



School of International Affairs

Azerbaijan Diplomatic Academy

AZERBAIJAN IN THE WORLD **ADA Biweekly Newsletter**

Vol. 2, No. 12
June 15, 2009

adabiweekly@ada.edu.az

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AZERBAIJAN'S BALANCED FOREIGN POLICY **AND THE MUSLIM WORLD**

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Most analysts have focused on only one aspect of Azerbaijan's balanced foreign policy – its careful navigation of a course between relations with Moscow, on the one hand, and the West – Europe and the United States – on the other. But what may prove to be ultimately an even more important manifestation of Baku's approach is to be found in its development of relations with the Muslim and non-Muslim worlds, ties that are defined by Azerbaijan's status as one of the most secular states among Islamic countries and one of the most Muslim countries among secular ones.

On the one hand, Azerbaijan's status as a country with one foot in each camp has allowed it to serve as a bridge between two civilizations often thought to be in complete conflict. Indeed, given Azerbaijan's increasing tilt toward Islam, it has

become the pre-eminent example of a country which can be both secular and Islamic. And on the other, this status has not only limited its freedom of action in particular cases but engendered concerns if not suspicions on the part of some in each camp that it is more a member of the opposite camp than is in fact the case.

Three developments over the last few weeks provide evidence of this balanced approach with the Muslim world: first, Baku's successful mobilization of the Organization of the Islamic Conference in support of its effort to reclaim the occupied territories; second, its navigation of the complexities of Sunni-Shia divides both domestically and within the Muslim world abroad; and third, its increasing engagement with Israel, one that will result later this month in the visit of Israeli President Shimon Peres to Baku.

At the end of May, Azerbaijan had a major diplomatic success in its work with the Organization of the Islamic Conference. A ministerial meeting in Damascus adopted a resolution in support of the territorial integrity of Azerbaijan, denouncing the destruction of Islamic cultural monuments in the occupied territories and pledging the members of the OIC to provide assistance to Azerbaijan to overcome the results of the Armenian occupation.

While OIC member countries have been supportive of Azerbaijan in the past, the Damascus Declaration represents a new stage, but it also shows the ways in which Baku has pursued a balanced policy in this area. On the one hand, the OIC noted the destruction of Islamic cultural monuments, a clear Muslim concern. But on the other, the group cast its resolution in terms of the non-Muslim (but of course not anti-Muslim) principle of the territorial integrity of states. Because it did that, Armenian complaints that Baku was seeking to transform the dispute from a national to a religious one fell flat.

But the Damascus meeting of the OIC had another consequence as well: It sent a powerful signal to the OSCE Minsk Group that Baku has additional diplomatic leverage that it can bring to bear if the European countries do not move more actively to resolve the Nagorno-Karabakh dispute. Indeed, one of the reasons that the Minsk Group may have become more active in recent months and Armenia somewhat more prepared to talk is the recognition that a failure to move forward will lead Azerbaijan to engage even more fully with the Muslim world, something the Minsk Group countries, Armenia, and one should add Turkey might view with concern.

The second development of recent months is more complicated but may ultimately prove more important. Azerbaijan sits astride the Sunni-Shia divide within Islam in a double sense. Not only is its own population traditionally divided between the two with the Shia outnumbering the Sunni two to one, but three quarters of the ethnic Azerbaijanis in the world live in Iran, the largest Shia country in the world. And these divisions have created new challenges for Baku domestically and internationally.

Domestically, Azerbaijan faces serious challenges from Salafi Islamist groups and Sufi *tariqats* who view the traditional and moderate Islamic establishment in Azerbaijan as either out of touch or theologically unsound. Because of the Soviet inheritance, one that involves among other things, widespread ignorance of the basic tenets of Islam, the radicals have been able to generate support. Moreover, at the same time, Iran has been backing Shia radicals inside Azerbaijan. All this has put

the Azerbaijani government in a difficult position, forcing it to balance its own security concerns with the certainty that any harsh action against the radicals will not work to its advantage in parts of the Muslim world.

These complexities help to explain why the Azerbaijani authorities have moved in the ways that they have against radicalism in Islam at home, sometimes cracking down hard on extremists and sometimes presenting a more moderate and cooperative face. And they also help to explain why official Baku has taken harsh measures and adopted legislation that have drawn fire from Western human rights organizations and some Islamic groups as overly tough even as they have received a sympathetic hearing from many governments, including Western ones, who view these actions as part of a broader war on terrorism.

But it is the third move in this area that reveals the careful balancing act Azerbaijan has pursued in and with the Muslim world. On June 28, Israeli President Shimon Peres will visit Baku, the highest ranking representative of the Jewish state to do so. His arrival not only reflects Israel's assessment that Azerbaijan is one of its best friends in the Muslim world – there is no anti-Semitism in Azerbaijan, and the large Azerbaijani Jewish community in Israel has helped to tie the two countries together – but also is part of a larger effort by Jerusalem to press Azerbaijan to become even more supportive.

While Azerbaijan has had diplomatic relations with Israel for more than a decade and has been a major supplier of oil to the Jewish state and while Israel has had an embassy in Baku during much of that time, Baku has not yet opened an embassy in Israel. Azerbaijan appears to have calculated that such a step would offend many of its Muslim partners, but Peres is certainly going to press Azerbaijan to change its position on this. Indeed, Israel's ambassador to Azerbaijan has already said publicly that this will be a major part of the discussions during Peres' visit.

Not surprisingly, Iran opposes the meeting and has threatened Azerbaijan with various kinds of pressure if it goes forward. Baku has parried those threats, denouncing them as an illegitimate effort by Tehran to interfere in Azerbaijan's internal affairs and using them as evidence of a stance many Western countries, including the United States in particular, are extremely pleased with. Indeed, it seems clear that at least so far, Azerbaijan has benefited from Iran's attacks more than it has suffered from them, yet another way in which its balanced approach has played to its advantage.

Some analysts have suggested that Azerbaijan's balanced approach to foreign affairs is not so much a strategy as a reflection of the absence of one, an indication that its leaders will now move in one direction and now in another. But in fact, as its relations with the Muslim world show even more clearly than its ties with Moscow and the West, it is a very clever strategy designed to leverage Azerbaijan's resources, economic, ethnic, and religious, against its difficult geographic location. And most important, it is one that those who seek to work against often find themselves contributing to its success.

AZERBAIJANI-ISRAELI RELATIONS ENTER A NEW STAGE

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The upcoming June 28th visit to Baku by Israeli President Shimon Peres, a visit arranged during the May 6th meeting in Prague between Azerbaijani President Ilham Aliyev and Israeli Foreign Minister Avigdor Lieberman, opens a new stage in Azerbaijani-Israeli relations and reflects among other things Jerusalem's desire to strengthen relations with former Soviet republics in the aftermath of Israeli operations in Gaza.

In support of that effort, one marked out in the middle of 2008, the Israeli foreign ministry has established separate departments to deal with the European portion of the CIS, the South Caucasus and Central Asia, regions that had been the responsibility of the ministry's broader Central European and Eurasian Department. The new units are provisionally called Eurasia I (dealing with the European portion of the CIS) and Eurasia II (dealing with the South Caucasus and Central Asia). The head of Eurasia II, which will also deal with Azerbaijan, is Shemi Tsur, the son of a Jewish returnee from the Iranian province of Eastern Azerbaijan (Falkov & Kogan 2009).

Apparently, Israeli political technologists have been working on the strengthening of official contacts with Azerbaijan intensively. Jewish groups in the West have been playing a major role in this and have conditioned their support for Azerbaijani interests on Baku's opening of an embassy in Israel. As official representatives of the two countries have noted, despite the absence of an Azerbaijani embassy in Israel and of a general treaty between Azerbaijan and Israel, there exist various interagency accords which are working extremely well. As a result, Israel receives 30 percent of the oil it needs for internal use through the Baku-Tbilisi-Ceyhan pipeline, and bilateral trade is constantly expanding.

The absence of anti-Semitism in Azerbaijan, the good relations with Jews living in the country also help to fill the diplomatic vacuum. At the same time, the opening of an embassy of a Muslim-majority state in Israel and the visit of the Israeli president to a Muslim country are a moral support and example for Jews of the entire world and the Jewish state itself.

In this connection, it is worth noting that this is the second official visit of a senior Israeli official to Baku over the last decade. In 1998, Benjamin Netanyahu, then and now the prime minister of Israel, after completing a visit to China spent the night in Baku. After that time, no senior Israeli officials visited Azerbaijan for some years. But beginning in 2006, when Avigdor Lieberman, the chairman of the *Our Home is Israel* party became minister for strategic affairs, the number of visits increased. Lieberman himself visited Baku in the summer of 2007 just after Iranian President Mahmoud Ahmadinejad did.

These efforts by Israeli and Western companies and organizations in Azerbaijan have been viewed by Iranian ideologues as part of a network directed against Iran. One cannot deny that the overthrow of the current Tehran government or the forced change of its aggressive policy and the weakening of its position in the region are

one of the key issues for Israel and the West and in particular the US. As a result, the concern of Iran on this score cannot be considered baseless paranoia.

On the other hand, with the assignment at the end of April 2009 of a new director of the Asian infrastructure of the Bureau for Ties with the Russian-language Jewish Diaspora *Natif*, Israel specified its policy concerning work with the diaspora in the CIS countries. In that, Azerbaijan is presented as a major focus of *Natif's* activities (Izrus 2009). It could hardly be otherwise, given the Jewish communities of that country, as well as in Iran, Kazakhstan and Uzbekistan.

The Jewish lobby and Israel in recent years have attempted to establish contacts with their compatriots living in Iran. In the meantime, the Southern Azerbaijanis who live in Iran represent another issue for relations between Baku and Tehran. With the goal of removing the World Congress of Azerbaijanis out from under the influence of Iran, for example, a change in the leadership of the organization has occurred. The Committee for work with compatriots was reformed into a structure for work with the diaspora, which thus reduced its focus on compatriots in areas adjoining Azerbaijan where Azerbaijanis have lived from time immemorial on their historical lands.

As was already noted, if the visit of Shimon Peres to Baku bears a moral character for Jews, for Azerbaijan it is one additional opportunity to attract the attention of the world community and the entire Jewish world to Azerbaijan and to define new patterns of cooperation and the inclusion of Azerbaijan in new major trans-regional projects. But as one might expect, Iran's reaction has been aggressive, including overt threats to Azerbaijan. Baku responded diplomatically but made it very clear that it did not intend to retreat from the meeting or from its expanding ties with the Jewish state.

In spite of its threatening language, it is completely clear that Iran will not violate the borders of Azerbaijan as it did earlier. And clearly, Azerbaijan was prepared for such an Iranian reaction, but in preparing for it, Baku recognized that neither the US nor Israel could advance an effective policy toward Iran without taking Azerbaijan into account. Indeed, now economically and politically strong, Azerbaijan is capable of engaging itself in pro-active regional politics, as opposed to a defensive one it had adhered to before.

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BATTLING INFORMATION ASYMMETRY IN THE AZERBAIJANI ECONOMY

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The global financial crisis has had a negative impact on the Azerbaijani banking industry, but many analysts argue that the impact has been limited because of the absence in Azerbaijan of a well-functioning stock market. That interpretation is wrong, given that stock markets provide the most comprehensive information about the economy and thus can provide the most accurate measure of the impact of such a crisis.

Financial markets are usually viewed either as substitutes for or complements to the banking industry. Because of better screening and monitoring, banks can lower the agency costs, while stock markets provide both firms and investors with liquidity and sustainable access to funds. If they are substitutes to each other, then the development of stock markets may increase the hidden costs. Thus, it is important to measure their impact on economic growth.

Several papers, such as Stiglitz (1985) and Bhidé (1993) favor banks for better corporate governance and resource allocation, some others, such as King and Levine (1993) suggest that stock markets lower the transaction and information costs. Stock markets also induce growth-enhancing activities more than banks as suggested by Allen and Gale (2000). Several other papers suggest that combined effect of banks and stock markets matter for growth. For example, Demirgüç-Kunt and Levine (2001) conclude that banking industry grows parallel to financial markets. Furthermore, Beck and Levine (2004) suggest for both independent and combined effects of banks and stock markets on the growth rate.

From the perspective of a small developing country, the financial crisis exposed an important aspect of stock markets - provide the public with updated information about firms. A major function of stock markets is to provide information to public through disclosure requirements. Countries without such normally functioning stock markets, such as Azerbaijan, therefore have suffered from an information vacuum during the crisis.

The effect of financial crisis in Azerbaijan can be divided into two stages. The first stage is the impact on banking industry as a result of foreign liabilities. The first signs of crisis appeared in late October when Moody's downgraded Unibank and several other commercial banks due to the risk associated with the large amount of foreign debt obtained during the last year. The Central Bank of Azerbaijan (CBA) loaned 50 million AZN to Unibank in order to send positive signals to the market and preserve the confidence in Azerbaijani banking industry. The CBA also lowered its refinancing rate from 15 percent in October to 2 percent eventually in June. The overall impact of this stage could be somewhat estimated from publicly available data, such as individual banking statistics published by the CBA and bank-specific data by Fineko/ABC.

The second stage of financial crisis in Azerbaijan hit the real economy. Many public and private enterprises have in this stage faced low sales and low profitability both because of shrinking demand and the difficulty of getting financing. This effect has been strongest in non-oil industries, such as construction, metallurgy and chemistry industries. Because the domestic demand comprised only small fraction of industrial production, manufacturing industries have become vulnerable to external shocks. Exports by these industries plummeted by 50 to 70 percent, with the country's chemical industry literally stopped during the first quarter of 2009. But a researcher with limited data on these industries cannot measure the true impact of financial crisis on individual firms.

The financial crisis exposed the important difference between bank and equity markets financing: the level and impact of information asymmetry. Equity markets require that firms disclose more information, and consequently, if firms prefer obtaining funds from equity markets, they provide investors with transparent information about their financial performance. In other words, if Baku Stock Exchange (BSE), the only stock exchange in the country, performed the role of a truly functioning equity market and if more firms were eager to list their stocks through BSE, independent analysts and investors could measure the impact of crisis on these firms and make more accurate judgments that will reflect their views and expectations about economy.

While banks can closely monitor the firms to maintain lending requirements, the public does not have access to this information. Using only the aggregate data released by Azerbaijan State Statistics Committee, analysts cannot make an accurate judgment about the real situation in economy. Major companies are able to avoid releasing financial statements to media, and the Ministry of Taxation does not require firms to disclose any financial data. In such an opaque environment, rumors can have a variety of negative consequences. But perhaps most seriously, because it is almost impossible to distinguish between good and bad firms, companies with sound financial performance are forced to carry as great a burden as poorly managed firms.

In order to avoid that in the future, it is crucial to improve the role of BSE in providing funds for firms. Currently, only six companies are shown to be listed at BSE. [1] No data on market capitalization is provided, perhaps, because of the low but growing secondary market liquidity. Moreover, for many years, regulatory bodies of Azerbaijan have neglected – or intentionally ignored – this fact. The main market activity has been limited to private or direct placement of stocks issued by privatized state-owned enterprises and not been effective for increasing the market liquidity. Most privatized state-owned firms remain closed joint stock companies, thus limiting liquidity and the development of secondary markets for their shares. The crisis has demonstrated that it is crucial that the BSE attracts firms to offer their shares in IPO.

There are several obstacles that prevent firms from IPO issues. First, the firm managers in Azerbaijan are not ready to accept the exchange of ownership for financing. They prefer bank loans to equity markets because, otherwise, they will be required to share voting and controlling rights. Although increasing financing options will enable firms to grow, the managers are not ready to utilize those options in the expense of sharing ownership. Second, the firm managers are not ready to provide enough transparency and to disclose their financial performance. Thus, limited transparency also makes bank financing more preferable to equity financing.

The Azerbaijan State Committee for Securities clearly recognizes the importance of equity markets. It has recently announced six main directions (from developing fully automated trading mechanism to improving investor protection rules) in order to promote the development of stock markets in Azerbaijan. But in addition, it is essential to provide incentives for public offering, such as investment credits or tax breaks, in order to encourage firm managers to trade ownership for funds. And mandating the one share-one vote principle is essential to attract investors to equity markets. Harris and Raviv (1989) point out that this principle minimizes the conflicts and optimizes the firm value.

Moreover, the markets for emerging companies in developed countries, such as AIM in UK, Mothers in Japan and Alternext in Europe, can set up a successful example for developing the BSE. Alike Alternext and AIM, CIS stock exchanges should require each company to have a nominated advisor ("nomad") to assist them before and after listing. "Nomads" in most cases use their reputation to promote company listing and thereby affect the liquidity of company's shares. This structure can be successfully merged with market maker/quote driven market mechanism. Market makers will ensure enough liquidity and nomads will provide investors with transparent and updated information about the company.

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Note

[1] This information is taken from the website of the Federation of Euro-Asian Stock Exchanges at <http://www.feas.org>.

A CHRONOLOGY OF AZERBAIJAN'S FOREIGN POLICY

I. Key Government Statements on Azerbaijan's Foreign Policy

President Ilham Aliyev says at the opening of the *XVI International Caspian Oil, Gas, Oil Refining, Oil Chemistry Exhibition and Conference* that energy relations must be "transparent" (<http://www.ilham-aliyev.org/jsp/news/CNewsLine.jsp?lang=en>).

Novruz Mammadov, the head of the department of international relations of the Presidential Administration, says that "at a certain state in the negotiations there will be the need for the participation of both Azerbaijani and Armenian communities of Nagorno-Karabakh on a number of questions" but that "this time has not yet come" (<http://www.day.az/news/politics/160416.html>).

II. Key Statements by Others about Azerbaijan

Hulusi Kilic, Turkey's ambassador to Azerbaijan, says that "the goal of Turkey is the liberation of Nagorno-Karabakh." He adds that "the entire world has been convinced that Turkey will never ... open its borders with Armenia while [Azerbaijani] territory remains under occupation" (<http://www.day.az/news/politics/161040.html>).

The co-chairs of the OSCE Minsk Group, joined by Andjei Caspchik, the personal representative of the OSCE chairperson-in-office, do not exclude the possibility that the Azerbaijani and Armenian presidents might meet again already in July. In a declaration, the three said that "both presidents spoke out for the continuation of the conduct of diplomacy" (<http://www.day.az/news/politics/160189.html>).

III. A Chronology of Azerbaijan's Foreign Policy

15 June

Turkish Foreign Minister Ahmet Davutoglu says that "Ankara supports a discussion of the Nagorno-Karabakh question at the UN Security Council" (<http://www.day.az/news/politics/161210.html>).

Matthew Bryza, US deputy assistant secretary of state and co-chair of the OSCE Minsk Group, says that he is "not planning to leave the OSCE Minsk Group in July. On the contrary," he continues, he "plans for more fruitful work in the resolution of the Nagorno-Karabakh conflict" (<http://www.day.az/news/politics/161218.html>).

13 June

Azerbaijani parliamentarians participate in the Parliamentary Assembly of the Black Sea Economic Cooperation Organization in Bucharest (<http://www.day.az/news/politics/161155.html>).

Turkish Foreign Minister Ahmet Davutoglu says that "the resolution of the Nagorno-Karabakh conflict is important for peace in the South Caucasus," adding that "all sides should work in this direction" (<http://www.day.az/news/politics/161123.html>).

12 June

Foreign Minister Elmar Mammadyarov receives US Assistant Secretary of State Philip Gordon and thanks him for American support on the resolution of the Nagorno-Karabakh conflict (<http://www.day.az/news/politics/161006.html>).

Rakhman Mustafayev, a department head at the Azerbaijan Foreign Ministry, flies to Paris and hands over a note of protest concerning the visit to Armenian-occupied Karabakh by a French parliamentarian (<http://www.day.az/news/politics/161075.html>).

11 June

Philip Gordon, US assistant secretary of state, says in Baku that there has been "definite progress in the resolution of the Nagorno-Karabakh conflict," adding that the two sides understand "the basic principles" for its resolution (<http://www.day.az/news/politics/160889.html>).

The Azerbaijani foreign ministry rejects the statement of Armenian Foreign Minister Edvard Nalbandyan that "Azerbaijan used the negotiations not for the achievement of concrete results but for other goals" (<http://www.day.az/news/politics/160872.html>).

Caroline Brown, British ambassador to Azerbaijan, says that Great Britain supports the territorial integrity of Azerbaijan and supports the resolution of the conflict within the framework of the norms of international law (<http://www.day.az/news/politics/160838.html>).

10 June

Foreign Minister Elmar Mammadyarov receives Wlodzimierz Cimoszewicz, a Polish senator who is a candidate for the post of secretary general of the Council of Europe (<http://www.day.az/news/politics/160690.html>).

Russian Foreign Minister Sergey Lavrov telephones Foreign Minister Elmar Mammadyarov to discuss bilateral and regional affairs (<http://www.day.az/news/politics/160682.html>).

Deputy Foreign Minister Araz Azimov says that Azerbaijan has basically agreed to the proposals of the co-chairs of the Minsk Group, but that "there is no desired compromise... from Armenia" (<http://www.day.az/news/politics/160650.html>). In other comments, he notes that a change in the composition of the co-chairs of the Minsk Group is not currently on the agenda, as some Azerbaijani media have suggested (<http://www.day.az/news/politics/160641.html>).

Matthew Bryza, US deputy assistant secretary of state and co-chair of the OSCE Minsk Group, says that "the possibility of a follow-up meeting of the presidents of Azerbaijan and Armenia is evidence of forward movement in the negotiations." He says that the next meeting of the two could take place in Russia (<http://www.day.az/news/politics/160651.html>).

Anne Derse, US ambassador to Azerbaijan, says that the position of the United States on the Nagorno-Karabakh issue remains unchanged and is based on respect for the Madrid Principles (<http://www.day.az/news/politics/160727.html>).

Azer Mursaliyev, the chief editor of Moscow's *Kommersant* newspaper, says that "Russia is the chief mediator for the resolution of the Karabakh conflict [today], but tomorrow the US and Europe could assume that role" (<http://www.day.az/news/politics/160631.html>).

Azerbaijani Ambassador to Italy Emil Kerimov says that Baku and Rome are "expanding their cooperation" (<http://www.day.az/news/politics/160644.html>).

9 June

Foreign Minister Elmar Mammadyarov receives Romanian State Secretary for Strategic Affairs Bogdan Aurescu, who says in Baku that "the doors of NATO are open for Azerbaijan" should it decide it wants to join the Western alliance (<http://www.day.az/news/politics/160562.html>). He adds that his country is prepared to share its experience in European integration with Azerbaijan (<http://www.day.az/news/politics/160557.html>). And the Romanian diplomat says that "national minorities do not have the right to set up a separate state" (<http://www.day.az/news/politics/160556.html>).

Fazil Mustafa, a Milli Majlis deputy, suggests that Azerbaijan should help set up radio and television broadcasting in Azerbaijani for ethnic Azerbaijanis living in Georgia (<http://www.day.az/news/politics/160542.html>).

Malakhat Gasanova, a Milli Majlis deputy, says that Baku should protest to international organizations, including IAEA, Armenia's plans to build an atomic energy station on its territory (<http://www.day.az/news/politics/160504.html>).

Turkish Foreign Minister says that "Russia, Turkey, Azerbaijan, Georgia and Armenia ought to build their own future together" (<http://www.day.az/news/politics/160464.html>).

Indian Ambassador to Azerbaijan Debnas Show says that the new government of his country has not changed its policy toward Azerbaijan (<http://www.day.az/news/politics/160483.html>).

8 June

Novruz Mammadov, the head of the department of international relations of the Presidential Administration, says that Baku "is not taking and does not intend to take steps directed against the interests of Iran" (<http://www.day.az/news/politics/160423.html>).

Novruz Mammadov, the head of the department of international relations of the Presidential Administration, says that "at a certain state in the negotiations there will be the need for the participation of both Azerbaijani and Armenian communities of Nagorno-Karabakh on a number of questions" but that "this time has not yet come" (<http://www.day.az/news/politics/160416.html>).

Matthew Bryza, US deputy assistant secretary of state and co-chair of the OSCE Minsk Group, says that he and the other co-chairs are satisfied with the progress achieved by the talks between the Azerbaijani and Armenian presidents in St. Petersburg (<http://www.day.az/news/politics/160420.html>).

Orkhan Erdem, a Turkish parliamentarian of the ruling Party of Justice and Development, says that "in a short term, Turkey can become the fourth co-chair of the OSCE Minsk Group" (<http://www.day.az/news/politics/160172.html>).

Mohsen Rezai, an opposition presidential candidate in Iran, says that increased diplomatic activity by Iran could generate "a significant breakthrough" in the Nagorno-Karabakh conflict (<http://www.day.az/news/politics/160333.html>).

US Ambassador to Azerbaijan Anne Derse says that "the Administration of Barak Obama is full of decisiveness to produce a rapid resolution of the Karabakh conflict" (<http://www.day.az/news/politics/160325.html>).

7 June

Russian Deputy Prime Minister Igor Shuvalov says that "Azerbaijan is one of the very important and significant partners of Russia in the CIS" (<http://www.day.az/news/politics/160258.html>).

6 June

Andreas Herkel, special rapporteur of the Parliamentary Assembly of the Council of Europe, says that discussions at PACE concerning the situation in Azerbaijan have been "constructive" (<http://www.day.az/news/politics/160217.html>).

US Secretary of State Hillary Clinton says following a meeting with Turkish Foreign Minister Ahmet Davutoglu that "the US believes that in a relatively short time great progress in the resolution of the Nagorno-Karabakh conflict has been achieved" (<http://www.day.az/news/politics/160190.html>).

5 June

Emin Eyyubov, Azerbaijan ambassador in Belgium, says that the European Commission has signalled that it is prepared to go "very far" in easing the visa regime with countries which are part of the Eastern Partnership (<http://www.day.az/news/politics/160163.html>).

Elnur Aslanov, the head of the department of political analysis and information support of the Presidential Administration, says that US President Barak Obama's Cairo speech, while "addressed to the Islamic world, can be considered as a message to all other countries as well" (<http://www.day.az/news/politics/160133.html>).

Matthew Bryza, US deputy assistant secretary of state and co-chair of the OSCE Minsk Group, says that "the co-chairs of the OSCE Minsk Group and the Foreign Ministry of Russia have coordinated their future actions" (<http://www.day.az/news/politics/160131.html>).

Latif Gandilov, Azerbaijani ambassador in Kazakhstan, says that "cooperation between Azerbaijan and Kazakhstan has been defined for many years ahead" (<http://www.day.az/news/politics/160103.html>).

Elmira Suleymanova, the ombudsman of Azerbaijan, says that "international organizations have not demonstrated decisiveness on the question of the payment of compensation by Armenia to internally displaced persons and refugees in Azerbaijan," even though international law is on the side of Azerbaijan and not Armenia (<http://www.day.az/news/politics/160098.html>).

Aliakper Ojagnejad, the representative of the Supreme Leader of Iran in Azerbaijan, dismissed as false reports in the Azerbaijani media that he had been subjected to questioning by the Ministry of National Security (<http://www.day.az/news/politics/160097.html>).

Arthur Lenk, Israel's ambassador in Azerbaijan, says that the upcoming visit of the president of his country to Baku, "does not concern Iran" (<http://www.day.az/news/politics/160081.html>).

Vladimir Dorokhin, Russia's ambassador in Azerbaijan, says that "in Moscow, they are certain that Azerbaijan will not threaten the national security of Russia." That is because, he adds, "we have a high level of mutual understanding and mutual respect" (<http://www.day.az/news/politics/160057.html>).

Mehmet Jeylan, a Turkish parliamentary deputy from that country's ruling Party of Justice and Development and a member of the Turkish delegation to NATO's parliamentary assembly, says that "naturally, Turkey would like to become part of the OSCE Minsk Group" (<http://www.day.az/news/politics/160003.html>).

A resolution has been introduced in the US Congress that would lift the Jackson-Vanik amendment restrictions on Azerbaijan (<http://www.day.az/news/politics/160031.html>).

4 June

President Ilham Aliyev meets with Armenian President Serzh Sargsyan, then together with him with Russian President Dmitry Medvedev and with the co-chairs of the OSCE Minsk Group in St. Petersburg. The Azerbaijani and Armenian foreign ministers disagree with the upbeat assessment of the co-chairs, saying that there has been no breakthrough, although Foreign Minister Elmar Mammadyarov says there has been forward movement (<http://www.day.az/news/politics/159879.html>).

Ali Hasanov, head of the social political department of the Presidential Administration, says that "Azerbaijan has never interfered in the internal politics of other countries and will not allow anyone to interfere" in its internal affairs. His comments came in response to Iran's call for Baku to close the Israeli embassy there (<http://www.day.az/news/politics/159881.html>).

Ali Hasanov, the head of the social-political department of the Presidential Administration, says that Baku expects "concrete steps" from the European countries concerning the regulation of Internet media (<http://www.day.az/news/politics/159870.html>).

Turkish Foreign Minister Ahmet Davutoglu says that "Ankara wants the normalization of relations with Yerevan" and that "everyone must do everything

possible for the establishment of peace in the Caucasus”
(<http://www.day.az/news/politics/159905.html>).

Turkish Foreign Trade Minister Zafer Chaglayan says that Ankara does not intend to open the country's borders with Armenia until the Nagorno-Karabakh conflict is resolved (<http://www.day.az/news/politics/159971.html>).

The press spokesman of the US embassy in Baku says that the embassy hopes that President Barak Obama will visit Azerbaijan in the near future
(<http://www.day.az/news/politics/159901.html>).

Sergey Prikhodko, an aide to Russian President Dmitry Medvedev, says that the Kremlin does not expect a breakthrough on the Nagorno-Karabakh dispute during the course of meetings in St. Petersburg
(<http://www.day.az/news/politics/159878.html>).

3 June

President Ilham Aliyev receives Syrian Foreign Minister Walid al-Muallem, and the two note that the recent opening of an Azerbaijani embassy in Damascus has boosted bilateral ties (<http://www.day.az/news/politics/159806.html>).

Foreign Minister Elmar Mammadyarov says he does not share the optimism of the Minsk Group co-chairs about the possibility of a rapid breakthrough on the resolution of the Nagorno-Karabakh dispute. While he welcomes the positive assessments of the co-chairs, Mammadyarov says that on the basis of what he has heard “with [his] own ears” in Prague, the Armenian side continues to have “an unconstructive position” (<http://www.day.az/news/politics/159763.html>).

Foreign Minister Elmar Mammadyarov says that Baku is continuing to investigate reports about the illegal supply of arms by Russia to Armenia at the end of 2008
(<http://www.day.az/news/politics/159752.html>).

Foreign Minister Elmar Mammadyarov says he is surprised by Iran's call for Baku to close the Israeli embassy in the Azerbaijan capital, all the more so because Iran maintains close ties with Armenia which is in occupation of Azerbaijani territory
(<http://www.day.az/news/politics/159749.html>).

The Foreign Ministry, together with the Ministry of Culture and Tourism, arranges for a visit to Azerbaijan by a group of heads of diplomatic missions in Morocco. In the course of their stay, the 11 diplomats are received by Foreign Minister Elmar Mammadyarov (<http://www.day.az/news/politics/159840.html>).

2 June

Foreign Minister Elmar Mammadyarov says that “official Baku stands for the most rapid movement forward in the resolution of the Nagorno-Karabakh conflict”
(<http://www.day.az/news/politics/159562.html>).

Foreign Minister Elmar Mammadyarov receives Richard Morningstar, the US Special Representative for Eurasian Energy Issues, to discuss the shipment of Azerbaijan's energy resources to Europe and also the Nagorno-Karabakh conflict
(<http://www.day.az/news/politics/159640.html>).

Deputy Foreign Minister Khalaf Khalafov says that Azerbaijan intends to invite Iran to take part in bilateral negotiations on the definition of the legal status of the Caspian, talks that will parallel those of the five littoral states (<http://www.day.az/news/politics/159673.html>).

Deputy Foreign Minister Araz Azimov participates in a Brussels conference on "European and Euro-Atlantic Integration of Azerbaijan" on the occasion of the 90th anniversary of the Azerbaijani diplomatic service (<http://www.day.az/news/politics/159604.html>).

Peter Semneby, the EU Special Representative in the Caucasus and Central Asia, says that it gives him "great happiness" to say that negotiations on the resolution of the Nagorno-Karabakh conflict "have accelerated" in recent months (<http://www.day.az/news/politics/159565.html>).

The Azerbaijan foreign ministry says that the words of Armenian foreign minister Edvard Nalbandyan "would correspond to reality if the Armenians had not conducted ethnic cleansing on the occupied territories." The ministry was responding to Nalbandyan's criticism of Baku for raising the Nagorno-Karabakh issue in the Organization of the Islamic Conference and thus giving a religious cast to the dispute.

Matthew Bryza, US deputy assistant secretary of state and co-chair of the Minsk Group, says in Baku that the meeting between the presidents of Azerbaijan and Armenia will take place in the customary format, with a one-on-one session between the two leaders followed by a large session with the Minsk Group co-chairs and the foreign ministers (<http://www.day.az/news/politics/159657.html>).

Turkish Defense Minister Vecdi Gonul says that "one of the main obstacles to the normalization of Turkish-Armenian relations is the occupation of Nagorno-Karabakh" (<http://www.day.az/news/politics/159546.html>).

An Azerbaijani delegation takes part in the commemoration of the 20th anniversary of the death of Imam Khomeini in the Iranian cities of Qum and Meshkhed (<http://www.day.az/news/politics/159543.html>).

1 June

President Ilham Aliyev receives Georgian Prime Minister Nika Gilauri in advance of the latter's participation in the *XVI International Caspian Oil, Gas, Oil Refining, Oil Chemistry Exhibition and Conference* in Baku (<http://www.day.az/news/economy/159486.html>).

President Ilham Aliyev receives Richard Morningstar, US Special Representative on Eurasian Energy Issues, who delivers a message from US President Barak Obama and tells the Azerbaijani leader that the US is "prepared to help" Azerbaijan get its oil and gas to world markets." He adds that this is important "not only for the energy security of America but for the energy security of every country" (<http://www.day.az/news/politics/159461.html> and <http://www.day.az/news/economy/159468.html>).

Foreign Minister Elmar Mammadyarov receives Brazilian Ambassador to Baku Paolo Antonio Pintu to discuss expanding bilateral cooperation (<http://www.day.az/news/politics/159488.html>).

Matthew Bryza, US deputy assistant secretary of state and co-chair of the OSCE Minsk Group, says that the Minsk Group "awaits with optimism the meeting of the presidents of Azerbaijan and Armenia" in St. Petersburg on June 6. "Azerbaijani President Ilham Aliyev made very constructive steps at the last meeting in Prague, and we expect the same reaction from Armenian President Serzh Sargsyan," Bryza says (<http://www.day.az/news/politics/159377.html>).

Note to Readers

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