Policy Brief
March 2026

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Transatlantic
Foundation

How To Help Reform, Development, and Stability in Azerbaijan

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Summary

Azerbaijan faces a complex search for a new geopolitical and internal identity after the full restoration of territorial integrity and sovereignty in 2020–2023. The decades-long conflict with Armenia, now nearing a peace agreement, has shaped repressive governance, which the government justified by the need for internal discipline during the Karabakh conflict. The government shows no sign of easing its longstanding authoritarianism. Stagnation in the oildependent economy, corruption, and declining public trust strain the political order. The country's mediumterm trajectory hinges largely on signing a peace agreement with Armenia, which will shape its domestic stability and international engagement.

Opposition parties have been neutralized through a combination of repressive measures against genuine critics and the government's capitalizing on military victory. The oncevibrant civil society has been dismantled through repression, imprisonment, and forced emigration, leaving only limited space for independent activity, mainly in peace-building. Exiled activists have little domestic influence, while the state promotes and funds government-organized nongovernmental organization to dominate the civic sphere. International support for civil society, especially from the EU, is constrained by strict controls on foreign funding. Heavy dependence on shrinking oil and gas revenues, and the presence of monopolies and corruption, has undermined productivity and stability. Demographic decline, low wages, and mass emigration further strain the system, threatening the social compact based on oil revenue and future political stability.

After the military developments of 2020–2023, Azerbaijan shifted its rhetoric away from Armenia and toward other perceived external adversaries—France, Iran, the United States, and especially Russia. There has been progress toward a peace agreement with Armenia, with the United States replacing Russia as the main mediator. The signing of an agreement hinges on constitutional change in Armenia and on progress on the Trump Route for International Peace and Prosperity transport project. Western engagement more than ever prioritizes energy and security over democracy while Baku is increasingly attracted by non-Western institutions and initiatives with a focus on economics and geopolitics. The outbreak of the Iran War has now created a large element of security and economic uncertainty for Azerbaijan.

Over the next 12 to 18 months, Azerbaijan will face intertwined economic, political, and international challenges. Since parliamentary elections, which could provide a mechanism for adjusting the course of key policies, are not due until 2028, the government will have to acknowledge the limitations of its long-standing economic strategies and reform them so as to mitigate the unraveling of the social compact and to ensure domestic stability. Baku will also have to recalibrate its relations with its Western partners and neighbors. In this context, this brief presents two scenarios: a peace agreement is signed relatively soon, prompting new regional momentum, or the peace process slows down and regional tensions rise.

The brief concludes with recommendations for the EU, its member states, and the United States as to how they can support Azerbaijan's reform, development, and stability. They focus on the areas of political dialogue and electoral reform, civil society and media freedom, economic diversification and reform, demographic and migration challenges, and regional peace and stability.

Introduction

Following the 2020 war and the restoration of territorial integrity in 2023, Azerbaijan faces a complex search for a new geopolitical and internal identity. The decades-long conflict with Armenia, now nearing a peace agreement, has shaped repressive governance in the country, which the government justified by the need for internal discipline during the Karabakh conflict. However, there is little indication that it will consider relaxing its authoritarian measures, notably against civil society and independent media. At the same time, the government faces challenges in sustaining the domestic order in place due to its declining resources and economic headwinds. At the international level, much will depend on whether Azerbaijan and Armenia conclude their recently negotiated peace agreement.

This brief presents an overview of Azerbaijan's domestic and international environment, and it then outlines two medium-term scenarios that hinge principally on whether a peace is signed earlier or later. It concludes with recommendations for the country's international partners—in particular the EU, its member states, and the United States—as to how they can support its reform, development, and stability.

The Domestic Context

Since independence in 1991, the political and economic agenda in Azerbaijan has been dominated by the conflict with Armenia over the occupied territories of Karabakh and East Zangezur. President Heydar Aliyev and the government used the ceasefire agreement of 1994 to find a new economic identity for the country after the collapse of communism. Political stabilization made significant economic assistance possible through the International Monetary Fund and World Bank, while remittances from people who had moved abroad, mostly to Russia, to find jobs helped sustain the economy. Wild privatization neither revived the enterprises that had lost traditional markets, nor contributed to political liberalization. Instead, the economy became exclusively dependent on oil and gas exports, especially from 2006 when revenue from the 1994 strategic contract with a consortium of international energy companies started to flow. This is estimated to have provided the country with $180 billion of oil and gas revenue since then.[1]

The dominance of one sector that employs a limited number of people but generates most of the gross domestic product helped create a political system based on shrinking freedoms, nominal elections, and excessive reliance on law-enforcement agencies for maintaining the social order. A social compact emerged based on the redistribution of oil and gas revenue in exchange for loyalty to the regime and political disengagement. The related widespread corruption has also made it easier to maintain discipline within the repressive system. The combination of these factors eased the transfer of power in 2003 from Heydar Aliyev, who had ruled since 1993 (and in 1969–1987 when it was part of the Soviet Union) to his son Ilham.

The conflict with Armenia shaped Azerbaijan's repressive governance, which the government justified with the need for internal discipline. With victory achieved since 2023, it has shown little inclination to relax its authoritarian measures; instead, civil society and independent media have been severely curtailed through restrictive laws and mass prosecutions. Azerbaijan is classified by Freedom House as a "consolidated authoritarian regime" and by the V-Dem Institute as an "electoral autocracy".[2] CIVICUS

describes the country's civic space as "closed".[3] Reporters Without Borders ranks Azerbaijan 167th out of 180 countries for press freedom.[4] The Eastern Partnership Civil Society Forum Index describes the country as "a textbook case of authoritarian modernization…with uncompromising controls over political competition, civic space, and media freedoms".[5]

Following the military offensive that restored Azerbaijan's territorial integrity and sovereignty in 2023, Aliyev's popularity left little room for opposition activities. Capitalizing on this, he called a snap presidential election in February 2024, which caught the opposition off guard. The absence of credible opponents on the ballot was not due to restrictions, as in the past, but because key critics saw little chance of mounting a meaningful campaign against Aliyev. Instead, the opposition parties—such as the Republican Alternative (REAL) Party, the Musavat Party, and the White Party—shifted their focus to the September 2024 parliamentary elections, hoping to capitalize on the ruling Yeni [New] Azerbaijan party's lower popularity compared to that of the president and anticipating a decline in his war-related appeal. The turnout for the presidential election was officially 76% but lower in reality. The official turnout in the parliamentary elections was a record low of 37%, but it was reportedly in the single digits in the constituencies where the opposition or civil society could monitor the vote. Yeni Azerbaijan won 70 out of the 125 seats, with most of the rest spread among independent candidates.

The turnout in the parliamentary elections reflected deep public distrust in state institutions, whose legitimacy is overshadowed by the president's personal authority. The population faces growing daily challenges, including corruption, government inefficiency, political repression, and economic stagnation. Aliyev's triumphant image is also losing its appeal with time. In the absence of reliable polls, reactions to opposition social media posts are indicative of the trend. It is uncertain whether his popularity will keep waning or do so enough to impact the 2028 parliamentary elections. The next presidential election is not due until 2031.

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The opposition parties have been neutralized through a combination of repressive measures against genuine critics and the government's non-stop capitalizing on military victory. Some old and new social-media broadcasters based abroad receive a huge amount of positive online engagement with their critical reporting, but that has not translated into mass political action. The independent media and civil society have been systematically dismantled through restrictive legislation and mass criminal prosecutions.

In the past the government impeded the official registration of civil society organizations (CSOs) in order to limit their activities. When this approach became ineffective and led to international criticism, legislative changes in 2013 forced them CSOs to register all agreements for grants they received with the Ministry of Justice and impose heavy reporting requirements. This made it almost impossible for them to operate. Independent CSOs and nonprofit media—the primary source of independent reporting beyond social-media citizen journalism—managed to keep going mostly by working instead through service

contracts with various donors. That practice was somewhat tolerated until 2023, when the government initiated another large wave of criminal prosecution of activists. This was the final blow to civil society. Dozens of journalists from nonprofit media and civil society activists were imprisoned, joining those jailed since 2013.

What used to be a vibrant civil society and media community today consists of imprisoned or otherwise repressed people, while many have fled the country. The government has encouraged dissenters to leave. There is practically no area in which truly independent individuals from civil society can contribute, with the exception of peace-building with Armenia. Donor grants aligned with the peace process may be approved quickly as political circumstances require.

All this has stifled dissent and public participation. Some of the activists and journalists who have relocated abroad remain active on social media, but they exert a limited influence on domestic trends due to their perceived disconnect from domestic reality.

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Meanwhile, the government has for many years fostered government-organized nongovernmental organizations (GONGOs). It has been increasingly consolidating them and funding them primarily through the Agency for State Support to Non-Governmental Organizations. Over the four-year period leading to 2025, 22 million manat ($12.9 million) was allocated to support initiatives in this regard, with a high number of organizations participating in the grant competitions.[6] The majority of state-funded projects focus on social, cultural, and development goals, particularly in the Karabakh region.

The EU has supported civil society by channeling funds and expertise through organizations like the Council of Europe and the United Nations Development Programme. This assistance aims to empower CSOs by boosting their skills, improving access to justice, and promoting democracy, human rights, and social innovation through training, grants, and partnerships. However, the government restrictions on foreign funding seriously limit the ability of these efforts to have a meaningful impact. The EU is also increasingly partnering with GONGOs, which sidelines independent CSOs and makes it tougher for it to foster genuine democratic progress. At the same time, US assistance to civil society has dramatically decreased with the closure last year of the US Agency for International Development. Its focus in the previous five years was on economic diversification, development of small and medium-sized enterprises, agricultural competitiveness, COVID-19 recovery, and humanitarian support, particularly following the 2020 conflict. A project on fostering partnerships between local governments and communities was terminated by Azerbaijan in 2024. In previous years, US civil society support was focused primarily on women's economic empowerment, psychological and legal aid for people with special needs, survivors of domestic violence and human trafficking, community building, and ecological activism.

There has been growing economic stagnation and the reliance on declining oil and gas revenues, coupled with falling production and fluctuating prices, has threatened stability. Oil and gas have accounted for more than 90% of exports for two decades. This has restricted the emergence of sectors that would produce other goods for export, beyond seasonal agricultural products. Azerbaijan's main trading partners are China, Israel, Italy, Russia, and Türkiye. The government's push to position the country as a key player in the Trans-Caspian International Transport Route (or Middle Corridor) connecting China and Southeast Asia to Europe yields limited financial returns, exacerbating economic challenges.

The economy is heavily dominated by monopolies that capture much of the oil and gas revenue as it is distributed through government spending. This undermines productivity. Fifteen years ago, Azerbaijan accounted for 72% of the GDP of the South Caucasus countries; today, its share is below 60% and falling.[7] Labor productivity is lower than in Armenia and Georgia,[8] and even more so outside the oil and gas sectors. Because the economy is built on redistributing the revenues from oil and gas exports across society, the law-enforcement agencies are the most influential economic players. In effect, they are a significant part of what can be called a parallel taxation system based on corruption.

Projections that oil prices would fall by the middle of this year and next, perhaps even to $50 per barrel, due to oversupply raised a challenge for the government as the 2026 budget assumes a baseline price of $65. Declining production, driven by depletion, will exacerbate this issue. At the time of writing, it is too early to tell how exactly the Iran War will impact oil prices in the medium to long term, following their immediate sharp rise. Cuts in government spending have been expected. This was signaled by the appointment of a new finance minister with a reputation for frugality in 2024 and an August 2025 presidential order for more restrained spending.[9] The concept of a "social state", which became central to the government's role during the 2006–2015 oil boom, has been abandoned. The abovementioned social compact is beginning to unravel, and its viability will be tested in the 2028 parliamentary elections.

Demographic decline due to a declining fertility rate and mass emigration poses serious challenges to the economy and national security. The fertility rate has dropped from above the 2.1 replacement level in the first 25 years of independence to 1.43 in 2024.[10] Emigration is driven by a lack of economic prospects and exacerbated by the repressive societal environment. Officially, the average nominal monthly wage of salaried workers is $650, compared to $850 in Armenia and $770 in Georgia.[11] According to reports from Türkiye, 180,000 Azerbaijanis have permanently relocated to the country in the past nine years.[12] Greater numbers have reportedly resettled in Europe and the United States.

The International Context

The foreign policy of Azerbaijan since independence has been shaped mostly by three factors. First, the 1994 energy contract that redefined the economic identity of the country. Second, strong ties with Türkiye at the people-to-people and state levels, based on the closeness of cultural identity, the absence of a language barrier, and its role in the founding the first independent republic of Azerbaijan in 1918. Türkiye has always been among the country's top three trading partners, and they are officially military allies since the 2021 Shusha Declaration. Third, the need to build international alliances with the aim of restoring territorial integrity and sovereignty in the conflict with Armenia in such a way that it would

neutralize the US- and EU-led global democracy agenda on the one hand, and the geopolitical aspirations of Iran and Russia on the other.

Following the restoration of territorial integrity and sovereignty in 2020–2023, there was a rapid shift in focus. In government-controlled media, France, Iran, the United States, and, most recently, Russia replaced Armenia as the primary enemy and targets of criticism. Except in the case of the United States, this shift has extended to include arrests of alleged spies. In 2023, government-controlled media briefly accused US-educated Azerbaijanis of forming a covert network of American agents,[5] but this narrative was quickly abandoned.

The reasons behind this search for a new foreign adversary remain unclear. It could be to distract from domestic issues, the result of post-victory euphoria, to test new geopolitical alignments, or simply the result of missteps. France, Iran, and the United States largely ignored these developments, allowing tensions to dissipate.

Russia, however, presents a more serious challenge. Tensions between the two countries escalated from December 2024 when Russian negligence led to the downing of an Azerbaijani civilian plane, killing dozens. Russia's refusal to apologize for its mistakes in handling aviation safety and its subsequent arrests or dismissals of prominent Azerbaijani diaspora members have intensified the discord. Aliyev responded with public support for Ukraine[6] and by framing the 1920 Bolshevik invasion of Azerbaijan as an occupation,[7] directly challenging Moscow. Last October, he met President Vladimir Putin at a regional summit in Tajikistan, which somewhat softened the tensions. However, soon after the meeting, a very high-ranking official in Baku was arrested for allegedly plotting a coup with Russia.

There has been progress toward a peace agreement with Armenia, with the United States taking over Russia's role as the primary mediator between the two countries.

Meanwhile, there has been progress toward a peace agreement with Armenia, with the United States taking over Russia's role as the primary mediator between the two countries. Last August, Aliyev and Prime Minister Nikol Pashinyan initialed a draft agreement at their summit in Washington. The final signing and ratification hinge on Baku's demand for the removal of any provision in Armenia's constitution that imply territorial claims against Azerbaijan. Last November, Pashinyan stated that a constitutional referendum will only be held after Armenia's parliamentary elections in June. Armenian officials have spoken of a referendum being possibly held in 2027 and called for similar changes in Azerbaijan.

A critical element of the peace agreement is the transport project labeled the Trump Route for International Peace and Prosperity (TRIPP) through the Zangezur Corridor, to connect mainland Azerbaijan and its Nakhchivan exclave. Its operational details remain unresolved, which could undermine normalization efforts. The United States has proposed that the corridor remain under Armenian jurisdiction and leased for 99 years to a US-led consortium. Azerbaijan insists on safe and unimpeded passage for goods and passengers without Armenian border checks. Here too, the impact of the Iran War

is hard to predict at the time of writing. The government of Iran, which borders the corridor to the south, was divided over the TRIPP, with some in Tehran fearing the United States effectively would gain control over the border with Armenia.[13] Russia objects to the TRIPP, raising concerns about its border guards stationed in Armenia and the corridor's compliance with the trade rules of the Eurasian Economic Union, of Armenia is a member.[14]

Azerbaijan is the only country that has its land borders completely closed, a policy initiated in 2020 due to the COVID-19 pandemic that has been extended quarterly with reference to vague external threats. Some attributed this to fears of an influx of Iranian refugees in case of an Israel-Iran conflict while others point to tensions with Russia as the primary concern, but no clear explanation exists for how the measure addresses such threats.

The EU prioritizes energy cooperation, although the European Parliament tries to address human rights issues.

While EU and US engagement with Azerbaijan has always placed other issues above democracy and human rights, in recent years it has shifted further away from the areas of core interest to the country's civil society and democratic opposition forces.

Last August, Aliyev and President Donald Trump signed a US-Azerbaijan Memorandum of Understanding that focuses solely on economy and defense/security.[15] In January, Azerbaijan accepted Trump's invitation to join his new Board of Peace initiative, thus aligning itself with his foreign policy line. Aliyev and Vice President JD Vance signed the US-Azerbaijan Strategic Partnership Charter during the latter visit to Baku in February. Similarly, the EU prioritizes energy cooperation, although the European Parliament tries to address human rights issues. The European Commission emphasizes Azerbaijan's strategic role as an energy supplier. While it continues to mention the repression of civil society and independent media, it does not take meaningful action over this. The 2022 EU-Azerbaijan Memorandum of Understanding on strategic partnership is limited to energy matters.[16] As oil production is declining and gas production has increased, energy cooperation with the EU is mostly driven by the latter's environmental considerations, within its efforts to diversify and decarbonize its energy production. Among the member states, Italy is the one most consistently engaged with Azerbaijan on energy, with others have fluctuated in this regard.

Relations with Iran have been far from cordial since independence. Originally, Baku was especially concerned about the approximately 30 million ethnic Azerbaijanis living in Iran where they hold limited cultural rights, and also about Tehran's political and economic closeness with Armenia. Iranian cultural and political influence on people who practice religion in Azerbaijan is considerable, which the authorities view as a security concern. In recent years, relations were also strongly affected by Azerbaijan building close ties with Israel as part of its efforts to create alliances in the context of the conflict with Armenia. The outbreak of the Iran War has now created a major element of uncertainty for Baku as—depending how long it lasts and how the situation in Iran evolves—there could be humanitarian and security overspills that carry significant consequences and even risk dragging the country into involvement in the conflict.

At the Consultative Meeting of the Heads of State of Central Asia in Tashkent, Uzbekistan last November, Azerbaijan was accepted as an official member. However, Aliyev's strategic initiative for Azerbaijan to connect Europe and Central Asia will struggle without peace and open transit routes through Armenia. The growing Russia-Georgia ties and reported deliberate delays of Azerbaijani cargo at the Georgian border further underline the fragility of routes that bypass Armenia.

Azerbaijan has always valued and sought membership in international institutions, because these could confirm the legality of its position in the conflict with Armenia. In addition, these memberships would give legitimacy to the government in the eyes of domestic and external audiences despite the country's democracy deficit. Since its victory in the war, Baku has been increasingly attracted by institutions and initiatives with a focus on economics and geopolitics, such as the Organization of Turkic States, the China-dominated Shanghai Organization for Cooperation, BRICS, and the Middle Corridor. By contrast, it demonstrates growing disregard toward the Council of Europe due to its focus on human rights and democracy. The credentials of Azerbaijan's delegation at the Parliamentary Assembly of the Council of Europe have been frozen since January 2024. Baku has also limited its participation in the regional initiatives of the European Parliament, such as the EuroNest Parliamentary Assembly with the parliaments of Armenia, Azerbaijan, Georgia, Moldova, and Ukraine. In 2024, Azerbaijan expelled several international humanitarian organizations, including the International Red Cross and various UN agencies.

What Lies Ahead?

Over the next 12 to 18 months, Azerbaijan will face intertwined economic, political, and international challenges. Since parliamentary elections, which could provide a mechanism for adjusting the course of key policies, are not due until 2028, the government will have to acknowledge the limitations of its long-standing economic strategies and reform them so as to mitigate the unraveling of the social compact and to ensure domestic stability. Baku will also have to recalibrate its relations with its Western partners and neighbors. The eventual signing of a peace agreement with Armenia will be the key factor, though the likelihood of this happening this year is very low. Azerbaijan insists that signing is impossible without Armenia first amending its constitution, but Armenian officials so far speak of 2027 for this to happen as the earliest realistic date. As noted above, the different impacts of the Iran War are hard to predict at the time of writing, though it creates a large element of security and economic uncertainty for Baku. In this context, two possible scenarios are set out below, with the key triggering variable being the likelihood of a peace agreement being signed earlier or later.

A peace agreement relatively soon prompts new regional momentum

Following the parliamentary elections in Armenia, in which Pashinyan's party retains power on its own, there is gathering momentum toward signing the peace agreement with Azerbaijan in the coming months, with the government in Yerevan signaling it will hold a constitutional referendum before the end of the year. The Trump administration also pushes for a rapid signing, partly to bolster its foreign-policy record ahead of the 2026 US mid-term elections. As a result, there is an increasing likelihood that the TRIPP's phased opening will begin in 2028 or even 2027. Meanwhile, oil prices do not fall to $50 per barrel but rather stay high as a result of the Iran War. These two developments ease pressure on the government

on the socioeconomic front, enabling it to keep maintaining domestic stability and elite cohesion—and they also boost Aliyev's public image. There is progress toward opening the country's borders, creating the conditions for demand for confidence-building initiatives involving civil society. The government indicates that international donors are welcome to support these civil-society initiatives, but there is no sign of the policy of repressing independent civil society being reconsidered, with the initiatives under strict bureaucratic conditions and close supervision by the state. The EU, its member states, and the United States maintain engagement with Baku that is dominated by energy, connectivity infrastructure, and investment issue, with only some limited gestures from the European side on questions of human rights and freedoms. Relations with Russia, which continues its war effort in Ukraine, remain tense but stable.

Some factors support the plausibility of this scenario. At the time of writing, the governing Civil Contract party is judged by many to be the frontrunner for Armenia's parliamentary elections. And, while oil prices had been falling in recent months, the immediate spike produced by the Iran War makes it unlikely they could soon reach the $50 mark that would be dangerous for the economic situation of Azerbaijan and for the state budget. Several important actors in the United States are likely to keep seeing a financial opportunity in the TRIPP and thus in advocating progress on the peace agreement with Armenia. There is no sign that the EU will consider changing its policy towards the country to any serious extent. As for Russia, it is likely to remain bogged down in and focused on Ukraine, reducing its ability to challenge Baku's interests.

The peace process slows down and regional tensions rise

The parliamentary elections in Armenia, which saw heavy Russian interference, produce inconclusive results, with Pashinyan's party losing its majority and pro-Moscow revanchist parties increasing their representation. A political stalemate over the formation of a new coalition government follows, accompanied by protests. The likelihood of the peace agreement with Azerbaijan soon being signed recedes. As a result, economic ties between Baku and Yerevan stay blocked and momentum toward the phased opening of the TRIPP decreases, with 2028 as the earliest date. Distracted by other domestic and international issues, the Trump administration interest in driving the project and the peace process forward wanes. Meanwhile, following the immediate spike caused by the Iran War, oil prices begin to fall back toward the critical $50 per barrel and the state budget starts to feel the strain. Economic stagnation continues and the government finds it more difficult to maintain socioeconomic stability and elite cohesion. The EU and its member states maintain engagement focused on energy and connectivity infrastructure but, along with the international financial institutions, they raise the question of reforms as part of talks over their providing financial assistance to ease the economic strain on Azerbaijan. Aliyev's public image suffers and discontent with the government increases. Some social protests with a political element erupt in the provinces. There are no prospects for any easing in the repression of opposition actors, independent media, and civil society in the foreseeable future. In the meantime, relations with Russia, which has agreed a ceasefire with Ukraine, deteriorate further. This and the stalling of progress towards a peace agreement raises the prospect of a renewed conflict with Armenia, where Russian-backed revanchism gains traction, risking a refugee crisis and drawing in other countries in the region.

A key factor supporting the plausibility of this scenario that one cannot rule out Armenia's elections being disrupted or inconclusive—especially because of Russian interference—and producing a weak,

divided coalition government faced and a strong revanchist presence in parliament (even if not in the government). Also, the Civil Contract party's lead in support as the elections near does not appear entirely solid. At the same time, the difficulty in predicting the medium-term prospects for oil prices at the time of writing and how long the immediate spike resulting from the Iran War will last means that a downward trend cannot be ruled out. Another possible factor enabling this scenario is the possibility of the Trump administration losing focus on the peace process and the South Caucasus in the context of more pressing interests in domestic politics or international affairs, not least in Iran. It also cannot be entirely ruled out that Russia will agree to some kind of ceasefire in Ukraine as part of its dealings with the United States, allowing it to return more attention and resources to pursuing its interests in the region.

What Help Does Azerbaijan Need?

Below are recommendations for Azerbaijan's international partners—in particular the EU, its member states, and the United States—to support its reform, development, and stability. They address the country's repressive governance, economic vulnerabilities, demographic decline, and regional tensions. These recommendations require strategic coordination among the partners to avoid provoking a backlash from the government, which could intensify its domestic crackdown. By addressing these areas, Azerbaijan can transition toward a more open, diversified, and stable future, balancing its geopolitical ambitions with domestic resilience and regional peace.

Political Dialogue and Electoral Reform

Azerbaijan's international partners should encourage dialogue between the government and opposition, especially if the economic situation or international events put pressure on the government to bolster its legitimacy, in light of the low turnout in the last elections and signs of public distrust. Western governments should balance their economic and security cooperation with consistent advocacy for democratic principles, avoiding the prioritization of energy or of economic and strategic interests over human rights. They should engage with Baku toward the provision of technical assistance for electoral reforms, such as transparent independent vote monitoring and removing the legal barriers for opposition candidates and parties to run in elections and to observe their conduct, with the argument that this can help rebuild institutional legitimacy. The Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights is the only external actor that the government and opposition actors would be comfortable to engage with if the possibility of early elections arises. Current relations with the Parliamentary Assembly of the Council of Europe make it less suitable for leading such an initiative.

Civil Society and Media Freedom

The EU and the United States should leverage their energy relationship with Azerbaijan to push for an easing of the repressive domestic environment. The relationship with Baku is more of a mutual dependency than is recognized in Western capitals, and it will become more so if the country's economic situation worsens. The relationship could also become more complex in the context of the Iran War, depending on how long it or its impacts last. The EU and the United States should therefore be less inhibited when it comes to advocating the release of political prisoners, including jailed journalists and

activists. They should press for the closure of the criminal cases against local civil society that were reopened in early 2025. They should also call on the government to revise the legislation regulating local civil society and donor organizations. A legal framework should be created for transparent and efficient foreign funding and assistance to civil society, which is critically needed to strengthen independent CSOs and promote civic engagement. Finally, the Council of Europe should re-engage with Azerbaijan constructively, addressing what the latter perceives as the Parliamentary Assembly's biases. This will help to restore dialogue and to improve influence on Baku's implementation of European Court of Human Rights judgments, in which Azerbaijan ranks last among the 46 members.

Economic Diversification and Reform

International financial institutions such as the International Monetary Fund and the World Bank, as well as the EU, should provide Azerbaijan with affordable financing to offset projected budget deficits, particularly if oil prices drop toward $50 per barrel. However, their loans must be tied to transparent structural reforms, including dismantling monopolies, enhancing economic freedom, and improving governance to boost productivity. Technical assistance programs could also be offered to develop non-oil sectors like technology, agriculture, and energy, reducing the economy's dependency on the volatile oil markets. In its energy cooperation, the EU should prioritize capacity-building for small and medium-sized enterprises to curb emigration driven by limited economic prospects.

Demographic and Migration Challenges

Foreign governments and international organizations should support programs addressing Azerbaijan's demographic decline, such as family-support policies, education reform, and job creation to retain young talent. Partnerships with the EU, Türkiye, and the United States could facilitate diaspora engagement, encouraging return migration through incentives like startup grants or professional reintegration programs. The steps recommended above to address the repressive societal environment would also create a more inclusive domestic climate and reduce a key driver of emigration.

Regional Peace and Stability

As the primary mediator between Azerbaijan and Armenia, the United States should prioritize resolving the operational details of the TRIPP, especially ensuring that Baku's demand for unimpeded passage aligns with Armenia's sovereignty concerns. Azerbaijan's international partners should push for the international humanitarian organizations that the government expelled in 2024 to be invited back to build trust with Armenia and monitor post-conflict recovery.

Azerbaijan's Western partners should support its alignment with Ukraine and other democratic states while cautioning it against using rhetoric that could escalate tensions in the region. They should use their diplomatic channels to try to transform Baku's disputes with France, Iran, and Russia, emphasizing its role as a partner central to regional stability. They should also encourage the government to re-open the borders as part of their efforts to normalize trade and to reduce regional tensions that could fuel conflicts.

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About the Author(s)

The author of this policy brief is an Azerbaijan expert who requested anonymity.

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