AZERBAIJAN

Azerbaijan’s economic freedom score is 70.1, making its economy the 38th freest in the 2021 Index. Its overall score has increased by 0.8 point, primarily because of an improvement in government integrity. Azerbaijan is ranked 23rd among 45 countries in the Europe region, and its overall score is equal to the regional average but above the world average.

The economy of Azerbaijan continues to benefit from greater economic freedom. The country’s overall score in 2021 crossed the threshold into the mostly free category. To maintain that status, the government will need to build on progress it made this year on the three Index rule-of-law indicators: property rights, judicial effectiveness, and government integrity.

IMPACT OF COVID-19: As of December 1, 2020, 1,433 deaths had been attributed to the pandemic in Azerbaijan, and the economy was forecast to contract by 4.0 percent for the year.

BACKGROUND: President Ilham Aliyev was elected to a fourth term in 2018 amid allegations of electoral fraud. His father, Heydar, ruled Azerbaijan as a Soviet republic and later as an independent country until his death in 2003, when his son succeeded him. Armenia’s decades-long occupation of parts of Azerbaijani territory ended after more than six weeks of heavy fighting in 2020 when both sides agreed to a Russian-backed peace plan. Efforts to boost Azerbaijan’s energy production are underway. Construction of the Southern Gas Corridor, which will increase gas exports, is nearing completion. Some non-energy segments of the economy, such as agriculture, logistics, and information technology, require more development.
Reforms related to registering property, obtaining credit, protecting minority investors, and enforcing contracts were implemented in 2019, but state-backed real estate projects entailing forced evictions, unlawful expropriations, and demolitions without notice impede property rights. The judiciary is corrupt and subservient to the executive, and courts lack political independence. Despite progress in such sectors as public services delivery, traffic police, and public education, corruption remains pervasive.

Azerbaijan has five preferential trade agreements in force. The trade-weighted average tariff rate is 8.5 percent, and nontariff barriers impede some transactions. Azerbaijan is not yet a member of the World Trade Organization. The country has gradually been moving toward greater diversification of its economy. The financial sector is stable but dominated by state-owned banks. No restrictive measures have been introduced in the capital market.