasus Mountains, Azerbaijan borders the Caspian Sea to the east, Georgia and Russia to the north, Iran to the south, and Armenia to the southwest and west (see fig. 1). A small part of Nakhichevan also borders Turkey to the northwest. The capital of Azerbaijan is the ancient city of Baku, which has the largest and best harbor on the Caspian Sea and has long been the center of the republic's oil industry.

Topography and Drainage

The elevation changes over a relatively short distance from lowlands to highlands; nearly half the country is considered mountainous. Notable physical features are the gently undulating hills of the subtropical southeastern coast, which are covered with tea plantations, orange groves, and lemon groves; numerous mud volcanoes and mineral springs in the ravines of Kobustan Mountain near Baku; and coastal terrain that lies as much as twenty−eight meters below sea level.

Except for its eastern Caspian shoreline and some areas bordering Georgia and Iran, Azerbaijan is ringed by mountains. To the northeast, bordering Russia's Dagestan Autonomous Republic, is the Greater Caucasus range; to the west, bordering Armenia, is the Lesser Caucasus range. To the extreme southeast, the Talysh Mountains form part of the border with Iran. The highest elevations occur in the Greater Caucasus, where Mount Bazar−dyuzi rises 4,740 meters above sea level. Eight large rivers flow down from the Caucasus ranges into the central Kura−Aras lowlands, alluvial flatlands and low delta areas along the seacoast designated by the Azerbaijani name for the Mtkvari River and its main tributary, the Aras. The Mtkvari, the longest river in the Caucasus region, forms the delta and drains into the Caspian a short distance downstream from the confluence with the Aras. The Mingechaur Reservoir, with an area of 605 square kilometers that makes it the largest body of water in Azerbaijan, was formed by damming the Kura in western Azerbaijan.

The waters of the reservoir provide hydroelectric power and irrigation of the KuraAras plain. Most of the country's rivers are not navigable. About 15 percent of the land in Azerbaijan is arable.

Climate

The climate varies from subtropical and dry in central and eastern Azerbaijan to subtropical and humid in the southeast, temperate along the shores of the Caspian Sea, and cold at the higher mountain elevations. Baku, on the Caspian, enjoys mild weather, averaging 4° C in January and 25° C in July. Because most of Azerbaijan receives scant rainfall—on average 152 to 254 millimeters annually—agricultural areas require irrigation.

Heaviest precipitation occurs in the highest elevations of the Caucasus and in the Lenkoran' Lowlands in the far southeast, where the yearly average exceeds 1,000 millimeters.

Environmental Problems

Air and water pollution are widespread and pose great challenges to economic development. Major sources of pollution include oil refineries and chemical and metallurgical industries, which in the early 1990s continued to operate as inefficiently as they had in the Soviet era. Air quality is extremely poor in Baku, the center of oil refining. Some reports have described Baku's air as the most polluted in the former Soviet Union, and other industrial centers suffer similar problems.

The Caspian Sea, including Baku Bay, has been polluted by oil leakages and the dumping of raw or inadequately treated sewage, reducing the yield of caviar and fish. In the Soviet period, Azerbaijan was pressed to use extremely heavy applications of pesticides to improve its output of scarce subtropical crops for the rest of the Soviet Union. Particularly egregious was the continued regular use of the pesticide DDT in the 1970s and 1980s, although that chemical was officially banned in the Soviet Union because of its toxicity to humans. Excessive application of pesticides and chemical fertilizers has caused extensive groundwater pollution and has been linked by Azerbaijani scientists to birth defects and illnesses. Rising water levels in the Caspian Sea, mainly caused by natural factors exacerbated by man−made structures, have reversed the decades−long drying trend and now threaten coastal areas; the average level rose 1.5 meters between 1978 and 1993. Because of the Nagorno−Karabakh conflict, large numbers of trees were felled, roads were built through pristine areas, and large expanses of agricultural land were occupied by military forces.

Like other former Soviet republics, Azerbaijan faces a gigantic environmental cleanup complicated by the economic uncertainties left in the wake of the Moscow−centered planning system. The Committee for the Protection of the Natural Environment is part of the Azerbaijani government, but in the early 1990s it was ineffective at targeting critical applications of limited funds, establishing pollution standards, or monitoring compliance with environmental regulations. Early in 1994, plans called for Azerbaijan to participate in the international Caspian Sea Forum, sponsored by the European Union (EU).

Population and Ethnic Composition

The majority of Azerbaijan's population consists of a single ethnic group whose problems with ethnic minorities have been dominated by the Armenian uprisings in Nagorno−Karabakh. Nevertheless, Azerbaijan includes several other significant ethnic groups. The population of the country is concentrated in a few urban centers and in the most fertile agricultural regions.

Population Characteristics

In mid−1993 the population of Azerbaijan was estimated at 7.6 million. With eighty−three people per square kilometer, Azerbaijan is the second most densely populated of the Transcaucasian states; major portions of the populace live in and around the capital of Baku and in the Kura−Aras agricultural areas. Baku's population exceeded 1.1 million in the late 1980s, but an influx of war refugees increased that figure to an estimated 1.7 million in 1993. In 1993 the estimated population growth rate of Azerbaijan was 1.5 percent per year.

Gyandzha (formerly Kirovabad), in western Azerbaijan, is the second most populous city, with a population of more than 270,000, followed by Sumgait, just north of Baku, with a population of 235,000; figures for both cities are official 1987 estimates. Since that time, Gyandzha and Sumgait, like Baku, have been swollen by war refugees. With 54 percent of Azerbaijanis living in urban areas by 1989, Azerbaijan was one of the most urbanized of the Muslim former Soviet republics. According to the 1989 census, the population of Nagorno−Karabakh was 200,000, of which over 75 percent was ethnically Armenian.

In 1989 life expectancy was sixty−seven years for males and seventy−four years for females. According to legend and to Soviet−era statistics, unusually large numbers of centenarians and other long−lived people live in Nagorno−Karabakh and other areas of Azerbaijan. In 1990 the birth rate was twenty−five per 1,000 population. The fertility rate has declined significantly since 1970, when the average number of births per woman was 4.6. According to Western estimates, the figure was 2.8 in 1990.

In 1987 Azerbaijan's crude death rate was about twelve per 1,000. As in other former Soviet republics, the rate was somewhat higher than in 1970. In Azerbaijan, however, the death rate continued rising through 1992 because of the escalating number of accidents, suicides, and murders; fatalities caused by the conflict with Armenia were also a factor.

According to the 1989 census, about 85 percent of the population was Azerbaijani (5.8 million), 5.8 percent was Russian (392,300), and 5.8 percent was Armenian (390,500). The percentage of Azerbaijanis has increased in recent decades because of a high birth rate and the emigration of Russians and other minorities.

Between 1959 and 1989, the Azerbaijani share of the population rose by 16 percent. Since that time, however, growth of the Azerbaijani share of the population has accelerated with the addition of an estimated 200,000 Azerbaijani deportees and refugees from Armenia and the quickening rate of Armenian emigration. About 13 million Azerbaijanis reside in the northern provinces of neighboring Iran. Smaller groups live in Georgia, the Dagestan Autonomous Republic of Russia to Azerbaijan's north, Uzbekistan, Turkmenistan, Kazakhstan, and Ukraine.

The Role of Women

Although religious practice in Azerbaijan is less restrictive of women's activities than in most of the other Muslim countries, vestiges of the traditional female role remain. Particularly in rural communities, women who appear in public unaccompanied, smoke in public, drive automobiles, or visit certain theaters and restaurants are subject to disapproval. Nevertheless, the majority of Azerbaijani women have jobs outside the home, and a few have attained leadership positions. In July 1993, Aliyev appointed surgeon Lala−Shovket Gajiyeva as his state secretary (a position equivalent at that time to vice president), largely because of her outspoken views on Azerbaijani political problems. Gajiyeva was a champion of women's rights and in late 1993 founded a political party critical of Aliyev's policies. In January 1994, she was moved from state secretary to permanent representative to the UN, presumably because of her controversial positions.

Smaller Ethnic Minorities

Figure 9. Ethnic Groups in Azerbaijan A ter the Azerbaijanis, Russians, and Armenians, the next largest group is the Lezgins (Daghestanis), the majority of whom live across the Russian border in Dagestan, but 171,000 of whom resided in northern Azerbaijan in 1989 (see fig. 9). The Lezgins, who are predominantly Sunni (see Glossary) Muslims and speak a separate Caucasian language, have called for greater rights, including the right to maintain contacts with Lezgins in Russia. In October 1992, President Elchibey promised informally that border regulations would be interpreted loosely to assuage these Lezgin concerns.

In 1989 another 262,000 people belonging to ninety other nationalities lived in Azerbaijan. These groups include Avars, Kurds, Talysh, and Tats. The Talysh in Azerbaijan, estimates of whose numbers varied from the official 1989 census figure of 21,000 to their own estimates of 200,000 to 300,000, are an Iranian people living in southeastern Azerbaijan and contiguous areas of Iran. Like the Lezgins, the Talysh have called for greater rights since Azerbaijan became independent.

In 1992 Elchibey attempted to reassure ethnic minorities by issuing an order that the government defend the political, economic, social, and cultural rights and freedoms of nonAzerbaijanis , and by setting up the Consultative Council on Interethnic Relations as part of the presidential apparatus. At no point were Armenians mentioned, however, among the protected ethnic minorities.

Language, Religion, and Culture

Although Azerbaijan's history shows the mark of substantial religious and cultural influence from Iran, linguistically and ethnically the country is predominantly Turkic. The republic was part of the Soviet Union for seventy years, but Russian culture had only incidental impact.

Language

The official language is Azerbaijani, a Turkic tongue belonging to the southern branch of the Altaic languages. In 1994 it was estimated that some 82 percent of Azerbaijan's citizens speak Azerbaijani as their first language. In addition, 38 percent of Azerbaijanis speak Russian fluently to accommodate Russian domination of the economy and politics. Although official Soviet figures showed that about 32 percent of Russians living in Azerbaijan spoke Azerbaijani, the Russian population generally was reluctant to learn the local language. Most Armenians living in Nagorno−Karabakh use Russian rather than Azerbaijani as their second language.

The Azerbaijani language is part of the Oghuz, or Western Turkic, group of Turkic languages, together with Anatolian Turkish (spoken in Turkey) and Turkmen (spoken in Turkmenistan). The Oghuz tribes of Central Asia spoke this precursor language between the seventh and eleventh centuries. The three descendent languages share common linguistic features. Dialectical differences between Azerbaijani and Anatolian Turkish have been attributed to Mongolian and Turkic influences. Despite these differences, Anatolian Turkish speakers and Azerbaijanis can often understand one another if they speak carefully. Spoken Azerbaijani includes several dialects. Since the nineteenth century, Russian loanwords (particularly technical terms) and grammatical and lexical structures have entered the Azerbaijani language in Russian−controlled Azerbaijan, as have Persian words in Iranian Azerbaijan. The resulting variants remain mutually intelligible, however.

In the immediate pre−Soviet period, literature in Azerbaijan was written in Arabic in several literary forms that by 1900 were giving way to a more vernacular Azerbaijani Turkish form. In 1924 Soviet officials pressured the Azerbaijani government into approving the gradual introduction of a modified Roman alphabet.

Scholars have speculated that this decision was aimed at isolating the Muslim peoples from their Islamic culture, thus reducing the threat of nationalist movements. In the late 1930s, however, Soviet authorities reversed their policy and dictated use of the Cyrillic alphabet, which became official in 1940. Turkey's switch to a modified Roman alphabet in 1928 may have prompted Stalin to reinforce Azerbaijan's isolation from dangerous outside influences by switching to Cyrillic. This change also made it easier for Azerbaijanis to learn Russian.

When the Soviet Union disintegrated, the alphabet question arose once again. Iran reportedly advocated use of Arabic as part of a campaign to expand the influence of Shia (see Glossary) Islam in Azerbaijan. Most Azerbaijani intellectuals ultimately rejected switching to Arabic, however, noting that Iran had not allowed proper study of the Azerbaijani language in northern Iran. Instead, the intellectuals preferred a modified Roman alphabet incorporating symbols for unique Azerbaijani language sounds. In December 1991, the legislature approved a gradual return to a “New Roman” alphabet.

Religion

The prophet Zoroaster (Zarathustra), who was born in the seventh century B.C. in what is now Azerbaijan, established a religion focused on the cosmic struggle between a supreme god and an evil spirit. Islam arrived in Azerbaijan with Arab invaders in the seventh century A.D., gradually supplanting Zoroastrianism and Azerbaijani pagan cults. In the seventh and eighth centuries, many Zoroastrians fled Muslim persecution and moved to India, where they became known as Parsis. Until Soviet Bolsheviks ended the practice, Zoroastrian pilgrims from India and Iran traveled to Azerbaijan to worship at sacred sites, including the Surakhany Temple on the Apsheron Peninsula near Baku.

In the sixteenth century, the first shah of the Safavid Dynasty, Ismail I (r. 1486−1524), established Shia Islam as the state religion, although large numbers of Azerbaijanis remained followers of the other branch of Islam, Sunni. The Safavid court was subject to both Turkic (Sunni) and Iranian (Shia) influences, however, which reinforced the dual nature of Azerbaijani religion and culture in that period. As elsewhere in the Muslim world, the two branches of Islam came into conflict in Azerbaijan. Enforcement of Shia Islam as the state religion brought contention between the Safavid rulers of Azerbaijan and the ruling Sunnis of the neighboring Ottoman Empire.

In the nineteenth century, many Sunni Muslims emigrated from Russian−controlled Azerbaijan because of Russia's series of wars with their coreligionists in the Ottoman Empire. Thus, by the late nineteenth century, the Shia population was in the majority in Russian Azerbaijan. Antagonism between the Sunnis and the Shia diminished in the late nineteenth century as Azerbaijani nationalism began to emphasize a common Turkic heritage and opposition to Iranian religious influences. At present, about three−quarters of Azerbaijani Muslims are at least nominally Shia (and 87 percent of the population was Muslim in 1989).

Azerbaijan's next largest official religion is Christianity, represented mainly by Russian Orthodox and Armenian Apostolic groups. Some rural Azerbaijanis retain pre−Islamic shamanist or animist beliefs, such as the sanctity of certain sites and the veneration of certain trees and rocks.

Before Soviet power was established, about 2,000 mosques were active in Azerbaijan. Most mosques were closed in the 1930s, then some were allowed to reopen during World War II. In the 1980s, however, only two large and five smaller mosques held services in Baku, and only eleven others were operating in the rest of the country. Supplementing the officially sanctioned mosques were thousands of private houses of prayer and many secret Islamic sects. Beginning in the late Gorbachev period, and especially after independence, the number of mosques rose dramatically. Many were built with the support of other Islamic countries, such as Iran, Oman, and Saudi Arabia, which also contributed Qurans (Korans) and religious instructors to the new Muslim states. A Muslim seminary has also been established since 1991. As in the other former Soviet Muslim republics, religious observances in Azerbaijan do not follow all the traditional precepts of Islam. For example, drinking wine is permitted, and women are not veiled or segregated.

During World War II, Soviet authorities established the Muslim Spiritual Board of Transcaucasia in Baku as the governing body of Islam in the Caucasus, in effect reviving the nineteenthcentury tsarist Muslim Ecclesiastical Board. During the tenures of Leonid I. Brezhnev and Mikhail S. Gorbachev, Moscow encouraged Muslim religious leaders in Azerbaijan to visit and host foreign Muslim leaders, with the goal of advertising the freedom of religion and superior living conditions reportedly enjoyed by Muslims under Soviet communism.

In the early 1980s, Allashukur Humatogly Pashazade was appointed sheikh ul−Islam, head of the Muslim board. With the breakup of the Soviet Union, the Muslim board became known as the Supreme Religious Council of the Caucasus Peoples. In late 1993, the sheikh blessed Heydar Aliyev at his swearing−in ceremony as president of Azerbaijan.

The Arts

Azerbaijanis have sought to protect their cultural identity from long−standing outside influences by fostering indigenous forms of artistic and intellectual expression. They proudly point to a number of scientists, philosophers, and literary figures who have built their centuries−old cultural tradition.

Man and woman in traditional costume Courtesy Embassy of Azerbaijan, Washington B fore the eleventh century, literary influences included the Zoroastrian sacred text *Avesta*, Turkish prose−poetry, and oral history recitations (called *dastans*), such as *The Book of Dede Korkut* and *Koroglu*, which contain preIslamic elements. Among the classics of medieval times are the *Astronomy* of Abul Hasan Shirvani (written in the eleventh or twelfth century) and *Khamseh*, a collection of five long romantic poems written in Persian by the twelfth−century poet Nezami Ganjavi. Fuzuli (1494−1556) wrote poetry and prose in Turkish, most notably the poem *Laila and Majnun*, the satire *A Book of Complaints*, and the treatise *To the Heights of Conviction*. Fuzuli's works influenced dramatic and operatic productions in the early twentieth century. Shah Ismail I, who was also the first Safavid shah, wrote court poems in Turkish. Fuzuli and Ismail are still read in their original Turkish dialects, which are very similar to the modern literary Azerbaijani.

In music an ancient tradition was carried into modern times by *ashugs*, poet−singers who presented ancient songs or verses or improvised new ones, accompanied by a stringed instrument called the *kobuz*. Another early musical form was the *mugam*, a composition of alternating vocal and instrumental segments most strongly associated with the ancient town of Shusha in Nagorno−Karabakh.

Decorative Arts and Crafts

Carpet and textile making, both of which are ancient Azerbaijani crafts, flourished during the medieval period, and Azerbaijani products became well known in Asia and Europe. Azerbaijani carpets and textiles were known for their rich vegetation patterns, depictions from the poetry of Nezami Ganjavi, and traditional themes. Each region produced its own distinctive carpet patterns. Silk production became significant in the eighteenth century. During the Soviet period, carpets, textiles, and silk continued to be made in factories or at home. In medieval times, ornately chased weaponry was another major export. Azerbaijan was also famed for miniature books incorporating elaborate calligraphy and illustrations.

Architecture

Azerbaijani architecture typically combines elements of East and West. Many ancient architectural treasures survive in modern Azerbaijan. These sites include the so−called Maiden Tower in Baku, a rampart that has been dated variously from the preChristian era to the twelfth century, and from the top of which, legend says, a distraught medieval maiden flung herself. Among other medieval architectural treasures reflecting the influence of several schools are the Shirvan shahs' palace in Baku, the palace of the Sheki khans in the town of Sheki in north−central Azerbaijan, the Surakhany Temple on the Apsheron Peninsula, a number of bridges spanning the Aras River, and several mausoleums. In the nineteenth and early twentieth centuries, little monumental architecture was created, but distinctive residences were built in Baku and elsewhere. Among the most recent architectural monuments, the Baku subways are noted for their lavish decor.

The Cultural Renaissance

In the second half of the nineteenth century and in the early twentieth century, Azerbaijan underwent a cultural renaissance that drew on the golden age of the eleventh to the thirteenth centuries and other influences. The patronage of the arts and education that characterized this movement was fueled in part by increasing oil wealth. Azerbaijan's new industrial and commercial elites contributed funds for the establishment of many libraries, schools, hospitals, and charitable organizations. In the 1880s, philanthropist Haji Zeinal Adibin Taghiyev built and endowed Baku's first theater.

Artistic flowering in Azerbaijan inspired Turkic Muslims throughout the Russian Empire and abroad, stimulating among other phenomena the establishment of theaters and opera houses that were among the first in the Muslim world. Tsarist authorities first encouraged, then tolerated, and finally used intensified Russification against this assertion of artistic independence.

Several artists played important roles in the renaissance. Mirza Fath Ali Akhundzade (also called Akhundov; 1812−78), a playwright and philosopher, influenced the Azerbaijani literary language by writing in vernacular Azerbaijani Turkish. His plays, among the first significant theater productions in Azerbaijan, continue to have wide popular appeal as models of form in the late twentieth century. The composer and poet Uzeir Hajibeyli (1885−1948) used traditional instruments and themes in his musical compositions, among which were the first operas in the Islamic world. The poet and playwright Husein Javid (1882−1941) wrote in Turkish about historical themes, most notably the era of Timur.

Under Soviet rule, Azerbaijani cultural expression was circumscribed and forcibly supplanted by Russian cultural values. Particularly during Stalin's purges of the 1930s, many Azerbaijani writers and intellectuals were murdered, and ruthless attempts were made to erase evidence of their lives and work from historical records. Cultural monuments, libraries, mosques, and archives were destroyed. The two forcible changes of alphabet in the 1920s and 1930s further isolated Azerbaijanis from their literary heritage. Never completely extinguished during the Soviet period, however, Azerbaijani culture underwent a modest rebirth during Khrushchev's relaxation of controls in the 1950s, when many who had been victims of Stalin's purges were posthumously rehabilitated and their works republished. In the 1970s and 1980s, another rebirth occurred when Moscow again loosened cultural restrictions. Under Aliyev's first regime, publication of some mildly nationalist pieces was allowed, including serialization of Aziza Jafarzade's historical novel *Baku 150*1.

In the late 1980s, Gorbachev's policy of *glasnost* (see Glossary) energized a major movement among Azerbaijani writers and historians to illuminate “blank pages” in the nation's past, such as Azerbaijani resistance to tsarist and Soviet power and Stalin's crimes against the peoples of the Soviet union. Reprints of Azerbaijani historical and literary classics became more plentiful, as did political tracts on topics such as Azerbaijani claims to Nagorno−Karabakh.

Education, Health, and Welfare

When the Soviet Union crumbled, Azerbaijan, like other former Soviet republics, was forced to end its reliance upon the uniform, centralized system of social supports that had been administered from Moscow. In the early 1990s, however, Azerbaijan did not have the resources to make large−scale changes in the delivery of educational, health, or welfare services, so the basic Soviet−era structures remained in place.

Education

History class in elementary school, Sheki Courtesy Jay Kempen I **the pre−Soviet period, Azerbaijani education included intensive Islamic religious training that commenced in early childhood. Beginning at roughly age five and sometimes continuing until age twenty, children attended *madrasahs*, education institutions affiliated with mosques. In the seventeenth and eighteenth centuries, *madrasahs* were established as separate education institutions in major cities, but the religious component of education remained significant. In 1865 the first technical high school and the first women's high school were opened in Baku. In the late nineteenth century, secular elementary schools for Azerbaijanis began to appear (schools for ethnic Russians had been established earlier), but institutions of higher education and the use of the Azerbaijani language in secondary schools were forbidden in Transcaucasia throughout the tsarist period. The majority of ethnic Azerbaijani children received no education in this period, and the Azerbaijani literacy rate remained very low, especially among women. Few women were allowed to attend school.**

In the Soviet era, literacy and average education levels rose dramatically from their very low starting point, despite two changes in the standard alphabet, from Arabic to Roman in the 1920s and from Roman to Cyrillic in the 1930s (see Language , this ch.). According to Soviet data, 100 percent of males and females (ages nine to forty−nine) were literate in 1970.

During the Soviet period, the Azerbaijani education system was based on the standard model imposed by Moscow, which featured state control of all education institutions and heavy doses of Marxist−Leninist ideology at all levels. Since independence, the Azerbaijani system has undergone little structural change.

Initial alterations have included the reestablishment of religious education (banned during the Soviet period) and curriculum changes that have reemphasized the use of the Azerbaijani language and have eliminated ideological content. In addition to elementary schools, the education institutions include thousands of preschools, general secondary schools, and vocational schools, including specialized secondary schools and technical schools. Education through the eighth grade is compulsory. At the end of the Soviet period, about 18 percent of instruction was in Russian, but the use of Russian began a steady decline beginning in 1988. A few schools teach in Armenian or Georgian.

Azerbaijan has more than a dozen institutions of higher education, in which enrollment totaled 105,000 in 1991. Because Azerbaijani culture has always included great respect for secular learning, the country traditionally has been an education center for the Muslim peoples of the former Soviet Union. For that reason and because of the role of the oil industry in Azerbaijan's economy, a relatively high percentage of Azerbaijanis have obtained some form of higher education, most notably in scientific and technical subjects.

Several vocational institutes train technicians for the oil industry and other primary industries.

The most significant institutions of higher education are the University of Azerbaijan in Baku, the Institute of Petroleum and Chemistry, the Polytechnic Institute, the Pedagogical Institute, the Mirza Fath Ali Akhundzade Pedagogical Institute for Languages, the Azerbaijan Medical Institute, and the Uzeir Hajibeyli Conservatory.

Much scientific research, which during the Soviet period dealt mainly with enhancing oil production and refining, is carried out by the Azerbaijani Academy of Sciences, which was established in 1945. The University of Azerbaijan, established in 1919, includes more than a dozen departments, ranging from physics to Oriental studies, and has the largest library in Azerbaijan. The student population numbers more than 11,000, and the faculty over 600. The Institute of Petroleum and Chemistry, established in 1920, has more than 15,000 students and a faculty of about 1,000. The institute trains engineers and scientists in the petrochemical industry, geology,

and related areas.

Health

Dentist's office, Baku Courtesy Oleg Litvin, Azerbaijan International Azerbaijan's health care system was one of the least effective in the Soviet republics, and it deteriorated further after independence. On the eve of the breakup of the Soviet Union in 1991, the number of physicians per 1,000 people in Azerbaijan was about four, the number of hospital beds about ten, and the number of pharmacists about seven—all figures below average for the Soviet Union as a whole (see table 2, Appendix).

According to reports, in the late 1980s some 736 hospitals and clinics were operating in Azerbaijan, but according to Soviet data some of those were rudimentary facilities with little equipment. Medical facilities also include several dozen sanitoriums and special children's health facilities. The leading medical schools in Azerbaijan are the Azerbaijan Medical Institute in Baku, which trains doctors and pharmacists, and the Institute for Advanced Training for Physicians. Several research institutes also conduct medical studies.

After the breakup of the Soviet Union, Azerbaijan's declining economy made it impossible for the Azerbaijani government to provide full support of the health infrastructure. Shortages of medicines and equipment have occurred, and some rural clinics have closed. In 1993 a Western report evaluated Azerbaijan's sanitation, pharmacies, medical system, medical industry, and medical research and development as below average, relative to similar services in the other former Soviet republics.

In 1987 the leading causes of death in order of occurrence were cardiovascular disease, cancer, respiratory infection, and accidents. The official 1991 infant mortality rate—twenty−five per 1,000 population—was by far the highest among the Transcaucasian nations. International experts estimated an even higher rate, however, if the standard international definition of infant mortality is used.

Social Welfare

The traditional extended family provides an unofficial support system for family members who are elderly or who are full−time students. The official social safety net nominally ensures at least a subsistence income to all citizens, continuing the practice of the Soviet era. Stated benefits include old−age, disability, and survivor pensions; additional allowances for births and supported family members; sick and maternity leave; temporary disability and unemployment compensation for workers; food subsidies; and tax exemptions for designated social groups. Most of these benefits are financed by extrabudgetary funds; in 1992 more than 4.2 million rubles were transferred from the budget to the State Pension Fund, however.

The actual effect of the social welfare system has differed greatly from its stated goals. During the late Soviet period, Azerbaijanis complained that their social benefits ranked near the bottom among the Soviet republics.

The economic dislocations that followed independence eroded those benefits even further. In December 1993, the government estimated that 80 percent of the Azerbaijani population was living below the poverty level, even though about 15 percent of the gross domestic product (GDP—see Glossary) was spent on social security benefits.

The minimum monthly wage is set by presidential decree, but several increases in the minimum wage in 1992−93 failed to keep pace with the high rate of inflation. Retirement pensions, based on years of service and average earnings, also fell behind the cost of living in that period.

In the postcommunist era, government price controls have also been used to ease the transition from the centrally planned economy. In 1992 subsidies were introduced to keep prices low for such items as bread, meat, butter, sugar, cooking oil, local transportation, housing, and medical care (see table 9; table 10, Appendix). At that point, the price−support safety net was expected to absorb at least 7 percent of the projected national budget. At the end of 1993, major increases in bread and fuel prices heightened social tensions and triggered riots because compensation to poor people, students, and refugees was considered inadequate.

The Economy

Azerbaijan possesses fertile agricultural lands, rich industrial resources, including considerable oil reserves, and a relatively developed industrial sector. Utilization of those resources in the Soviet period, however, was subject to the usual distortions of centralized planning. In the early 1990s, economic output declined drastically. The major factors in that decline were the deterioration of trade relations with the other former Soviet republics, the conflict in Nagorno−Karabakh, erosion of consumer buying power, and retention of the ruble alongside the national currency. In 1994 the economy remained heavily dependent on the other former republics of the Soviet Union, especially Russia.

The Work Force

According to Azerbaijani statistics, the work force numbered 2.7 million individuals in 1992. Agriculture was the largest area of employment (34 percent), followed by industry (16 percent) and education and culture (12 percent). In the industrial sector, the oil, chemical, and textile industries were major employers (see table 11, Appendix). In spite of the standard communist proclamation that employment was a right and employment was virtually full, large−scale, chronic unemployment had already emerged in the late 1980s, especially among youth and the growing ranks of refugees and displaced people (see table 12, Appendix). In 1992 unemployment was still officially characterized as a minor problem, affecting some 200,000 people, but in fact the Azerbaijani government vastly underreported this statistic. Underreporting was facilitated by the practice of keeping workers listed as employees in idled industries. Funds set aside by the government to deal with unemployment proved woefully inadequate. One Western economic agency estimated the 1992 gross national product (GNP—see Glossary) as US$18.6 billion and the average per capita GNP as US$2,480, placing Azerbaijan sixth and eighth in those respective categories among the former Soviet republics.

Economic Dislocations

The general economic dislocations within the Soviet Union in the late Gorbachev period hurt Azerbaijan by weakening interrepublic trade links. After the breakup of the Soviet Union, trade links among the former republics weakened further. Azerbaijani enterprises responded by establishing many new trade ties on an ad hoc basis. Although some moves were made toward a market economy, state ownership of the means of production and state direction of the economy still dominated in early 1994.

Despite the economic turmoil caused in 1992 and 1993 by the demise of the Soviet Union and the conflict in Nagorno−Karabakh, the Azerbaijani economy remained in better condition than those of its neighbors Armenia and Georgia and some of the Central Asian states. According to estimates by Western economists, gross industrial production plunged at least 26 percent in 1992 and 10 percent in 1993.

In 1992 poor weather contributed to a decline in production of important cash crops. Crude oil and refinery production continued a recent downward spiral, reflecting a lack of infrastructure maintenance and other inputs. Inflation took off in early 1992, when many prices were decontrolled, and accelerated throughout the year, reaching an annual rate of 735 percent by October. Inflation for 1993 was estimated at 1,200 percent, a figure exceeded only by rates for Russia and a few other CIS states. Officials tried unsuccessfully to protect the standard of living from inflation by periodically increasing wage payments and taking other measures. In his New Year's message in January 1994, Aliyev acknowledged that during 1993 Azerbaijan had faced a serious economic crisis that led to further declines in the standard of living, but he promised that 1994 would witness positive changes.

Agriculture

Cultivation of tea in Lenkoran' Lowlands Courtesy Embassy of Azerbaijan, Washington T e major agricultural cash crops are grapes, cotton, tobacco, citrus fruits, and vegetables. The first three crops account for over half of all production, and the last two together account for an additional 30 percent.

Livestock, dairy products, and wine and spirits are also important farm products (see table 13, Appendix).

In the early 1990s, Azerbaijan's agricultural sector required substantial restructuring if it was to realize its vast potential. Prices for agricultural products did not rise as fast as the cost of inputs; the Soviet−era collective farm system discouraged private initiative; equipment in general and the irrigation system in particular were outdated; modern technology had not been introduced widely; and administration of agricultural programs was ineffective.

Most of Azerbaijan's cultivated lands, which total over 1 million hectares, are irrigated by more than 40,000 kilometers of canals and pipelines. The varied climate allows cultivation of a wide variety of crops, ranging from peaches to almonds and from rice to cotton. In the early 1990s, agricultural production contributed about 30 to 40 percent of Azerbaijan's net material product (NMP—see Glossary), while directly employing about onethird of the labor force and providing a livelihood to about half the country's population. In the early postwar decades, Azerbaijan's major cash crops were cotton and tobacco, but in the 1970s grapes became the most productive crop. An anti−alcohol campaign by Moscow in the mid−1980s contributed to a sharp decline in grape production in the late 1980s. In 1991 grapes accounted for over 20 percent of agricultural production, followed closely by cotton.

Production of virtually all crops declined in the early 1990s. In 1990 work stoppages and anti−Soviet demonstrations contributed to declines in agricultural production. The conflict in Nagorno−Karabakh, the site of about one−third of Azerbaijan's croplands, substantially reduced agricultural production beginning in 1989.

In 1992 agriculture's contribution to NMP declined by 22 percent. This drop was attributed mainly to cool weather, which reduced cotton and grape harvests, and to the continuation of the Nagorno−Karabakh conflict.

The conflictinduced blockade of the Nakhichevan Autonomous Republic also disrupted agriculture there.

An estimated 1,200 state and cooperative farms are in operation in Azerbaijan, with little actual difference between the rights and privileges of state and cooperative holdings. Small private garden plots, constituting only a fraction of total cultivated land, contribute as much as 20 percent of agricultural production and more than half of livestock production. Private landholders do not have equal access, however, to the inputs, services, and financing that would maximize their output.

The Azerbaijani Ministry of Agriculture and Food runs procurement centers dispersed throughout the country for government purchase of most of the tobacco, cotton, tea, silk, and grapes that are produced. The Ministry of Grain and Bread Products runs similar operations that buy a major portion of grain production. Remaining crops are sold in the private sector.

Industry

Baku Harbor Courtesy Azerbaijan International During World War II, relocated and expanded factories in Azerbaijan produced steel, electrical motors, and finished weaponry for the Soviet Union's war effort. The canning and textile industries were expanded to process foodstuffs and cotton from Azerbaijan's fields. Azerbaijan's postwar industrial economy was based on those wartime activities. Among the key elements of that base were petrochemical−derived products such as plastics and tires, oil−drilling equipment, and processed foods and textiles (see table 14, Appendix). In 1991 the largest share of Azerbaijan's industrial output was contributed by the food industry, followed by light industry (defined to include synthetic and natural textiles, leather goods, carpets, and furniture), fuels, and machine building. Significant food processing and cotton textile operations are located in Gyandzha in western Azerbaijan, and petrochemical−based industries are clustered near Baku. The city of Sumgait, just north of Baku, is the nation's center for steel, iron, and other metallurgical industries.

The Soviet−era Azerbaijan Oil Machinery Company (Azneftemash) company controls virtually all of Azerbaijan's oil equipment industry. Once a major exporter of equipment to the rest of the Soviet Union, Azneftemash has remained dependent since 1991 on imports of parts from the other former Soviet republics.

The economic decline and the breakup of the union has disrupted imports and caused an estimated output reduction of 27 percent in the Azerbaijani oil equipment industry in 1992.

Energy

Azerbaijan has ample energy resources, including major hydroelectric generating capacity and offshore oil reserves in the Caspian Sea. Despite what amounts to an overall excess of production capacity, fuel shortages and transport problems disrupted generation in the early 1990s. In 1991 Azerbaijan produced 23 billion kilowatt−hours, but near the end of 1992 the country had produced only 16 billion kilowatt−hours. Electricity is generated at major hydroelectric plants on the Kura, Terter (in western Azerbaijan), and Aras rivers (the last a joint project with Iran). A larger share of power comes from oil−fired electric power plants, however. In the late Soviet period, Azerbaijan's power plants were part of the Joint Transcaucasian Power Grid shared with Armenia and Georgia, but Azerbaijan cut off power to Armenia as a result of the conflict over NagornoKarabakh .

Azerbaijan has exported oil and gas to Russia since the late nineteenth century. The birthplace of the oil−refining industry at the beginning of the twentieth century, Azerbaijan was the world's leading producer of petroleum. During World War II, about 70 percent of the Soviet Union's petroleum output came from the small republic. After World War II, when oil output from the Volga−Ural oil fields in Russia increased, Azerbaijan lost its position as a dominant producer of Soviet oil. When the Soviet Union disintegrated, Azerbaijan was producing 60 percent of Soviet oil extraction machinery and spare parts but less than 2 percent of the union's oil.

Azerbaijan's four major offshore oil fields in the Caspian Sea are Gunesli, Cirak, Azeri, and Kepez. In 1992 the Gunesli field accounted for about 60 percent of Azerbaijani oil production. Crude oil production has decreased in recent years, mainly because of a weak global market, well maturity, inadequate investment, and outdated equipment. According to Azerbaijani estimates, for the first seven months of 1993 compared with the same period in 1992, crude oil production declined 7.1 percent, gasoline refining 2.8 percent, and diesel fuel production 19.9 percent. These rates of decline compare favorably, however, with those experienced in the oil production and refining industries of Russia, Turkmenistan, and other former Soviet republics in the early 1990s.

Some oil is shipped by train to Black Sea ports in Russia and Ukraine, and some is shipped by tanker to northern Iran. Pipeline shipment has been slowed by infrastructure problems. One old oil pipeline from Azerbaijan to the Georgian port of Batumi on the Black Sea is inoperable, and the Russian pipeline is unavailable because that line is already at capacity. Azerbaijan's oil production is processed at two refineries near Baku. Because domestic oil production has not matched refining capacity in recent years, the refineries also process Kazakh and Russian oil.

Russia, Ukraine, and other former Soviet republics have been involved in contentious negotiations with Azerbaijan over oil payment. Azerbaijan has sought prices close to world market rates for its oil as large payment arrearages have developed with several customer states. Azerbaijanis seek “fair payment” for their oil from Russia, pointing out that during the Soviet period Azerbaijani oil was sold far below market prices to support the Soviet economy.

Azerbaijan has encouraged joint ventures and other agreements with foreign oil firms, and a consortium has been formed with Russia, Kazakhstan, and Oman to build an oil pipeline to Mediterranean, Persian Gulf, or Black Sea ports. In the planning stage, Russia advocated a Black Sea route, whereas Western oil companies, also interested in Azerbaijan's oil, preferred a Mediterranean terminus for a pipeline used in common. In March 1993, Turkey and Azerbaijan agreed on a pipeline traversing Iran, the Nakhichevan Autonomous Republic, and southern Turkey to reach the Mediterranean. In 1993 other negotiations defined terms of exploitation by eight Western oil companies in two Caspian oil fields and established a profit−sharing ratio between Azerbaijan and its partners. In late 1993, Russia's role in the oil industry also increased with the signing of new bilateral agreements.

Azerbaijan has proven natural gas reserves of 2 trillion cubic meters, and a much larger amount is present in association with offshore oil deposits. Although the price of natural gas in Azerbaijan has remained low compared with world prices, in 1991 about half the gas brought to the surface was burned off or vented, while consumption of fuel oil increased. Since 1991 Azerbaijan's production has declined to a level that meets only about 35 percent of domestic needs, which amounted to 17 billion cubic meters per year in 1993. The major sources of natural gas imports are Turkmenistan, Kazakhstan, and Iran. Experts consider that exploitation of untapped natural gas

deposits would enhance Azerbaijan's domestic fuel balance and provide substantial export income.

Economic Reform

Azerbaijan's prospects for movement toward a market economy are enhanced by a fairly well−developed infrastructure, an educated labor force, diversity in both agricultural and industrial production, and yet−untapped oil reserves. Obstacles to reform include the rigidity of remaining Soviet economic structures, the Nagorno−Karabakh conflict, continued trade dependence on the other former Soviet republics, insufficient economic expertise to guide the transition, and capital stock that is inefficient and environmentally hazardous.

In January 1992, about 70 to 80 percent of producer and consumer prices were decontrolled, although prices for commodities such as gasoline were artificially increased. Further rounds of price liberalization took place in April, September, and December 1992. Because most industries are still monopolies, price−setting is supervised by the Antimonopoly Committee, which approves requests for price increases and reportedly grants most such requests. Because the state still procures much of Azerbaijan's agricultural production, prices are set by negotiations between the state and producers.

Retail price inflation surged after the first round of price liberalization in January 1992. Thereafter, the monthly rate eased somewhat, averaging about 24 percent during most of 1992. According to official figures, in 1993 average living expenses exceeded income by about 50 percent. The ratio of expenses to income was about the same in Kazakhstan and worse in Armenia and Turkmenistan. Although prices for items such as bread and fuel remained controlled during 1993, in November 1993 the government announced price rises because commodities were being smuggled out of Azerbaijan to be sold elsewhere where prices were higher.

By the end of 1993, it was reported that the minimum weekly wage would not even buy one loaf of bread and that hundreds of thousands of refugees in Azerbaijan “simply face starvation,” a situation that heightened social and political instability.

Privatization

From the earliest days of Azerbaijan's independence, the country had a vigorous, small−scale private economy whose most urgent need was unambiguous legislation that would legitimize its operations and allow expansion. A privatization law passed in January 1993 was not implemented fully in the year following.

Privatization plans envisioned sales, auctions, and joint stock enterprises. Small retail establishments would be privatized by auction, and medium−sized and large enterprises would be privatized by a combination of auctions and joint stock programs. Retail establishments were supposed to be privatized fully by the end of 1993, but this goal was not met. Housing was also to be privatized by transferring ownership to the present tenants. At the end of 1993, land redistribution was stalled by disagreement over the choice between private ownership and long−term leaseholding; over optimum terms for either of those arrangements; and over the distribution of agricultural equipment.

The Budget

To lessen the budgetary impact of losing subsidies from the Soviet Union, beginning in 1992 a value−added tax (VAT—see Glossary) and excise taxes were introduced to replace sales and turnover taxes. The new taxes enabled Azerbaijan to maintain only a small state budgetary deficit for 1992 (see table 15, Appendix).

The deficit came mainly from increases in wages and from defense and refugee expenses related to the conflict in Nagorno−Karabakh. State−owned enterprises continued to survive on liberal bank credits and interenterprise borrowing, which caused the accumulation of sizable debts. Substantial increases in defense expenditures (from 1.3 percent of GDP in 1991 to 7.6 percent in 1992) drastically reduced expenditures for consumer subsidies in bread and fuels, as well as government investment and other support for enterprises.

Increased salaries for civil servants also increased the 1992 deficit.

In mid−1992 Azerbaijan was not receiving enough printed rubles from Moscow to meet wage payments, so it introduced its own currency, the manat (for value of the manat—see Glossary), at that time. Because domestic financial transactions still involved Russian banks and many rubles remained in circulation, the ruble remained in circulation as an alternate currency. After ruble notes became more plentiful in late 1992, the manat remained a small fraction of circulating currency. In September 1993, Azerbaijan planned to make the manat the sole national currency, but the weakness of the Azerbaijani monetary and financial systems forced postponement of that move. The manat finally became the sole currency in January 1994.

Banking

Under the Soviet system, Azerbaijani banks were subordinate to central banks in Moscow and elsewhere in Russia. Bank funds were distributed according to a single state plan, and republic banks had little input into the raising or allocation of funds. In early 1992, former Soviet banks were incorporated into the National Bank of Azerbaijan (NBA). The 1992 Law on Banks and Banking Activity and the Law on the National Bank established the NBA as the top level of the new system and commercial banks (state− and privately owned)

on the second level. However, in 1993 the system was undermined by poor technology, large unresolved debts among state−owned enterprises, irregular participation by enterprises, and bank delays in transferring funds.

The main bank for the exchange of funds among private and state enterprises is the Industrial Investment Joint Stock Commercial Bank.

Foreign Trade

As during the Soviet era, Azerbaijan's economy depends heavily on foreign trade, including commerce with the other former Soviet republics. In the late 1980s, exports and imports averaged about 40 percent of GDP.

At that time, Azerbaijan's exports to other Soviet republics averaged 46 percent of GDP and over 90 percent of total exports; its imports from those republics averaged 37 percent of GDP and nearly 80 percent of total imports. In the early 1990s, Azerbaijan's main trading partners in the CIS were Russia, Ukraine, Kazakhstan, and Belarus, in that order.

In the last years of the Soviet Union, Azerbaijan showed a net trade surplus. After a sharp decline in net trade surplus in 1990, oil sales outside the Soviet Union boosted the surplus in 1991 and 1992. In 1992 Azerbaijan made major gains in hardcurrency exports, mainly from selling refined oil products abroad at world prices.

Trade with CIS countries, determined by yearly bilateral agreements, declined significantly after 1991.

Although products from those countries still dominated Azerbaijan's imports, less than half of exports went to them. Important obstacles were the bypassing of the state order system in the Baltic states and Russia, the high VAT on some items, and the complexity of central−bank credit systems in the transitional period. Trade agreements were negotiated for 1993 with Belarus, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Turkmenistan, and Ukraine.

In 1990 Azerbaijan's major trading partners outside the Soviet Union were led by Germany and Poland (see table 16, Appendix). In 1992 Azerbaijan's main non−CIS trading partners were Britain and Iran. According to government statistics for 1993, Azerbaijan had a large trade surplus with Russia, and more than US$60 billion was owed Azerbaijan by customers in Greece, Iran, and Turkey. Through 1993 Turkish enterprises, considered a primary source of new foreign capital, refrained from large−scale investment in Azerbaijan because of concerns about political instability in Baku. Disagreements with Russia and Turkey delayed construction of an oil pipeline that would connect Baku with the Mediterranean through Turkish territory (see Energy , this ch.).

In the early 1990s, increasing numbers of products were sold directly by Azerbaijani enterprises to foreign enterprises without government export licenses, although the inefficient state−managed trade system of the Soviet era remained in place. In 1993 the Ministry of Foreign Economic Relations monitored all foreign trade and supervised the export of petroleum products and other strategic items. In late 1993, government control was tightened because most private firms were keeping hard−currency foreign−trade earnings outside Azerbaijan.

Transportation and Telecommunications

Figure 10. Transportation System of Azerbaijan, 1994 A erbaijan's transportation system is extensive for a country of its size and level of economic development.

Analysts attribute this advantage to the fact that when Azerbaijan was part of the Soviet Union, its economy was heavily geared to export of petroleum and to transshipment of goods across the Caucasus. The system is burdened by an extensive bureaucracy, however, that makes prompt equipment repair difficult, and the country's economic problems have delayed replacement of aging equipment and facilities.

In 1990 Azerbaijan had 36,700 kilometers of roads, 31,800 kilometers of which were paved. One of the country's two main routes parallels the Caspian Sea coast from Russia to Iran, passing through Baku (see fig. 10). The other, Route M27, leads west out of the capital to the Georgian border. A major branch from this route heads south through Stepanakert, capital of Nagorno−Karabakh. All major towns have a paved road connection with one of the principal routes. An extensive intercity bus service is the primary mode of intercity travel. Maintenance of the system has deteriorated since independence in 1991, however, and one study estimated that 60 percent of the main highways were in bad condition, resulting in excessive wear on vehicles and tires and in poor fuel consumption.

Azerbaijan had 2,090 kilometers of rail lines in 1990, excluding several small industrial lines. Most lines are 1.520− meter broad gauge, and the principal routes are electrified. In the 1990s, the rail system carried the vast majority of the country's freight. As with the highway system, one of the two main lines parallels the Caspian Sea coast from Russia to Iran before heading west to Turkey, and the other closely parallels Route M27 from Baku to the Georgian border. A major spur also parallels the highway to Stepanakert. Another smaller rail line begins just west of Baku and hugs the Iranian border to provide the only rail link to Azerbaijan's Nakhichevan Autonomous Republic, isolated southwest of Armenia. Passenger service from Baku to Erevan has been suspended, and service from Baku to Tbilisi has sometimes been disrupted because of the NagornoKarabakh conflict. In 1994 passenger service from Baku to Iran also was halted. Trains making the forty−three−hour trip to Moscow, however, still operate three times daily. The government estimates that 700 kilometers, or about one−third, of the rail system are in such poor condition that reconstruction is necessary. Much of the system has speed restrictions because of the poor conditions of the rails.

Baku has a modest subway system with twenty−nine kilometers of heavy−rail lines. The system has eighteen stations and is arranged in two lines that cross in the center of the city. Another seventeen kilometers, under construction in 1994, would add twelve more stations to the system.

In 1992 Azerbaijan had twenty−six airfields with paved surfaces. Baku International Airport, twenty−eight kilometers southwest of the city, is the country's principal airport. The number of international air passengers is higher in Azerbaijan than in Armenia and Georgia, with most air traffic moving between Baku and cities in the former Soviet Union. Besides flights to Russia, Azerbaijan Airlines provides service to Turkey and Iran, and direct flights on foreign carriers are available to Pakistan and Tajikistan.

Although situated at an excellent natural harbor, Baku has not developed into a major international port because of its location on the landlocked Caspian Sea. The port serves mostly as a transshipment point for goods (primarily petroleum products and lumber) crossing the Caspian Sea and destined for places to the west, or for passenger service to ports on the eastern or southern shores of the Caspian Sea. The port has seventeen berths, of which five are dedicated for transport of crude oil and petroleum products, two are used for passengers, and the remaining ten handle timber or other cargo. The port can accommodate ships up to 12,000 tons, and its facilities include portal cranes, tugboats, and equipment for handling petroleum and petroleum products. The port area has 10,000 square meters of covered storage and 28,700 square meters of open storage.

Baku is the center of a major oil− and gas−producing region, and major long−distance pipelines radiate from the region's oil fields to all neighboring areas. Pipelines are generally highcapacity lines and have diameters of either 1,020 or 1,220 millimeters. The main petroleum pipeline pumps crude oil from the onshore and offshore Caspian fields near Baku west across Azerbaijan and Georgia to the port of Batumi. There, the oil is either

exported in its crude form or processed at Batumi's refinery. Two natural gas lines parallel the petroleum line as far as Tbilisi, where they turn north across the Caucasus Mountains to join the grid of natural gas pipelines that supply cities throughout Russia and Eastern Europe. A spur extends off these main gas pipelines in western Azerbaijan to deliver gas to Nakhichevan. This spur crosses Armenian territory, however, and in 1994 its status was unclear. Altogether, in 1994 Azerbaijan had 1,130 kilometers of crude oil pipeline, 630 kilometers of pipeline for petroleum products, and 1,240 kilometers of natural gas pipeline.

In 1991 some 644,000 telephone lines were in operation, providing nine telephones per 100 persons. At that time, another 200,000 Azerbaijanis were on waiting lists for telephone installation. Azerbaijan's telephone system was connected with other CIS republics by cable and microwave, but connections to non−CIS countries went through Moscow. In 1992 Turkey provided support for installation of an International Telecommunications Satellite Organization (Intelsat) satellite station in Baku, providing access to 200 countries through Turkey. Azerbaijan receives Turkish and Iranian television programming by satellite, and domestic and Russian broadcasts are received locally.

Government and Politics

In the late 1980s, the advent of Mikhail S. Gorbachev's policy of *glasnost* in Moscow encouraged vocal opposition to the ruling Azerbaijani Communist Party (ACP). In 1989 the central opposition role went to the Azerbaijani Popular Front (APF), which was able to capture the presidency in the 1992 election. But failure to resolve the disastrous conflict in Nagorno−Karabakh continued to destabilize Azerbaijani regimes throughout the early 1990s. Growing masses of disaffected refugees pressed vociferously for military victory and quickly shifted their support from one leader to another when losses occurred, negating efforts to establish solid political institutions at home or to make concessions that might provide a diplomatic solution to the Nagorno−Karabakh conflict. In 1993 the APF leadership was overthrown, and former communist official Heydar Aliyev was installed as president.

The Appearance of Opposition Parties

The political and social groups that sprang up in Azerbaijan in the late 1980s were initially termed “informal organizations” because they were not yet recognized as legal under Soviet practice. By the end of 1988, about forty such organizations had emerged, many of them focused on nationalism or anti−Armenian issues. The ACP was increasingly regarded as illegitimate by the population, especially after the Soviet army intervened to protect the communist regime in January 1990.

Widespread discontent with ACP rule led to the formation of the APF in March 1989 by intellectuals, including journalists and researchers belonging to the Azerbaijani Academy of Sciences. The APF's founding congress in July 1989 elected Abdulfaz Elchibey party chairman. The APF characterized itself as an umbrella organization composed of smaller parties and groups and likeminded individuals. A central plank of its program was rejection of self−determination for Nagorno−Karabakh and defense of Azerbaijani territorial integrity. In its initial policy statements, the APF advocated decentralization of economic and political power from Moscow to Baku rather than Azerbaijani independence from the Soviet Union. Nevertheless, the ACP refused to recognize the APF.

Within months of its foundation, the APF had hardened its position, launching a series of industrial strikes and rail service disruptions calculated to force recognition by the ACP. By the fall of 1989, the APF was at the forefront of Azerbaijani public opinion on the issue of national sovereignty for NagornoKarabakh , and the ACP recognized the APF as an opposition party. The APF used its influence on the Azerbaijani Supreme Soviet, the republic's parliament, in advocating the Law on Sovereignty that was passed in October 1989. In January 1990, APF−led demonstrations against the ACP brought Soviet military intervention. In early 1992, the APF played an important role in organizing demonstrations against then−president Ayaz Mutalibov.

Party Configuration after 1991

Two small parties, the Independent Democratic Party (IDP) and the National Independence Party (NIP), were formed by former members of the APF in early 1992. The IDP was led by Leyla Yunosova, a prominent intellectual who had helped form the APF, and the NIP was led by Etibar Mamedov, a frequent critic of Elchibey's rule and APF domination of the electoral process. Azerbaijani military defeats in March 1993 led Mamedov to call for Elchibey's resignation. Mamedov initially approved Elchibey's ouster by Aliyev and the subsequent referendum on his rule.

The ACP formally disbanded in September 1991 during a wave of popular revulsion against the role it played in supporting the Moscow coup attempted against Gorbachev the previous month. Nevertheless, former leaders and members of the ACP continue to play a role in the family− and patronage−based political system, and Aliyev's faction regained its preeminent position. The ACP was revived formally in December 1993 at a “restorative” congress, after which it reported having 3,000 members. When Aliyev ran for president in 1993, he combined former communists and other minor groups into the New Azerbaijan Party, which became the governing party when Aliyev was elected.

Under election legislation passed since Aliyev's accession, a party must have at least 1,000 members to be legally registered by the Ministry of Justice. Party membership is forbidden to government officials in agencies of the judiciary, law enforcement, security, border defense, customs, taxation, finance, and the state−run media. The president and members of the clergy are likewise enjoined. Parties are not allowed to accept foreign funding or to establish cells in government agencies. The government has banned parties that reject Azerbaijan's territorial integrity or inflame racial, national, or religious enmity.

Legislative Politics

Parliamentary elections were held in September 1990, under a state of martial law (see After Communist Rule , this ch.). The opposition coalition led by the APF gained only about forty seats in the 350−seat Azerbaijani Supreme Soviet. Communists received the balance of seats in what the APF and others described as fraudulent elections. Most would−be international observers had been expelled from the republic by September. Bowing to massive popular demonstrations calling for the dissolution of the communist−dominated Supreme Soviet and concerted pressure by the APF and other oppositionists, in November 1991 the Azerbaijani Supreme Soviet voted to establish a fifty−deputy National Council, or Melli−Majlis. This council, a “mini−legislature” that met in continuous session, was divided equally between former communists and the opposition. Because of the Supreme Soviet's complicity in the effort to bring Mutalibov back to power in May 1992, the APF forced the Supreme Soviet to convene, elect APF official Isa Gambarov as acting president, dissolve itself, and cede its power to the Melli−Majlis pending new parliamentary elections.

Having repeatedly postponed the elections, the Melli−Majlis remained the sole legislative authority within Azerbaijan in early 1994. The Melli−Majlis proved generally amenable to Elchibey's policies, but in 1993 the worsening military situation in Nagorno−Karabakh brought increasing criticism. In his first six months as president, Aliyev gained support from the MelliMajlis for most of his proposals.

The Presidential Election of 1992

Abulfaz Elchibey, first elected president of Azerbaijan, 1992 Courtesy S. Rasimindir, Azerbaijan International The presidential election of June 1992 was the first in more than seventy years not held under communist control. Five candidates were on the ballot, seeking election to a five−year term. The election featured the unprecedented use of television, posters, and other media by multiple candidates to communicate platforms and solicit votes. The candidates included APF leader Elchibey, former parliament speaker Yakub Mamedov, Movement for Democratic Reforms leader and Minister of Justice Ilias Ismailov, National Democratic Group leader Rafik Abdullayev, and Union of Democratic Intelligentsia candidate Nizami Suleimanov. Two other candidates, from the NIP and the APF, withdrew from the race during the campaign. To register, each candidate had to collect at least 20,000 signatures and present them to the Central Electoral Commission.

Aliyev was unable to run because of a constitutional provision barring candidates over sixty−five years of age.

The government agreed to allow international observers to monitor the election. Etibar Mamedov, Elchibey's main rival in the polls, dropped out of the race a few days before the election, calling for rule by a coalition government and the postponement of balloting until Azerbaijan's state of war with Armenia ended.

Elchibey's election as president signaled a break in communist party dominance of Azerbaijani politics. He received 59.4 percent of more than 3.3 million votes cast. The runner−up, Suleimanov, made a surprise showing of 33 percent of the vote by promising Azerbaijanis instant wealth and victory in NagornoKarabakh .

No other candidate garnered as much as 5 percent of the vote.

Elchibey had been a student of Arabic philology, a translator, and a college instructor. In 1975 the KGB imprisoned him for two years for anti−Soviet activities. In a postelection address to the nation, he announced a stabilization phase based on the transfer of power to his democratic faction. When that phase ended in 1993, constitutional, economic, and cultural reforms would be implemented, according to this plan. His top domestic policy priorities—creation of a national army and a national currency backed by gold reserves—were seen as necessary elements for national sovereignty. Despite the new president's intentions, the war in Nagorno−Karabakh dominated politics, and Elchibey and his party steadily lost influence and popular appeal because of continual military losses, a worsening economy, political stalemate, and government corruption.

The Coup of June 1993

In June 1993, an unsuccessful government attempt to disarm mutinous paramilitary forces precipitated the fall of Azerbaijan's fourth government since independence and provided the opportunity for Aliyev's return to power. The erstwhile communist's reappearance was part of a trend in which members of the former elites in various parts of the old Soviet sphere reclaimed authority. Suret Huseynov, a one−time troop commander in Nagorno−Karabakh dismissed by Elchibey, led the paramilitary forces that triggered the president's removal.

In support of one of Elchibey's rivals, Huseynov had amassed troops and weaponry (largely obtained from the departing Russian military) in his home territory. He then easily defeated army forces sent to defeat him and precipitated a government crisis by marching toward Baku with several thousand troops.

Huseynov's exploits thoroughly discredited the Elchibey APF government in the minds of most Azerbaijanis.

After several top government officials were fired or resigned and massed demonstrators demanded a change in government, Elchibey endorsed Aliyev's election as chairman of the Melli−Majlis. After a brief attempt to retain the presidency, Elchibey fled Baku in mid−June as Huseynov's forces approached.

Aliyev announced his immediate assumption of power as acting head of state, and within a week a bare quorum of Melli−Majlis legislators, mostly former communist deputies, formally transferred Elchibey's powers to Aliyev until a new president could be elected. Aliyev then replaced Elchibey's ministers and other officials with his own appointees. Huseynov received the post of prime minister. The legislature also granted Huseynov control over the “power” ministries of defense, internal affairs, and security.

In late July 1993, Aliyev convinced the legislature to hold a popular vote of confidence on Elchibey's moribund presidency and an extension of a state of emergency that had existed since April 1993 because of military setbacks. Although the APF boycotted the referendum, more than 90 percent of the electorate reportedly turned out to cast a 97 percent vote of no−confidence in Elchibey's rule. This outcome buttressed Aliyev's position and opened the way for new presidential elections.

In early September 1993, the Melli−Majlis scheduled new presidential elections for October 3, 1993. Removal of the maximum age requirement in the election law allowed Aliyev to run. Aliyev's position was strengthened further in August when paramilitary forces defeated a rebel warlord who had seized several areas of southern Azerbaijan and declared an autonomous republic of Talysh−Mugan.

Early in his tenure as acting president, Aliyev stated that his political goals were to prevent civil war, regain territory lost to Armenia during the Nagorno−Karabakh conflict, and ensure the territorial integrity of Azerbaijan. Aliyev claimed that freedom of speech and human rights would be respected in Azerbaijan, although he also called for continuing a state of emergency that would ban political rallies. Huseynov had stated in June that the Azerbaijani government would pursue a negotiated settlement in Nagorno−Karabakh, but, if that failed, a military victory was the goal. He added that the government focus would be on improving the Azerbaijani armed forces, stabilizing the economy, and securing food for the population.

Aliyev and the Presidential Election of October 1993

Aliyev and two minor party candidates ran in presidential elections held in October 1993. Voter turnout was about 90 percent, of which almost 99 percent voted for Aliyev. Many international observers declared the elections biased because no major opposition candidates ran, and reporting by the mass media favored Aliyev and failed to report views of the other candidates or of the APF. Aliyev was sworn in as Azerbaijan's president on October 10.

Aliyev was born in 1923 in Nakhichevan of blue−collar Azerbaijani parents. He crowned a career in Soviet intelligence and counterintelligence services by reaching the post of chairman of the Azerbaijani branch of the KGB in 1967. Appointed first secretary of the ACP Central Committee beginning in 1969, Aliyev purged Azerbaijani nationalists and directed Russification and state economic development activities with notable success through the 1970s. His support of Soviet intervention in Afghanistan in 1979 brought recognition in Moscow and the Order of Lenin from First Secretary Leonid Brezhnev, and in 1982 Aliyev became a full member of the Politburo of the Communist Party of the Soviet Union. From 1982 to 1987, he was also first deputy chairman of the Soviet Council of Ministers.

In 1987 Gorbachev ousted Aliyev from the Politburo and relieved him as party leader in Azerbaijan. Soon after returning to Nakhichevan in 1990, Aliyev was elected overwhelmingly to the Supreme Soviet of the Nakhichevan Autonomous Republic on a nationalist platform. The next year, he resigned his communist party membership. After the failed August 1991 coup in Moscow, he called for total independence for Azerbaijan and denounced Mutalibov, who was then aspiring to the presidency, for supporting the coup. In late 1991, Aliyev built a power base as chairman of the Nakhichevan Supreme Soviet, from which he asserted Nachichevan's near−total independence from Baku.

The Constitution

The preparation of a new constitution to replace the 1978 document (which had been based on the 1977 Soviet constitution) began in 1992, but adoption has been repeatedly delayed by civil and political turmoil. Pending the adoption of a new constitution, the fundamental document in the early 1990s was the October 18, 1991, Act of Independence, which government authorities have described as the basis for a new constitution.

Meanwhile, the provisions of the 1978 constitution are valid if they do not violate or contradict the Act of Independence. The act declares that Azerbaijan is a secular, democratic, and unitary state, with equality of all citizens before the law. Freedoms enshrined in the Universal Declaration of Human Rights and other international human rights documents are upheld, and the right to form political parties is stipulated. The Act of Independence also proclaims Azerbaijan's territorial integrity and its sovereignty over all its territory. In October 1993, the Melli−Majlis revised the existing constitution of 1978, anticipating its retention for the time being. Finally deleted were the document's many references to “Soviet” and “communist" institutions and philosophy.

The Court System

The legal system of Azerbaijan has changed little from the system of the Soviet period. The national Supreme Court serves as a court of appeals; below it are two levels of judicial jurisdiction, the district and municipal courts. These courts, supposedly independent, are not immune to political manipulation, as evidenced by Aliyev's ouster of the chief justice of the Supreme Court in July 1993 because of the judge's support for Elchibey and the APF.

Trials are generally public, and defendants have the right to choose their own attorney, be present at their own trials, confront witnesses, present evidence, and appeal the verdict. In cases involving national security or sex offenses, a judge may decide to hold a closed trial. Despite the other stipulated rights of the defendant, the presumption of innocence has not been incorporated specifically into the criminal code. Thus the decision of the state prosecutor to bring a case to trial has considerable bearing on the final verdict.

Human Rights and the Media

Refugees from Nagorno−Karabakh conflict, summer 1993 Courtesy Oleg Litvin, Azerbaijan International Ethnic conflict between Armenians and Azerbaijanis has resulted in widespread human rights violations by vigilante groups and local authorities. During the Elchibey period, the minister of internal affairs was replaced after admitting to numerous human rights abuses. Lezgins in Azerbaijan have complained of human rights abuses such as restrictions on educational opportunities in their native language (see Smaller Ethnic Minorities , this ch.). In the early 1990s, Amnesty International and Helsinki Watch cited numerous cases of arbitrary arrest and torture, including incidents since Aliyev assumed power in 1993. These organizations and several governments protested against the arrest and beating of hundreds of APF and other political and government officials and raids on APF offices, all after the change of government in mid−1993. At one point, Isa Kamber, a former speaker of the Melli−Majlis, was seized in the legislative chamber and held for two months. In late 1993, other APF officials were reportedly arrested for antigovernment activity, and Aliyev asserted that APF members were plotting an armed uprising against him.

Based on these and other incidents, in late 1993 the international human rights monitoring group Freedom House downgraded Azerbaijan to the rank of world states adjudged “not free.” Nevertheless, Aliyev has proclaimed Azerbaijani adherence to international human rights standards, and in December 1993 he signed the CSCE Paris Accords on democracy and human rights.

News media censorship and other constraints on human rights, tightened after Aliyev came to power, were eased somewhat in September 1993 with the lifting of the national state of emergency. In the face of a growing political crisis in late 1993 caused by heavy military losses, however, many in the Azerbaijani government urged Aliyev to declare another period of emergency rule. Instead, he announced several measures to “tighten public discipline,” including curfews and the creation of military tribunals to judge military deserters and draft evaders.

In late November 1993, the legislature refused to pass an Aliyev−backed press bill restricting news media freedom in the name of ensuring national unity. Nevertheless, efforts to restrict the media continued, and passage of a law on military censorship in December 1993 raised concerns among journalists that new restrictions would be imposed on a broad scale. At the end of 1993, the only newspaper publishing house, Azerbaijan, was under government control. The state was able to curtail the supply of printing materials to independent publishers because most of those items came from Russia. Meanwhile, rising prices cut newspaper and magazine subscriptions by over 50 percent in early 1994. Television, the preferred information source for most Azerbaijanis, was controlled by the government, which operated the only national television channel.

Foreign Relations

Azerbaijan carried out some diplomatic activities during its troubled first independence period between 1918 and 1920. In September 1920, newly formed Soviet Azerbaijan signed a treaty with Russia unifying the military forces, the economy, and foreign trade of the two countries, although the fiction of Azerbaijani autonomy in conducting foreign affairs was maintained. At that time, Azerbaijan established diplomatic relations with six countries, sending diplomatic representatives to Germany and Finland. The Ministry of Foreign Affairs in Moscow initially used Azerbaijani diplomats to increase Soviet influence in the Middle East through missions in Turkey, Iran, and Afghanistan, but most transborder contacts by Azerbaijanis had been eliminated by the 1930s. In the post−World War II period, the Azerbaijani Ministry of Foreign Affairs could issue limited visas for travel to Iran only. Iran also maintained a consulate in Baku.

The Foreign Policy Establishment

After regaining its independence in 1991, Azerbaijan faced reorganization of its minuscule foreign policy establishment. This process involved creating or upgrading various functional and geographical departments within the Ministry of Foreign Affairs, recruiting and training diplomats, and establishing and staffing embassies abroad. Because of the complexity of these tasks, few embassies were established during the first months of independence. Full diplomatic relations, including mutual exchanges of missions, were first established with Turkey, the United States, and Iran.

Post−Soviet Diplomacy

Even before the breakup of the Soviet Union, the Azerbaijani diplomatic establishment had become more active, primarily with the goal of countering a worldwide Armenian information campaign on the Nagorno−Karabakh issue. Initiatives in this policy included establishing contacts with Azerbaijani émigrés living in the United States and reinforcing diplomatic connections with Turkey, Iran, and Israel.

After the breakup of the Soviet Union, most nations moved quickly to recognize Azerbaijan's independence, and several established full diplomatic relations within the first year. The first to do so was Turkey in January 1992. During his presidency, Elchibey stressed close relations with Turkey, which he saw as the best hope for arbitrating an end to the Nagorno−Karabakh conflict. He also endorsed unification of the Azerbaijani populations of his country and northern Iran and, to that end, autonomy for the Iranian Azerbaijanis—a stand that alienated the Iranian government.

During the June 1993 coup, Turkey expressed support for Elchibey, but Aliyev and Turkish authorities subsequently expressed willingness to continue cordial relations. Relations did cool somewhat in the second half of 1993 as Aliyev sought to improve relations with Iran and Russia, which had flagged under Elchibey.

Meanwhile, the failure of arbitration efforts by the Minsk Group, which included Russia, Turkey, and the United States, had frustrated both Armenia and Azerbaijan by mid−1993. The Minsk Group was sponsored by the CSCE, which in the early 1990s undertook arbitration in several Caucasus conflicts under the organization's broad mandate for peacekeeping in Europe (see Threats of Fragmentation, ch. 3). Aliyev's alternative strategies included requesting personal involvement by Russia's President Boris N. Yeltsin, who began six months of shuttle diplomacy among the capitals involved, and initiation of direct talks with Armenian leaders in Nagorno−Karabakh, a step that Elchibey had avoided. Throughout the last half of 1993, the new contacts ran concurrently with formal meetings convened by the Minsk Group to arrange a cease−fire.

To broaden its relations with nations both East and West, Azerbaijan joined a number of international and regional organizations, including the UN, the CSCE, the Organization of the Islamic Conference, the International Monetary Fund (IMF—see Glossary), the European Bank for Reconstruction and Development, and the Black Sea Economic Cooperation Organization. Azerbaijan has observer status in the General Agreement on Tariffs and Trade.

In the early 1990s, the primary criterion governing Azerbaijan's relations with foreign states and organizations was their stance on Azerbaijani sovereignty in Nagorno−Karabakh. Most governments and international organizations formally support the concept of territorial integrity, so this criterion has not restricted most of Azerbaijan's diplomatic efforts. Relations with some states have been affected, however. For example, in 1992 the United States Congress placed restrictions on United States aid to Azerbaijan pending the lifting of the Azerbaijani economic blockade on Armenia and cessation of offensive military actions against Armenia and Nagorno−Karabakh.

In messages and interviews early in his administration, Aliyev asserted that his new government would not alter Azerbaijan's domestic and foreign policies, and that his country would seek good relations with all countries, especially its neighbors, including Russia. He criticized the uneven relations that existed between Azerbaijan and Russia during the Elchibey regime. At the same time, Aliyev stressed that he viewed Azerbaijan as an independent state that should never again be “someone's vassal or colony.” In the summer of 1993, Aliyev issued a blanket plea to the United States, Turkey, Russia, the UN, and the CSCE to work more resolutely toward

settlement of the Nagorno−Karabakh conflict. Later that year, he sought repeal of the Azerbaijan clause of the United States Freedom Support Act, which had been amended in 1992 to prohibit United States government assistance to Azerbaijan.

Relations with Former Soviet Republics

Although Elchibey stressed Azerbaijani independence from Moscow, he signed a friendship treaty with Russia on October 12, 1992, calling for mutual assistance in the case of aggression directed at either party and pledging mutual protection of the rights of the other's resident citizens. Between that time and the coup of 1993, however, Elchibey accused Russia of aiding Armenia in Nagorno−Karabakh, and Russia accused Elchibey of mistreating the Russian minority in Azerbaijan. Relations improved with the return to power of Aliyev, who pledged to uphold and strengthen Azerbaijan's ties to Russia. Russia's official position on Nagorno−Karabakh was strict nonintervention barring an invitation to mediate from both sides; in the Russian view, Azerbaijani territory seized by Armenia was to be returned, however. In early 1994, seizure of property from Russian citizens in Azerbaijan (mostly to house refugees from Nagorno−Karabakh) remained a source of irritation.

Azerbaijan's role in the CIS changed drastically in the early 1990s. After Azerbaijan signed the Alma−Ata Declaration as a founding member of the CIS in December 1991, the legislature voted in October 1992 against ratifying this membership. However, Azerbaijan retained observer status, and its representatives attended some CIS functions. Aliyev's announcement in September 1993 that Azerbaijan would rejoin the CIS brought a heated debate in the legislature, which finally approved membership. Aliyev then signed the CIS charter, its Treaty on Collective Security, and an agreement on economic cooperation. Relations with former Soviet republics in Central Asia also were uneven after independence. Elchibey's advocacy of the overthrow of President Islam Karimov of Uzbekistan caused particular diplomatic problems with that country. In keeping with the policy of rapprochement with the CIS, Aliyev began improving ties with Central Asian leaders in the second half of 1993.

National Security

From the very beginning of its existence as a post−Soviet independent republic, Azerbaijan faced a single compelling national security issue: its enduring struggle with Armenian forces in Nagorno−Karabakh and the surrounding territory. The withdrawal of Russian troops and matériel left an Azerbaijani army ill−equipped and poorly disciplined. Government efforts to build a new national defense force achieved only limited results, and Armenian forces continued to advance into Azerbaijani territory during most of 1993. By the end of that year, the Aliyev regime had bolstered some components of the Azerbaijani military, however.

Forming a National Defense Force

Even before the formal breakup of the Soviet Union at the end of 1991, Azerbaijan had created its own Ministry of Defense and a Defense Council to advise the president on national security policy. The national armed forces of Azerbaijan were formed by presidential decree in October 1991. Subsequently, the Azerbaijani Supreme Soviet declared that the Soviet 4th Army, which included most of the Soviet troops based in Azerbaijan, would be placed under Azerbaijani jurisdiction. About the same time, the Azerbaijani Supreme Soviet summoned Azerbaijanis serving in the Soviet armed forces outside Azerbaijan to return and serve in their homeland. By the end of 1991, the Supreme Soviet had enacted independently several statutes governing military matters.

Formed in mid−1992, the Azerbaijani navy has about 3,000 personnel in sixteen units from the former Soviet Caspian Flotilla and Border Guards. The navy has five minesweepers, four landing ships, and three patrol boats. The air force has about 2,000 troops, forty−eight combat aircraft, and one helicopter squadron.

According to legislation and a decree both promulgated in 1991, the president serves as the commander in chief of the Azerbaijani armed forces. In this capacity, the president oversees defense and security efforts undertaken by the prime minister and the ministers of defense, internal affairs, and security. Between 1991 and 1993, Azerbaijani presidents exercised this power by ousting several defense ministers because of alleged incompetence. Despite propitious legislation and decrees, however, efforts to field a national army faced many challenges.

In the pre−Soviet period, many Azerbaijanis graduated from Russian military academies, and Azerbaijani regiments of the imperial army were noted for their fighting skill. In the Soviet military system, however, Azerbaijanis were underrepresented in the top ranks of the armed forces, despite the presence of the Higher All Arms Command School and the Caspian High Naval School in Azerbaijan. Many Azerbaijani conscripts were assigned to construction battalions, in which military training was minimal and the troops carried out noncombat duties. Preinduction military training in most Azerbaijani secondary schools was also reportedly less stringent than in other Soviet republics. For these and other reasons, the Azerbaijanis were not prepared for long−term warfare in Nagorno−Karabakh when independence arrived.

Russian Troop Withdrawal

The continued presence of Russian forces in Azerbaijan became problematic when Russian troops were alleged to have assisted Armenians in an attack that killed hundreds of civilians in the town of Khodzhaly, in southwestern Azerbaijan, in February 1992. In the face of widespread demands from the political opposition in Baku, components of a 62,000−member Russian force began to withdraw from Azerbaijan almost immediately. Striking a contrast to the protracted withdrawal of Russian troops from the Baltic states, the last Russian unit, the 104th Airborne Division, withdrew from Azerbaijan in May 1993, about a year ahead of the schedule that the two countries had set in 1992.

According to an agreement between Russia and the Transcaucasian states calling for distribution of former Soviet military assets among the participating parties, Azerbaijan would receive most of the matériel of the 4th Army that had been stationed there, together with part of the Caspian Flotilla. The Russians destroyed or removed much of their weaponry upon withdrawing, but a substantial amount was stolen, exchanged, or handed over to Azerbaijani forces. Some Russians answered appeals from Azerbaijani military leaders to serve in the Azerbaijani armed forces. By agreement with Russia, many former members of the Soviet Border Guards also continued their duties under Azerbaijani jurisdiction, with Russian assistance in training and weapons supplies. In January 1994, Russia and Azerbaijan discussed possible use of Russian forces to bolster Azerbaijan's border defenses.

Force Levels and Performance

During the late Soviet period, Azerbaijan had supplied as many as 60,000 conscripts per year to the Soviet armed forces. In August 1992, Elchibey announced projected personnel levels for the Azerbaijani armed forces. His projection called for a force of 30,000 troops by 1996, divided into ground units, air force and air defense units, and a navy. Half of this force would consist of conscripts, half of individuals serving under contract. In 1994 estimated total troop strength had reached 56,000, of which 49,000 were in the army, 3,000 in the navy, 2,000 in the air force, and 2,000 in the air defense forces.

According to training plans, officers would graduate from a revamped Combined Command School (formerly the Baku Higher Arms Command School) and the Caspian High Naval School. The new Azerbaijani armed forces would rely almost exclusively on transferred or purchased Soviet equipment, although Azerbaijani machine industries had the capability to do some manufacturing and repairs. According to most Azerbaijani accounts, defense strategy in the near term is focused on territorial defense, the goals of which are defeating separatism in Nagorno−Karabakh and defending Azerbaijan's borders with Armenia.

Despite Elchibey's ambitious plan, in 1992 and 1993 Azerbaijan was forced to seek military assistance elsewhere. Reportedly, a group of American mercenary advisers arrived in Azerbaijan in 1992, and some Americans were believed still in the country in early 1994. Iranian, Russian, and Turkish officers also were training Azerbaijani forces in the early 1990s. In early 1993, Azerbaijan was able to field no more than a few thousand well−trained troops against Armenia, according to most accounts. In 1993 continued military defeats brought mass desertions.

To meet the need for troops, Azerbaijani authorities encouraged the organization and fielding of up to thirty paramilitary detachments, which in late 1993 were heavily criticized by Aliyev for their lack of military discipline. Aliyev reported to the legislature that these detachments were abandoning positions and weapons to the Armenians without an effort to defend them. About 1,000 former Afghan freedom fighters were hired in 1993, and volunteers from other Muslim countries also reportedly enlisted. In late 1993, the government began forced recruitment of teenagers, who were said to be used in human−wave attacks against Armenian positions.

Supply and Budgeting

Azerbaijan reportedly receives weapons of uncertain origin from various Islamic nations to assist in the struggle to retain Nagorno−Karabakh. In late 1993, the Ministry of Foreign Affairs made an official report to the CSCE on the weapons at Azerbaijan's disposal, fulfilling the requirement of the 1991 Conventional Forces in Europe Treaty (CFE Treaty—see Glossary). According to this report, during 1992 and 1993 Azerbaijan received more than 1,700 weapons—including tanks, armored personnel carriers, aircraft, artillery systems, and helicopters—from Russia and Ukraine, far above the CFE Treaty limits.

According to IMF and Azerbaijani government data, defense expenditures placed a severe burden on the national budget. In 1992 some US$125 million, or 10.5 percent of the total budget, went to defense. The Nagorno−Karabakh conflict also raised expenses for internal security to 4 billion rubles in 1992. By 1994 military expenditures officially reached US$132 million, although unofficial estimates were much higher.

Aliyev's National Security Reform

In November 1993, Aliyev created the Defense Council to provide him direct oversight of military affairs and to curtail the loss of considerable Azerbaijani territory outside NagornoKarabakh . The new council, which reports to the president, also strengthened Aliyev's control over military and security affairs, which previously had been directed by Prime Minister Huseynov. At its first meeting, the Defense Council replaced the deputy defense ministers in charge of the Border Guards and the general staff, and the council criticized the Council of Ministers for neglecting urgent defense matters. At the end of 1993, Aliyev continued his criticism of widespread draft evasion, appealing particularly to the 10,000 Afghan war veterans in Azerbaijan to reenlist.

Penalties for draft evasion and desertion were tightened. At the same time, Aliyev ordered most officers with desk assignments to be deployed to the front lines.

In 1993 Aliyev attempted to establish better relations with Russian military and political officials by rejoining the CIS and signing CIS agreements on multilateral peacekeeping and mutual security policy. He answered nationalist critics by citing the hope that Russia might coax or coerce Armenia and the NagornoKarabakh Armenians into reaching a suitable settlement of the conflict. Some APF members and others denounced these moves as jeopardizing Azerbaijani sovereignty more seriously than did the existing conflict.

In November 1993, the Melli−Majlis approved the Law on Defense, ratifying Aliyev's proposed reforms.

Paramilitary forces were officially disbanded, and strenuous efforts were undertaken to increase the size of the military. In early 1994, these measures appeared to help Azerbaijani forces to regain some territory that had been lost in late 1993. These successes were attributed to several factors: Aliyev's success in wooing veterans, including officers, back into military service; increased enlistments and a lower desertion rate; improved morale; a streamlined command system with Aliyev at its head; and training assistance and volunteers from abroad.

Crime and Crime Prevention

In the early 1990s, crime in Azerbaijan generally intensified and expanded to new parts of society. In the confusion of economic reform, white−collar criminals absconded with investment and savings funds entrusted to new and unproven financial institutions, and mass refugee movements and territorial occupation promoted the activities of armed criminal groups. At the same time, law enforcement agencies of the Ministry of Internal Affairs underwent several reorganizations that hindered effective crime prevention.

According to United States and Russian sources, illegal narcotics, including opium, hashish, and marijuana, are assuming a large role in Azerbaijani exports, although official economic indicators do not reflect such commerce. In 1993 the United States Department of State reported that Azerbaijani criminal networks controlled 80 percent of drug distribution in Moscow. Only seven kilograms of narcotics were confiscated by customs officials at border points in 1993, however. According to official Russian sources, in 1993 some 38.6 percent of illegal drugs entering Russia from former Soviet republics came from Azerbaijan, and 82 percent of drug arrests in Moscow were of Azerbaijanis. The Russian government and Armenian authorities have alleged that Azerbaijani government officials are involved in drug trafficking, which they assert helps support Azerbaijani military operations in Nagorno−Karabakh. In 1993 Azerbaijan joined the International Association Against Narcomania and the Narcobusiness.

Wartime conditions and expanded trade relations also increased other types of smuggling dramatically.

Widespread corruption and poor organization in the Azerbaijani customs service fostered customs violations; in one two−month period in 1994, customs officals seized 6,300 Iranian rials, US$23,700, forty truckloads of iron pipe, 1,633 tons of metal, 620 grams of mercury, and batches of military optics equipment.

Crime Prevention Agencies

Azerbaijan established a separate contingent of border troops in 1992, but the demands of the Nagorno−Karabakh conflict have limited staffing. In 1993 liaison was established with the border troop commands of Russia, Kazakhstan, and Ukraine for cooperative drug control and exchange of methodology. A small officer training program for border troops has been established at the Baku All Forces Commanders' School, with the intention of increasing enrollment once the issue of Nagorno−Karabakh is resolved.

Long−term plans called for European−style checkpoints after war damage is repaired and official borders are recognized.

In 1993 the Ministry of Internal Affairs underwent a major reform, a significant aspect of which was abolition of its Administration for the Struggle Against Terrorism and Banditry. That agency, nominally the spearhead of national crime prevention, had proven ineffective because of unclear jurisdictions and poor professional performance. Law enforcement cooperation with other CIS countries has been irregular. In restructuring its law enforcement operations, however, the government has consulted the ministries of internal affairs of Georgia, Iran, Kyrgyzstan, Latvia, Russia, and Turkey. In 1993 the Ministry of Internal Affairs sent ninety employees to study law enforcement at education institutions in Russia and Ukraine. Also, contacts were strengthened with the International Criminal Police Organization (Interpol) and the national law enforcement agencies of neighboring countries.

Despite Aliyev's reforms, the delicate state of Azerbaijani national security continued to affect all other aspects of the new nation's activities. Normal foreign relations and trade were blocked by the ramifications for other nations dealing with one side or the other of the Nagorno−Karabakh conflict. But despite the clear need for action, extreme nationalists sharply limited the president's range of options by holding the threat of ouster over his head for any step that might appear to be conciliatory toward the traditional enemy, Armenia.

For historical background on Azerbaijan, the best source is Audrey L. Alstadt's *The Azerbaijani Turks: Power and Identity under Russian Rule*. Earlier sources covering specific historical topics include J D. Henry's *Baku:*

An Eventful History (covering the exploitation of oil in the late nineteenth and early twentieth centuries); *Russian Azerbaijan, 1905−1920: The Shaping of National Identity in a Muslim Community* by Tadeusz Swietochowski (including an introductory chapter covering nineteenth−century Russian rule); Ronald G.

Suny's *The Baku Commune, 1917−1918; Class and Nationality in the Russian Revolution*; and *The Struggle for Transcaucasia, 1917−1921* by Firuz Kazemzadeh. Overviews of nationality issues include Tamara Dragadze's “Azerbaijanis” in *The Nationalities Question in the Soviet Union*, edited by Graham Smith, and Frank Huddle, Jr.'s “Azerbaidzhan and the Azerbaidzhanis” in *Handbook of Major Soviet Nationalities*, edited by Zev Katz. (For further information and complete citations, see Bibliography.)