

Elite Perceptions of Ethical Problems Facing the Western Oil Industry in Azerbaijan

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An analysis based on fieldwork in Baku, autumn 1999

Table of Contents

Preface	5
Part I Descriptive Analysis	7
<i>Chapter 1 The Tug of War between Dictatorship and Democracy in Azerbaijan.....</i>	<i>9</i>
The Constitution	9
The President	10
Legislation, Parties and Opposition.....	11
Public Debate and Freedom of Speech.....	12
Human Rights	12
Civil Society	13
Corruption.....	14
The Economy.....	15
Frontiers.....	17
Ethnic Minorities and Azeri Irredentism	18
Political Islam.....	19
Conclusion.....	20
 <i>Chapter 2 Azerbaijani Perceptions of the Western Oil Industry.</i>	
<i>A Quantitative Summary of the Results</i>	<i>21</i>
Sample and Sampling Method.....	21
An Arbitrary Selection	21
Limitation of the Data	22
A More Detailed Presentation of the Central Arguments.....	24
1. The oil industry is exclusively concerned with profit.....	24
2. Western oil companies' Janus visage – one standard at home, another in Azerbaijan	24
3. Equal pay for equal work	24
Willingness to Make Distinctions.....	24
Azerbaijani Corruption and the Western Oil Companies	25
Statoil.....	26
Statoil exhibits greater empathy than other oil companies with the people and the country	27
Statoil practises a greater degree of openness than other oil companies.....	28
Statoil has better contact with the opposition than the other oil companies	29
Statoil has a greater sense of an equitable redistribution of the oil revenues than the other companies.....	29
 <i>Chapter 3 Corruption and Oil in Azerbaijan – Is the Western Oil Industry an Accomplice?</i>	<i>31</i>
Some General Comments on Corruption as a Phenomenon.....	31
Situational and Dispositional Causal Explanations for Corruption. Intuitive Analyses	33
Situational Explanations of Corrupt Azerbaijani Behaviour	34
Dispositional Explanations of Corrupt Azerbaijani Behaviour	35
Situational Explanations of Western Oil Companies' Attitudes to Corruption in Azerbaijan.....	36

Dispositional Explanations of Western Oil Companies' Attitudes to Corruption in Azerbaijan.....	37
Conclusion.....	37

<i>Chapter 4 Does the Western Oil Industry Risk Accelerating the Islamisation of Azerbaijan?</i>	<i>39</i>
Three Competing Ideologies	39
The Secularist – a Citizen of the Multiethnic State Azerbaijan.....	39
The Ethno-nationalist – a Pan-Turk.....	40
The Islamist – a Member of the Muslim Community	42
Azerbaijan as Islamic Republic: the Theocratic Minority	43
Azerbaijan as Islamic Republic: the Optimistic Secularists	44
Azerbaijan as Islamic Republic: the Majority sees Islamism as a Real Possibility... ..	44
Islamic influence from foreign states and outside movements	44
Domestic political factors that could accelerate the growth of political Islam	46

Part II Prescriptive Analysis 49

<i>Chapter 5 Ethical Aspects of the Western Oil Industry's Business Operations in Azerbaijan. The Respondents' Prescriptive Analysis.....</i>	<i>51</i>
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'Don't be fooled by President Heidar Aliev'	51
'Don't act as if the oil is Aliev's to give away'	52
'Think in the long term – Aliev will not live forever'	53
'If Aliev pushes, call his bluff'	53
'Talk to the opposition'	54
'Support the free press'	56
'Help to develop civil society'	56
'Open the books'	56
'Publish the plans'	57
'Stop paying bribes'	57
'Support us in Nagorno-Karabakh'	58

Appendix I.....	59
Appendix II.....	61

Abstract.....	65
About the Author.....	65

Preface

This report is based on in-depth interviews with 20 of the leading opposition politicians in Azerbaijan. We have acquired good insight into the role of the oil industry in the country, or, more precisely, the Azerbaijani elite's perception of the oil industry in the country. Some people may react to allegations about the oil industry that seem unfair or even downright untrue. True or untrue – the oil industry would do well to listen to what is said, because perceptions are also facts, being part of the Azerbaijani reality to which the oil industry must relate.

Our data uncover a growing unease in Azerbaijan, a fear that the expected oil wealth be squandered by the narrow and corrupt power elite that is now on top and steadily entrenching itself further. Precedents from other oil states are frightening.

The topic of the report is the development of democratisation and human rights, but since these virtues are inversely correlated with corruption, it is natural to raise the corruption issue too. The Western oil industry's attitude to this serious phenomenon is therefore a key topic. The report shows how easy it is – almost without being aware of it – to be caught up in the paralysing culture of corruption and finally become part of it. There are attempts to relativise the phenomenon in terms of Azerbaijani history, to see it as normal and natural; but it is also sharply condemned.

There is little doubt that the only hope of eradicating the culture of corruption lies in strengthening civil society and democracy. It is therefore encouraging to note that there is a very active political opposition advocating precisely this. That members of the national assembly and political parties are prepared to criticise openly and work systematically for democratic development – in the full knowledge that this may lead to reprisals against both themselves and their families – is a new phenomenon in Azerbaijani society.

It is a major challenge to the oil industry to stimulate the forces opposing autocracy and the culture of corruption. Passive behaviour will undeniably land them in ethical dilemmas, they will risk becoming indirect supporters of a power elite that has neither the power nor the will to stewardship of 'the people's gold', Azerbaijani oil.

I would like to thank Director Willy H. Olsen of Statoil, who has given me good advice and feedback throughout the project. My thanks also to Dr Raoul Motika of the University of Heidelberg for mobilising the necessary support apparatus for my Baku fieldwork. I received useful feedback at seminars at the Research Council of Norway (led by PETROPOL), at the Ministry of Oil and Energy and at the Foreign Ministry. Above all, special thanks to Hikmet Hadjy-zadeh, previously deputy prime minister of Azerbaijan and ambassador to Moscow. My warm feelings for the Azerbaijani people and their struggle for justice, dignity and democracy are due first and foremost to him; at our almost daily meetings at the cafés along the Caspian waterfront, in the season the Azerbaijanis call 'the golden autumn', he poured out his knowledge of and insight into Azerbaijani politics. This in itself justified the entire trip. Hikmet Hadjy-zadeh's role as door-opener to the big names of the political opposition guaranteed the success of my study trip. In this context I would also like to mention the many helpful and generous Norwegians working for Statoil in Baku. And finally: my thanks to the Ministry of Oil and Energy and PETROPOL in the Research Council of Norway, whose financial support made the project possible.

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Part I

Descriptive Analysis

Chapter 1

The Tug of War between Dictatorship and Democracy in Azerbaijan

This report aims to illuminate the struggle for democracy and human rights in Azerbaijan. On the basis of the idea that a key criterion for whether a country is democratic or not is how the rulers treat the opposition, we are narrowing the scope of the data in the analysis by building primarily on the perspective of the political opposition in the country. The problem set is also narrowed by our focus on the roles played by Western oil companies in the struggle for democracy and human rights. In order to give the reader some background to the analysis, however, our first chapter will endeavour to survey the entire field as it appears in Azerbaijan, and in this work we will build on secondary sources.

In most of the states of the Caucasus and Central Asia the holders of power are Communists from the Soviet period. The current president of Azerbaijan, Heidar Aliiev, is no exception. Former First Secretary of the Azerbaijani Communist Party, subsequently a KGB general in the same country and finally a member of the Politburo of the CPSU – there are few who can boast of a more impressive record in the service of Communism in the Caucasus than Heidar Aliiev. Some of these old Communists claim to be converts to Western values, others make no attempt to hide their Russian apprenticeship. The Azerbaijani president qualifies for the label of autocrat, but in view of his rhetorical homage to Western values such as civil society, the rule of law and respect for human rights, we may call him ‘Autocrat Lite’. The political institutions that prevent the president from amassing excessive power are weak, but have a potential for development.

The Constitution

The Azerbaijani constitution is based on democratic ideals; it aims at a democratic secular state and upholds the rights of the individual. Citizens shall not be subject to arbitrary abuse of power. Great power is vested in the presidency, at the same time as the principle of separation of powers is included. All this, however, is on paper, in practice the president behaves as if the country had no constitution.

The width of the gulf between the principles of government enshrined in the constitution and the actual practice of politics is due to the fact that the constitution contains imported ideas while the old way of thinking is alive and well in the ruling class. Azerbaijan adopts political documents based on Western values, values with which neither Azerbaijani politicians nor the ordinary citizen is familiar. Apart from the narrow elite mostly to be found in Baku, there is little comprehension of the ideas enshrined in the constitution; it all seems very

foreign. As long as the constitution lacks popular legitimacy, the government does not need to pay attention to it, nor will the rulers hesitate to override constitutional rules. If the constitution is ever to be taken as seriously as in Western democracies, there must be a change of mentality, a change that must necessarily come slowly. This does not, however, mean that the formal document has no value at all. On the contrary, it can be used, and is being used, by both the domestic political opposition and external players, as a crowbar with which to lever the presidency. For the president himself, the content of the political documents can at any rate form an ideal to which to aspire.

The President

Due to the ongoing war with Armenia and its enclave Nagorno-Karabakh that began simultaneously with Azerbaijan's independence from the Soviet Union, the first years of 'freedom' were particularly chaotic. President Ayaz Mutalibov, first elected in 1990, in two brief years was deposed, restored and finally removed. The removal happened in May 1992, when Abulfaz Elchibey took over. He was chairman of the Azerbaijani Popular Front, the political movement that had been the standard-bearer for independence from the Soviet Union. On 7 June 1992 he won a solid majority in the presidential election. It quickly became apparent that there was a great gulf between his brilliant eloquence – he mobilised the masses by playing the strings of their strong emotions about independence – and his ability to govern. He was therefore easy meat for coup-makers. Less than a year passed before the revolt of General Huseynov, a reaction to the big Armenian offensive of 1993 that occupied large swathes of Azerbaijani territory, areas still under Armenian occupation. This great Armenian victory created internal chaos in Azerbaijan and something close to civil war. Another consequence of the fighting was over one million internally displaced persons (IDPs), 12% of the entire Azerbaijani population. In his dire need, Elchibey implored the aid of his political arch-rival, Heidar Aliev, who since 1990 had been developing a power base in Nakhichevan, the Azerbaijani enclave sandwiched between Armenia and Iran. This turned out to be a mistake, for Heidar Aliev had larger ambitions than Elchibey counted on. Aliev had not been long in Baku before he removed his political rivals – both President Elchibey and the rebellious General Huseynov. Although Aliev was brought to Baku by the Huseynov coup, he was formally elected president on 3 October 1993 with 98.3% of the votes – a result highly reminiscent of Communist election results.

President Heidar Aliev has conducted a sensible policy to make Azerbaijan truly independent, and no other state in the region has to the same degree succeeded in emancipating itself from Russian colonialism. His politics are pragmatic, and he understands the necessity of taking account of the other powerful regional players, Russia and Iran. Furthermore, Aliev's presidency has been characterised by a high degree of consensus and domestic cohesion: Azerbaijan has progressed from chaos to order. Together with the toning-down of conflicts with the neighbours, this is an important precondition for the development of democracy and human rights.

On the one hand Aliev's policies have laid a solid foundation for independence and stability, which may well be a precondition for democracy. The strong ties to the West also reinforce democratic impulses. On the other hand, Aliev has strengthened his personal power in his term of office. Policy is announced and implemented by the president and a group of close associates. All in all, Aliev

has laid a foundation that may lead Azerbaijan in a democratic direction, while at the same time the strong personal power of the president may be an obstacle to democratic development.

Legislation, Parties and Opposition

In a democracy the legislature checks the power of the Executive and sets the agenda for the various ministries. In other words, the legislature is an important player in political life. In Azerbaijan this is not the case, as the power of the National Assembly is limited already in the constitution.

The National Assembly is further weakened by the parties' inability to cooperate. This phenomenon may be explained partly by the fact that the political parties are not held together by any ideology, but are more or less the personal followings of powerful rivals who cannot stand the sight of one another. In other words, these are not political parties in the Western sense, but factions. However, even though the Azerbaijani parties are small and weak and have minimal influence, they constitute definitely a beginning, and may thus come to play an important role in the country's attempt to build a democracy.

A major criterion of the degree of democracy in a country is how the rulers treat the opposition. In Azerbaijan it is by no means unusual for leading opposition politicians to be subjected to arbitrary arrest and imprisonment and thus gradually to disappear from the political scene. These arrested oppositionals are mistreated in prison; indeed, the terrible conditions in Azerbaijani prisons are a breach of human rights in themselves. Not only individuals but also political parties are arbitrarily treated and risk being excluded from the political process. Political mobilisation against the rulers is put down by force; the rulers do not hesitate to use violence to disturb and even break up political meetings.

That elections are held at all, gives grounds for hope. In Western countries, political elections with a high turnout and no cheating are regarded as a necessary condition of democracy. We should, however, be aware that the act of voting may in other cultures have a quite different meaning. In the days when Azerbaijan was a part of the Soviet Union, elections were held regularly. That did not prevent all the important decisions being taken in Moscow, so that the elections had little impact on daily life. Azerbaijanis' attitude to elections may be a hold-over from the Communist system, when people voted out of duty (or fear) but did not expect that the result would affect their own problems. Elections, therefore, are not a sufficient condition of democracy. A clean election makes a favourable impression on the West and can be cashed in terms of goodwill for the regime, but because of the different weights accorded elections in different political cultures, they are a grossly misleading tool for monitoring the progress of democratisation.

When Aliiev acts autocratically, this is not first and foremost because he is insensitive to his surroundings, it is rather because the bulk of the people see such a strong executive as the normal – or even worse, as the desirable – state of affairs. In countries with a political culture that does not understand democratic concepts, democracy will remain a fragile plant with shallow roots, however many democratic institutions exist on paper.

Public Debate and Freedom of Speech

One of the most fundamental characteristics of a democracy is public debate about policy. In Azerbaijan, only a narrow elite takes part in any public debate. It would not be correct to claim that full freedom of speech obtains, for example, certain restrictions are imposed on what can be said and written about the government in general and the president in particular. When anyone goes to far, it can result in a banning of the publication. Investigative journalism that uncovers corruption and economic criminality is not very popular either. If various unwritten laws are broken, economic sanctions are imposed. Newspapers are printed in state controlled printing shops, and this allows the government in various ways to remove material they do not want published, for example by increasing the printing costs. Non-government publications with small circulations and exclusively distributed in the major cities are especially vulnerable. If the government cannot silence journalists and editors any other way, it is not averse to resorting to violence.

In all the new Muslim states of the Caucasus and Central Asia, there is little tolerance for criticism of the head of state. This is due partly to the fact that the rulers are old Communists, but it can equally well be explained by the traditional pre-Communist political culture, where the cult of personality always was strong. Even so, in no other Muslim country in the region is there such a wide and critical public debate as in Azerbaijan. This may be attributed to the country's rich intellectual life before Communism, to which Azerbaijan is now attempting to return. Azerbaijani political leaders are relatively open in their criticism of the government and raise issues such as economic management failures, unemployment and so forth, the sort of issues debated in Western political milieus too.

It is important to note that censorship was abolished, at any rate formally, in 1998, and that the country is in the throes of a media reform. Azerbaijani newspapers cover a wide spectrum of political views; progress is being made, at any rate as regards the most important medium, television. National TV is state-owned and politically controlled. Even if the control becomes notoriously strict when elections approach, the trend is towards fair and balanced coverage. Independent radio and TV stations are beginning to appear, even if this development is encountering official opposition. Some people even have access to satellite television and e-mail. The Internet is a powerful weapon in the hands of those struggling nationally and globally for human and individual rights. Despite certain obstacles, Azerbaijan has a relatively free and open forum for debate, which in the long run can raise democratic consciousness. A comprehensive and free exchange of opinions promotes critical thought, people learn to respect others' views and positions. In other words, a form of debate is under way that can help to transform the mentality of the political stratum in an autocratic state.

Human Rights

If the rule of law is to function as intended, the courts must be independent and the letter of the law respected. If this is not the case, violators of human rights will go unpunished, which is exactly what is happening in the oil states. The majority of the judges in Azerbaijan's Constitutional Court have been appointed by a vote and are naturally enough absolutely loyal to the powers that be. Besides, they often take bribes. In other words, the judiciary is neither free nor committed

to the rule of law. Those with power are still treating their 'subjects' arbitrarily, and the most elementary civil rights are ignored.

That the content of political institutions has not yet penetrated popular consciousness is clearly demonstrated in the question of respect for human rights. Azerbaijan has signed the relevant international documents, but has not implemented them. The regime is continually violating human rights, and the costs of conducting such a policy are currently too small. Almost all those fighting for human rights in Azerbaijan belong to that part of the political elite which is in opposition to the regime – a narrow group, but well connected in the West, and able now and then to chivvy the Western and international community into reactions for which Aliev most definitely has respect. In general the concepts of human rights have little popular root; for example, the Norwegian Refugee Council has held tuition programmes for the country's displaced persons in precisely these fields, and it has found it very heavy going: human rights and democracy are foreign concepts that mean nothing to the refugees. The majority of the Azerbaijanis do not, therefore, react particularly to contraventions of human rights and democratic rules. If there is to be an end to arbitrary arrests and violation of the rights of the individual, it will be necessary to raise the consciousness of the broad masses of the Azerbaijani people.

Heavy international pressure on the regime is another route, but a demanding one, often with little effect. On the one hand it is a definite plus for human rights that they are now monitored on a global level, as it makes it rather more difficult for regimes to indulge their taste for oppression without anyone noticing. Few countries avoid criticism, certainly not those around the Caspian Sea, which have all been scrutinised by serious NGOs such as Amnesty International and Human Rights Watch. On the other hand, the media tend to concentrate on the fates of individuals in emotional terms, rather than the legal system, which is much harder to understand but generally the underlying cause of the human tragedies.

The lack of respect for human rights in Azerbaijan raises ethical problems for investors in the country. International opinion, mediated by NGOs, will probably come increasingly to turn the spotlight on the country's shady politics and the role of foreign investment. For example, an escalation of the Nagorno-Karabakh conflict might cause massacres of Armenians (in the same way as massacres of Azerbaijanis in the last round), which could create an anti-Azerbaijani mood in the West. In such a situation, Western oil companies would be blamed for amorality and passivity vis-à-vis violation of human rights. Such an escalation would also set the stage for a more acute form of dictatorship.

Civil Society

In the wake of the Cold War, the West launched a global offensive to promote democracy. In addition to legal and constitutional reforms, it concentrated initially on democratic political institutions. It gradually became clear, however, that such institutions generally function poorly or not at all in most Muslim countries, because they lack support and legitimacy in the political milieu.

What first comes to mind in association with the phrase 'civil society' is voluntary organisations. A well-developed civil society, that is, a society with a multiplicity of non-governmental institutions, is a precondition for a well-functioning democracy. The voluntary organisations that compose the vanguard of civil society are meant to serve as 'watchdogs' and correct the rulers by creating

public debate on policy, turn the spotlight on abuse of power, promote human rights, propose conflict resolutions and generally communicate the interests of the citizens to the rulers, making it easier for politicians to work out compromises.

On paper, there are a great number of voluntary organisations in Azerbaijan – but only on paper. Closer examination shows that the organisations are not voluntary, but on the contrary controlled by the authorities. Organisations that are controlled by the state cannot act as a check on it, while Azerbaijani organisations that are not subject to such control have no chance of being heard. In addition comes the fact that membership in these organisations is by and large confined to a narrow elite in Baku. There is no question of mobilisation of the ‘grass roots’ like some of the well-functioning organisations in the West, the cornerstones of democracy. The regime wants particularly to control the voluntary organisations that are concerned with human rights, naturally enough because it is currently contravening them on a large scale. Working conditions are better for voluntary organisations involved in environmental protection. The reason why the authorities take a more liberal view of environmentalism may be found in history. Soviet collectivisation, monoculture and breakneck development of heavy industry caused irreparable ecological damage. It is a common perception that the Soviet Union’s policies were an ecological catastrophe throughout the Caucasus and Central Asia. Many Azerbaijanis have good education but no jobs: if the idealists among the unemployed can channel their energy through voluntary organisation work, they can create a new political activism that may counteract Azerbaijan’s personalising of power.

Corruption

All societies have networks based on kinship, profession, region or institutions in which people know one another and exchange services, but this is true to an even greater extent for traditional societies and those in transition to modernity. For an Azerbaijani, it is essential to belong to a network organised around powerful individuals. These networks are an integral part of political life and constitute a direct threat to the tender shoots of democracy. They represent no social group and sometimes have a very fluid organisational structure. Much of the reason why the informal networks play such a great role is because the new states – and Azerbaijan is no exception – have failed to develop the efficient state apparatus that is a precondition for democracy.

It has turned out that the traditional networks have an astounding ability to survive in the ‘new’ society following the fall of the Soviet Union. They are not a carbon copy of the classical pre-modern clan system, but pop up in new forms. It is interesting to note that the Soviet Union made no attempt to replace the pre-modern clan with modern thinking, preferring a divide-and-rule policy using the clan system as one of its instruments. There is much to suggest that the clan system has thus been enabled to survive and take its place in Azerbaijani society even after independence.

Networks and corruption are so tightly interwoven that they can hardly be distinguished. What underlies corruption can vary from state to state. In Azerbaijan, a contributory cause is the clan system. Corruption is relativized, that is, seen as normal and natural because it always was a part of Azerbaijani history. Another factor is a public sector dominated by the underpaid and underqualified. Apart from increasing the pay of government servants, therefore, clientelism and

‘pull’ must be cracked down on, and it is vital that appointments to state jobs be by real competition. Public servants must be protected against unfair dismissal. There must be an end to the same people working in both the private and the public sectors, and to arbitrary decisions.

The norms of modern society in both the political and the economic areas counteract corruption. However, respect for and maintenance of these norms require institutions related to democracy and human rights. This is a Catch-22 situation: corruption cannot be combated without democracy, and democracy cannot thrive in the presence of corruption. In the same way, democratic institutions will have no popular legitimacy until they are seen to work, and they do not work because they have no legitimacy. Azerbaijan needs a sea change in its political culture, and such transformations do not happen overnight. Moreover, even if they could, such drastic change, severing the bands of traditional society would lead to alienation and frustration and thus to violence and religious extremism. What is needed is an amalgamation of traditional and modern values, which means primarily the incorporation of Islamic ethical values into a modern society.

A major challenge to the oil industry is to stimulate forces that can counteract the clan system and corruption. Passivity will inevitably lead to their becoming props for a political elite that has neither the will nor the ability to act as stewards of the ‘people’s gold’.

The Economy

To build up a partly ruined economy and achieve the necessary economic growth, Azerbaijan is dependent on foreign trade and foreign investment. Economic growth can be created first and foremost by production of oil and gas. If Azerbaijan is to become a state whose petroleum resources are used for the good of country and people, it must avoid the traps into which other oil-rich states have fallen: for example, anticipating the oil revenues by taking up foreign loans that ultimately spiral out of control and require the entire economy to repay, or at worst lead to default.

The corruption and kleptocracy that dominate many oil-rich states also lead to mistakes. Oil riches go to a leadership elite that lives in luxury, without the slightest respect for the rule of law, much less a social conscience. The result is often political instability and regression. Even if Azerbaijan’s situation in this respect is by no means unambiguous, the fact that the country is looking westwards and struggling to develop the institutional foundation of a modern rule of law gives reason to hope that it may learn to manage the oil and gas revenues in a sensible manner.

The norms, ethics and habits of the globalised market economy have yet to take root in Azerbaijani society. If these norms are to be respected by both the rulers and the ruled, they must be promoted by strong institutions.

New norms must be created for economic activity, and the state’s role in the economy must be reduced. When the International Monetary Fund (IMF) and the World Bank get involved in countries like Azerbaijan, their recipe for getting the economy moving again is well-known: privatisation of state-owned companies. Tax revenues should not be used to subsidise unproductive enterprises, and no investment should be given to unviable projects. In addition, the income from assets must be increased, services must be made more efficient and there must be investment in new technology, but by private owners. Such a policy would be

a radical breach with the country's former planned economy. The same applies to the demand for protection of private property and the enforcement of contracts by law. The IMF approach to competition is to remove controls on wages, prices and investment. However, removal of control mechanisms generates a need for new ones. When the state no longer protects the interests of consumers and employees directly, they must be safeguarded in other ways, for example through regulation. When an economy is privatised, it is essential to prevent the mere replacement of public monopolies by private; excessive market power must be tamed. As regards the oil and gas industry in the Caspian Sea, the big issue for the oil industry is whether the regulatory apparatus should be separated from the Executive and the state-owned companies.

It is a promising sign that Azerbaijan is trying to live up to the economic reforms demanded by the IMF in 1994 and 1996, and this is a signal that the country will adjust in other areas too. One of the preconditions for such a development is that Western states treat Azerbaijan fairly, which they are not doing at the moment. In its insatiable hunger for boycotts, the US Congress has inserted a clause into the Freedom Support Act that mandates economic sanctions against Azerbaijan – although the clause was softened in October 1998. The legislation was probably motivated not by the facts on the ground but by American sympathy with the Armenians over the Nagorno-Karabakh issue. American actions are a threat to the positive feelings towards the West that the current regime is attempting to inculcate into the Azerbaijani people, and which are essential to the success of democratisation. It has been seen that when the West takes sides in conflicts such as Nagorno-Karabakh, democracy and human rights are discredited and work for democracy is hampered. It is important that the West profile itself in a positive manner in Nagorno-Karabakh, because its actions there are interpreted in terms of what the West stands for in questions of democracy and human rights. The correct course would therefore be to play the role of an honest broker. The geopolitical consequences of any escalation of the conflict should make the West get involved, and this should happen now, when the region is relatively peaceful and stable.

Azerbaijan's future political stability is dependent on a fair and just apportionment of the oil and gas resources. We have seen how the power elite's misappropriation of petroleum revenues has led to internal unrest and revolutionary changes without resulting in improved social conditions. Radical changes in a society create conflicts between those who have acquired privileges and those who have not. Distribution policy becomes a struggle between the rich few and the rest of the population, who are relatively poor. Free flow of ideas and information aggravate the tensions between traditional and modern society, and the price of oil is also crucial. In 1997 there was macro-economic stability, but the dramatic fall of the oil price in 1998 caused pessimism to increase.

Socio-economic tensions create political instability in oil-rich states. To what degree Azerbaijan will succeed in adapting itself to radical changes so that the country avoids permanent instability and chaos is dependant on whether the institutions have sufficient popular legitimacy to withstand the processes of change and thereby maintain a relative political stability. In this perspective the fall of the oil price in 1998 may have been useful, because it led to a soberer appraisal of what oil can contribute to in Azerbaijan. The notion of Azerbaijan as a future 'rentier state' took a knock, and it is now realised that the oil revenues may be much smaller than first thought; there may be both less oil to pump and smaller revenues to earn on it. With such prospects, it will be in the interest

of the rulers to stimulate a sustainable development in which oil is important, but not the most important factor. When the oil revenues are of such a size that the regime can dish out welfare benefits to the population, it hampers the growth of democracy and institution-building, because the people become passive. In the opposite case, the rulers have to achieve popular legitimacy, and this increases the pressure for democracy and institution-building.

Azerbaijan cannot expect to become a 'rentier state' like some of the oil emirates in the Gulf. However, if Azerbaijan avoids the traps fallen into by other oil states, where the revenues are squandered by authoritarian and corrupt elites, the oil can help it to develop into a modern society connected to both the international economy and the community of democracies.

Frontiers

The strengthening of the Azerbaijani economy will help to make the country less dependent on neighbouring states such as Russia and Iran, countries that represent, or may come to represent, a threat to its independence. As a small and weak nation and with major internal problems, Azerbaijan cannot take its independence for granted.

One of the biggest challenges currently faced by the Caucasian republics is the question of their frontiers. The period since the fall of the Soviet Union has been dominated by irredentism. The Communist empire left behind it states with boundaries that had been drawn arbitrarily to suit Moscow's interests. Moreover, in the Caucasus and Central Asia the imperial power was forever tinkering with the lines on the map, which thus had little or no popular legitimacy. It is, perhaps, remarkable that the frontiers of the new republics have undergone so little change. On the other hand, even if the frontiers have not been formally changed, their arbitrariness has led to several bloodbaths, and there is imminent danger of more.

The conflict between Azerbaijanis and Armenians over Nagorno-Karabakh can have major geopolitical consequences, and is a threat to Azerbaijani independence. In 1992, the Armenians acquired control of the strategically important Lachin corridor between Nagorno-Karabakh and their capital Yerevan, and the following year the Karabakh Armenians conquered the entire enclave plus an area of equal size down to the Iranian border. Armenian-occupied territory now comprises 20% of pre-conflict Azerbaijan and means that Baku no longer controls its own territory. Because the other side is the Armenians, we are facing a conflict in which the psychological barriers to peace can seem insuperable. Over the ages, Turkic-speaking Muslims have perpetrated massacres of Armenians, with casualties in the millions. According to Armenian nationalists, current struggle over Nagorno-Karabakh is only a continuation of this long struggle of the Christian Armenians against Turkic peoples. This is not, therefore, merely a conflict of national interests, a *raison d'état*; we must take account of the historic traumas of the Armenian nation.

The unresolved question of the allocation by international law of the resources of the Caspian Sea is not merely a question of economics, but also one of national security. In Soviet days the assertion was that it was unnecessary to draw delimitation lines in the Caspian Sea, because its resources belonged to the greater fatherland of which Azerbaijan was a constituent part. Today, Russia is advocating an equal distribution between the littoral states, while Azerbaijan wants clearly defined exclusive economic zones. It is generally the case that the

economic interests in production of oil and gas are so strong that interests of national security and geopolitics are set aside: drilling is undertaken even where the boundaries are unclear. As long as this question remains unresolved, however, they can be used to put pressure on Azerbaijan at any time, and thereby put obstacles on the road to independence and freedom.

After the fall of the Soviet Union, the transport routes for oil and gas have become equally controversial, both commercially and geopolitically. A presentation of these complicated issues would take too much space, and we will content ourselves with mentioning that the pipelines from Azerbaijan currently run through both Russia and Georgia. The planned pipeline from Baku to Ceyhan on the south coast of Turkey has been a hot potato for many years. This is more geopolitics than business, as commercial considerations do not suggest such a solution, although it would strengthen Turkey's regional position both politically and economically. Azerbaijan's secular and Western orientation, and not least the deep sense of ethnic brotherhood with Turkey, make the latter a natural choice for the route, because it is there that Azerbaijan can find the maximum political and security benefit. The commercial benefit, on the other hand, would lie in transport through Iran, but given Azerbaijan's complicated relationship with its southern neighbour and the visceral American hostility to Teheran, the politics of such a pipeline would be negative. However, this situation may be transformed by the ideological thaw presently under way in Iran.

The unclarified questions of frontiers and transport routes are directly related to the Azerbaijani nation-building project and Azerbaijani independence.

Ethnic Minorities and Azeri Irredentism

In the former Soviet Union the respect and independence of ethnic groups were enshrined on paper, but in reality Moscow relied on a policy of divide and rule. After the collapse, the heritage of Soviet methods has lain as a dark shadow over Azerbaijan in the form of the Nagorno-Karabakh conflict, the former autonomous area that has generated unrest, coups, war, ethnic cleansing, refugee flows and the occupation of Azerbaijani territory. By granting an ethnic group within a republic autonomous status, Stalin laid the foundation for the present conflict. His policy towards different ethnic groups was to prevent one particular group from achieving excessive power. By favouring one group's special character – or, to put it another way, by making the ethnic groups as unlike as possible, Stalin aimed to neutralise their power within the empire. In Azerbaijan, the Christian nature of the Armenians was emphasised in contrast to the Muslim nature of the Azeri population. This policy was the opposite of what we might call positive nation-building, that is, a policy in which all inhabitants of a state identify with a common national symbol. The upshot was a divided nation, with hostility between the Armenian and the Azeri populations.

The reason why we take up Stalin's policies is that they are of direct relevance to the current Western debate on Nagorno-Karabakh. It may seem to the West an acceptable solution to give the Armenians living within Azerbaijan's frontiers cultural and political autonomy, but the Armenians' experience of what autonomy meant under Stalin – a tool of oppression – makes it understandable that they are sceptical of Azerbaijan's offer of 'full autonomy'. If the Armenians are to accept this, they must be given guarantees of international involvement and presence of the kind we now have in Kosovo. But the international community has not hitherto shown any willingness to commit itself to any such

policy, and it is unlikely that it ever will. As for Russia, its ever-closer involvement in Azerbaijan derives from its wish to profit from ethnic tensions.

Azerbaijan sees Russia and Iran as the main threat. This is due partly to the fact that Iran was the imperial power before Russia, and partly to the policy Iran has conducted vis-à-vis Azerbaijan since the fall of the Soviet Union. The religious aspect of Iranian policy will be mentioned in the next section, but there is an ethnic reason for the tension between the two states as well. Azerbaijan's ethno-nationalists, led by former President Abulfaz Elchibey, have the express aim of creating a Greater Azerbaijan by incorporating their kith and kin on the other side of the border. These people speak the same language – although it is oppressed in Iran. In fact, there are far more Azeris in Iran than in Azerbaijan itself. However, the Azerbaijanis are not being properly informed that, even though there is still a heavy concentration of Azeris in the north-west, with Tabriz as their capital, the Azeri element in Iran is now dispersed over the entire country. Moreover, ethnicity has quite a different content and meaning in the assimilationist Iranian state than in Azerbaijan, where the various variants of Turkicisms have a strong position. Given the powerful political motives in Baku for emphasising the Azeri population in Iran, and Teheran's equally powerful political interest in dismissing and oppressing ethno-nationalism, it is difficult for outside observers to form an accurate idea of the problem.

Political Islam

Not only has Iran been supporting the Armenians over Nagorno-Karabakh, it has also been attempting to export Islamism. The ayatollahs identified the refugee population in Azerbaijan as the primary target for their political message; it looked as if they might be fertile soil for the Iranian ideology. This missionary activity led to the Iranian clerics being kicked out of the country. Azerbaijani law now strictly prohibits the mixing of politics and religion, that is, political Islam. The only lawful political parties from now on will be those explicitly founded on secular ideologies. Even if Azerbaijan is in good Muslim company in this, the regime's response is disquieting, for two reasons: the government is relying on an undemocratic prohibition at the same time as it is showing little interest in the question *why* political Islam might take root – the socio-economic conditions of the million or so refugees in the country. Another part of the picture is that the funds for refugee relief that might have served to counteract the castles in the air that the Islamists promise the miserable refugees, find their way instead into the pockets of corrupt officials.

Experience from other oil states shows how important it is that the rulers take account of the unemployed, poor, marginalised and outcast. The target group for the Islamists and their false hopes is above all the population of the shanty towns around the big cities, many of whom are rural migrants unfamiliar with urban values and lifestyles. Pressure from the Islamist alternative to Azerbaijan's present secular and pro-Western orientation has recently been stepped up by successes in the Northern Caucasus, particularly Chechnya and Dagestan. This means that Azerbaijan is now flanked by Islamists on both sides, not just an eastern neighbour.

Conclusion

Azerbaijan now functions as a nominal democracy, but the previous strong affiliation with Western ideals and the current pro-Western policy are reason for hope of a development towards real democracy. If this trend continues, there are good chances of democratic institutions and thinking becoming strong enough to neutralise the autocratic traditions and practices. Such a development would gradually improve the human rights situation and lay the basis for a steady improvement in the relations the country is now developing with the outside world. Democracy-building in Azerbaijan involves deep social and political change, and the Azerbaijanis therefore have a long way to go.

Chapter 2

Azerbaijani Perceptions of the Western Oil Industry. A Quantitative Summary of the Results

Sample and Sampling Method

The survey data are from fieldwork carried out in Azerbaijan in September-October 1999. We conducted in-depth interviews with 20 members of the Azerbaijani political elite that presently belong to the country's political opposition (see list of interviewees in Appendix II).

Let us first make clear that the survey does not rest on a sample in the statistical sense. Political science knows no inter-subjective definition of 'elite' that is subject to any kind of consensus, and so the statistical universe cannot be defined as 'members of the elite'. This means in turn that it is not possible to extract a representative sample in the statistical sense, and for our purposes that would not even be desirable. What we are interested in is political undercurrents, at present marginal but which, on the basis of comparative research in other countries, may become significant in the event that Azerbaijan takes the same road as other Muslim countries normally classified as oil states. The most obvious example is Islamism. For this reason our list of interviewees includes members of the Islamist Party. Since the Azerbaijani constitution explicitly prohibits politico-religious parties, the Islamist Party is illegal, with some of its leaders in prison and others in hiding, and would never have appeared in any 'representative sample' of the political elite.

An Arbitrary Selection

We have made an arbitrary selection of political elites that represent policies and political ideologies in competition with the establishment, and which may become important for future political development. This is not a question of 'snapshots' of political attitudes like in opinion polls; our selection of respondents includes a dynamic aspect, that is, it tries to look forwards.

The sample is restricted to the Azerbaijani political opposition. After advance consultation with experts, we drew up a list of 20 of the most important individuals in the political opposition. We obtained access to all 20, which is rather unusual in this kind of survey. Our list includes four of the five who are normally described as possible presidential candidates for the Azerbaijani opposition; we were unable to interview the fifth, Guliev, as he is presently living in the USA. In addition we have nine party chairmen, that is, chairmen of nine different parties. In this way the elite sample includes the most important opposition politicians and covers a wide spectrum of political opinions.

As we mentioned, the interviews are ‘in-depth’ ones and lasted on average 1 ½ hour. A few questions had closed reply categories, but most were open. This methodology involves a time-consuming subsequent coding of the replies, but was necessary, as for obvious reasons we did not know the reply universe. The questionnaire was nevertheless standardised, that is, all the interviewees were asked exactly the same questions.

Table 1 Party chairmen and presidential candidates in Azerbaijan, 1 September to 1 November 1999

<i>Party chairman</i>	<i>Party</i>	<i>Political flavour</i>
GAMBAR*	Musavat	Conservative/liberal
ELCHIBEY*	Popular Front	Nationalist/Pan-Turkic
KARIMOV*	Popular Front	Conservative/liberal
DJABRAYIL-ZADEH	Islamist	Pro-Iranian
ISMAILOV	Democrats	Diffuse populist
ALIZADEH	Social Democrats	Pro-Russian and pro-Iranian
KERIMLY	Vahdat	Liberal, against Pan-Turkism
MAMIDOV*	Independence	Market economics, Turkism
HUSSEYNOV	People’s Party	Close to Social Democrats
AXMEDOV	Communists	Reform Communists, pro-Russian
* Party chairmen considered to be presidential candidates. Karimov is deputy chairman.		
NB! Most parties are personal followings and have no party structure in the Western sense.		

Limitation of the Data

We have limited our survey to the political opposition in the country. What was said is therefore affected by political rhetoric. That is, we must assume that the statements reflect a political strategy designed to discredit the sitting government with a view to taking power oneself. The fact that we were foreigners helped to soften this aspect, because conversations with foreigners emphasize the informative at the expense of the agitation and demagoguery that dominate the domestic power struggle. However, it can easily be that what is said in oral interviews fails to match the facts. Our survey makes no attempt to measure the ‘truth quotient’. On the contrary, our aim is to chart not facts but perceptions. These are perceptions of the Azerbaijani political scene that, even if they are based on myths, are just as relevant as those based on facts. We are constantly seeing how myth-making is a powerful rhetorical instrument in mobilisation for an alternative political order. In politics the important thing is not to be right, but to be believed. The oil industry must therefore deal with these descriptions, whether they are true or not, because they are relevant to its image in Azerbaijan.

A major line of argumentation is that the oil industry is exclusively concerned about money and for that reason does nothing to promote democracy and human rights.

It is also claimed that the oil companies suffer from double standards: in their own countries they are for human rights, but in Azerbaijan they are indifferent. This creates the impression that the Azerbaijanis do not have the same human value as the inhabitants of the oil companies’ home countries.

Table 2 Western oil companies' impact on democracy and human rights in Azerbaijan

No impact	6
Negative impact	0
Positive impact	2
Both positive and negative	2
N = 20	

The respondents are also very concerned by what they see as discrimination in matters of pay. The assertion that Western oil companies discriminate against Azerbaijanis by paying them much lower wages than Western workers recurs with a high frequency.

These three lines of argument are heard from those in the sample who consider that the oil industry has no effect on work for human rights (30%) and those who maintain the attitudes and policies of the oil industry are a downright hindrance to work for democracy and human rights (50%). In other words, the majority are negative to the oil industry's role in this area. In Azerbaijan, they say, the oil industry prefers dictatorship to democracy. It is a serious matter that so many think that the oil industry is not neutral, but, on the contrary, that its policies strengthen and uphold the dictatorship.

It is pointed out that the opposition in the country is the side that feels most strongly affiliated to the West, but that there are signs that this sympathy may rapidly flip over to an anti-Western attitude. The argumentation is supported by the fact that the interviewees have the impression that Western oil companies seem to shun all cooperation with the opposition out of fear of reprisals from President Aliiev. It is asserted that Western oil companies are refusing to employ Azerbaijani oil workers who have a problematic relationship with the regime.

The opposition suspects Western oil companies of a political assessment of the country's stability that makes them feel well-served by a strong dictator and a weak opposition. It is added that sooner or later the opposition will come to power, and then the contracts of the oil companies which have been particularly supportive of Aliiev will be in the danger zone. In fact, the companies which have gone furthest in propping up the dictatorship will be punished. It is claimed that the political parties in opposition have a file on each single oil company, in which they record everything it does in Azerbaijan. This being so, thinking only of money is dangerous short-termism for the oil companies, they say, for the chances of Azerbaijan one day having a government of present-day oppositionals are great, and so in its own interests the industry should take a longer view.

Among the 20% who think that the oil industry plays a positive role, or has an effect that is both positive and negative, the main argument is that the oil industry is the driving force behind the Western orientation Azerbaijan has chosen after the fall of the Soviet Union. Azerbaijanis enjoy close contact with democratic Western cultures in which human rights are a core element. That the Azerbaijanis can observe the Western standards of living they covet is an incentive to strive for ethical ideals, for they perceive that human rights are respected in prosperous countries. Azerbaijani political culture therefore puts much greater emphasis on democratic ideals than would have been the case without any representation of Western industry on the social scene.

10% of the sample say straight out that the presence of the Western oil industry has improved the human rights situation. This statement is justified with

reference to the greater international familiarity with and attention to Azerbaijan, which makes it more difficult for the regime to tyrannise over the individual citizen.

A More Detailed Presentation of the Central Arguments

1. The oil industry is exclusively concerned with profit

It is claimed that the oil industry is profit-motivated above all else, and that this goes a long way to explaining the fact that work for democracy and human rights is set aside when Western oil companies get involved in Azerbaijan. Western investors are, moreover, convinced that they need to stay on good terms with Aliiev to do business. It seems that for that purpose dictatorship is unhesitatingly accepted, and even supported. The prospects of being able to do good business are the driving force behind Western interests, and the question whether Azerbaijan respects human rights or not is subordinate. The single-minded pursuit of profit makes Western businessmen shut their eyes to the violence the regime commits against its own citizens. Even when Western oil companies find it expedient to proclaim their support of democracy, this does not prevent it being a common perception among the Azerbaijanis that money is what it's really all about.

2. Western oil companies' Janus visage – one standard at home, another in Azerbaijan

The interviewees emphasise what they see as repulsive double standards: the oil companies come to Azerbaijan and push aside the democracy that they respect in the West. The high-minded rhetoric of the West about human rights in Soviet days is seen as an example of these double standards; for with hindsight, it can be seen as simply a tool for undermining Communism. Were the rhetoric more than that, then much more energy would be spent on promoting democracy in Azerbaijan. The impression is not improved by the fact that Western oil companies are paying court to a totalitarian regime in order to maximise their profits. That the forces in Azerbaijani society that have been most enthusiastic for human rights and affiliation to the West feel themselves betrayed by Western oil companies may easily lead to anti-Western attitudes.

3. Equal pay for equal work

Interviewees frequently complain about what they see as blatant discrimination against Azerbaijani labour. There are rumours of Western employees who get ten times the salary of Azerbaijani workers who do exactly the same jobs. The topic recurred in different variants and the conclusion is clear – Western egotism and discrimination are clearly expressed in the payment of Azerbaijani labour. Anyone who protests gets the sack. This behaviour is seen as a violation of human rights.

Willingness to Make Distinctions

Nevertheless, the interviewees did not judge everyone alike, they claimed to distinguish between nations and companies. A consistent feature was to distinguish

between the USA and Europe. The USA had displayed great enthusiasm for getting Azerbaijanis to the US, giving them an education and schooling them in human rights. Irrespective of whether they were affiliated with oil companies, embassies or NGOs, Americans were regarded as much more active in human rights questions than the Europeans, their institutions and companies. The American Embassy is the only one to show any concern for violations of human rights; but where the State Department speaks out, the European foreign ministries keep silence. On the other hand, it was mentioned that the German ambassador was finally beginning to show some interest in human rights questions. The interviewees also distinguish between Western academic communities on the one hand and Western business and government institutions on the other. In general, academics – both European and American – exhibit a willingness to fight for human rights in Azerbaijan.

The interviewees were willing to make distinctions, not only between Europe and the US, but also in the sense that some – not very many – also saw positive aspects to the Western involvement in the Azerbaijani oil sector. Among other things, it was admitted that Western oil companies could improve the prospects for human rights, because their very presence would strengthen Azerbaijan's Western orientation. Azerbaijan's obtaining ideological nutrition from expanded contacts with the West may in the long run strengthen human-rights awareness; knowledge of the ethical norms that obtain in Western societies whose inhabitants live in freedom and prosperity may have the effect that Azerbaijanis will want to try to introduce the same norms. Close relations between Azerbaijan and the West may lead to the parties examining each other's records, and this can strengthen the forces fighting for human rights. One interviewee even went so far as to claim that if it were not for the West's supervision of Azerbaijan, he would be in prison right now. The interviewees concluded that even if the ethics of Western oil companies were not so good, their presence would have a positive effect because it is the oil above all that links Azerbaijan with the West. Respect for human rights in Azerbaijani culture would be most effectively promoted by ever-closer ties to the West.

Azerbaijani Corruption and the Western Oil Companies

The disappointment that interviewees feel over what they see as the cowardice of the Western oil companies is not lessened by the fact that Azerbaijan can boast of a democratic tradition that sets it apart from other Muslim states in the region. It was emphasised that Azerbaijan was the first country in the Muslim world to introduce democracy (the republic of 1918–20) and that the country was further ahead on the democratic road than Turkey. There can be no doubt today that Azerbaijan has advanced further in democratic thinking and development than the other Muslim states in the region such as Kazakhstan, Turkmenistan and Uzbekistan. For this reason the indifference of Western oil companies to the promotion of human rights in Azerbaijan is of particular gravity, for the country has shown that democracy and human rights ought to have good chances here.

The main argument is that collaboration with a corrupt regime is itself corrupting. As an illustration of this, frequent mention was made of the bonus money that the companies pay when contracts are signed. It was claimed that this money never appears in the accounts; in other words, it disappears, clearly into the dictator's own pockets. In this context it is stressed that the oil compa-

nies have no moral right to deny that they share responsibility. Aliev and the oil companies have acted in concert, and so both are guilty. It is interesting to note that the opposition is here asserting the same ethical principle as Transparency International: ‘The donor is as guilty as the recipient. They are in collusion.’ The argument about bonus money that corruptly disappears is the single assertion that recurs most often in discussions of corruption.

It is a common perception that the Western oil industry is aggravating rather than ameliorating the culture of corruption, and that the danger of future oil revenues disappearing into the pockets of a corrupt clique is acute. It is worth noting that the interviewees are much more pessimistic about an improvement in the culture of corruption than about human rights and democracy. 80% blame the oil industry for the steadily increasing corruption. Only one single person in the sample thought that the Western oil industry was counteracting corruption, and even *he* made reservations, saying that the Western oil industry is serving the corruption culture by supporting the dictator Aliev. However, this respondent maintained that the Western oil industry was not itself corrupt; on the contrary, its business practice in Azerbaijan showed that it was possible to make money honestly, and so in the long run the oil industry will serve as an ideal.

Table 3 Western oil companies’ effect on corruption in Azerbaijan

No effect	3
Increases corruption	16
Decreases corruption	0
Both increases and decreases corruption	1
N= 20	

Many others in the sample were also willing to moderate the accusations against the Western oil industry’s activities in Azerbaijan. They would not go so far as to say that the companies *want* to be corrupt, but that when they operate in a country like Azerbaijan, they cannot avoid being caught in the net. The way they see it, there is a difference between the oil contracts made at government level, which are not corrupt, and contracts for services in the Azerbaijani infrastructure – as soon as the companies enter this arena, they tumble into the culture of corruption and become a part of it. Some would claim that this happens against the companies’ own wishes, but that they are powerless.

The impression we are left with is that the opposition, which sees corruption as the biggest obstacle to positive development, thinks that the oil industry is blundering about in the dark on this question. They may have a different banner, but they’re marching in the same parade. Moreover, the perception is that the Western oil industry is capable of playing a much more active role in combating corruption than it actually does.

Statoil

We asked whether respondents thought that Statoil was just the same, different or very different from the other companies. No respondents thought Statoil worse than other oil companies; a majority thought it equally guilty of the offences with which they charged others, while a minority thought it better. In the table, different therefore means better.

In the light of the fact that this survey was commissioned by the Norwegian Ministry of Oil and Energy, we were particularly curious about the political opposition's image of the Norwegian company Statoil. We therefore asked the question whether Statoil stood out from the other oil companies, and it was confirmed that this was the case, though not as positively as in our previous surveys of Azerbaijani perceptions of the Western oil industry. As many as 65% saw no difference between Statoil and other oil companies. Some had specific complaints against Statoil, others argued in general terms. One argument was that Statoil is rather anonymous, the company has no independent profile. The reason for this may be Statoil's long term collaboration with BP, in whose shadow the company has long lived. Some people thought that Statoil could profile itself more positively if it 'liberated' itself from its bigger partner.

Some of the respondents (35%) were of the opinion that Statoil is better than other oil companies. Since this is a Norwegian survey, it is tempting to interpret this as empty courtesy, but that was not our impression. Moreover, as already mentioned a majority of the same sample (65%) are just as critical of Statoil as of the other companies. We are dealing here with high-powered elites, operating at a level where the political struggle is far more important than being polite to interviewers. They see such surveys as a continuation of their politics by other means. Given that previous and non-Norwegian questionnaires regarding perceptions of the oil industry present Statoil in an even more positive light, the argument about respondent insincerity is unconvincing.

Table 4 Does Statoil stand out from the other Western oil companies in Azerbaijan?

Statoil is just the same as the others	13
Statoil is different from the others (better)	5
Statoil is very different from the others (much better)	2
N= 20	

Of the respondents who thought that Statoil was better (7/20), two even answered that Statoil was much better. This is interesting, because one of these was former President Elchibey and the other one, Gambar, is often described as the opposition's leading presidential candidate.

In the light of the fact that Statoil is a Norwegian company and that the target group for this survey is primarily Norwegian and Azerbaijani, it may be of interest to present more extensive examples of positive comments on Statoil. Negative comments are identical with criticism of Western oil companies in general and are collated in other chapters of this report.

The positive attitudes expressed can by and large be classified under four main heads:

Statoil exhibits greater empathy than other oil companies with the people and the country

Statoil is different from the other oil companies and has a wise long term policy. Its good humanitarian development strategy shows that the company wants to work in the best interests of both Norway and Azerbaijan. Statoil is seen as a company that to a greater extent than others cares about what is going on in Azerbaijani society. It takes an interest in the Nagorno-Karabakh problem, in

culture and in civil society. After Statoil became independent of BP, we can see the company's profile better.

Azerbaijanis know that Norway is itself a quite newly independent nation and feel that it therefore understands their situation. By contrast, the oil companies from the big countries were viewed as leeches and sharks. This argument was supported by reference to the oil boom in Azerbaijan at the end of the nineteenth century. The passage of time has made this period semi-legendary, a vanished Golden Age, when the oil companies played a more positive role for Azerbaijani society. In this image of the past the Nobel brothers have a prominent place as capitalists with high moral principles and a capacity for empathy with the Azerbaijani people, which they put into practice through large-scale building of schools and hospitals. Here Norway tends to benefit from people's vagueness about the difference between Norway and Sweden. It is also noted that Scandinavians live more 'among the people' than the oil workers from bigger countries, who live in isolated enclaves.

Statoil is interested in Azerbaijani art and culture. *Kirkelig Kulturverksted* (Church Cultural Workshop), the Norwegian Santal Mission and the choir *Skruk* (Sunnmøre Christian Youth Choir) have collaborated with Azerbaijani musicians to produce a well-known and popular CD called 'The country we come from' (vocalists Brilliant and Ilgar Muradov). Their programme notes show one of the petroglyphs about which Thor Heyerdahl waxed enthusiastic. His books were legal and available even in the Soviet period, so he was a familiar figure; then it was very greatly appreciated that he has visited the country after liberation. Once again this is interpreted as a positive sign of genuine Norwegian interest in Azerbaijan. The significance of this should not be exaggerated, but should not be written off either, given that it is taking place within the framework of an already positive interpretative framework of Norwegian attitudes to Azerbaijan. After noting a striking likeness to Norwegian petroglyphs, Heyerdahl announced that the Norwegians surely came from Azerbaijan. However much we may smile at this, there is no doubt that the theory fell on good soil, and the credit he has earned for his various forms of support has 'rubbed off' on everything Norwegian including Statoil.

Statoil practises a greater degree of openness than other oil companies

Western oil companies are criticised for not openly stating their guidelines. Several of those who take a positive view of Statoil emphasise precisely that company's willingness to be more transparent. For the opposition, greater transparency is the alpha and omega, and so Statoil gets a lot of credit. With exception of the real corporate secrets, the respondents say, the Statoil employees tell us everything. By keeping even their policies secret, on the other hand, the other oil companies are objectively in alliance with the dictatorship, which is thus enabled to regale the National Assembly with dubious figures. For example, when the political opposition recently demanded more information, both industry and government maintained a deafening silence. The only exception was Statoil, whose president told the opposition that he agreed that they had a right to the information, but that he was forbidden to give it to them by the government.

Statoil has better contact with the opposition than the other oil companies

The political opposition enjoys good relations with Statoil. The company exhibits what we might call normal behaviour – that is, it thinks in the long term. To do this it needs a wide range of contacts. Statoil is aware that there is a good chance that some day people from outside Aliev’s ‘machine’ will come to power in Azerbaijan. By contrast, BP-Amoco cultivates contacts exclusively around the Aliev clique. Statoil invites the political opposition to exhibitions and to events like the visit of Thor Heyerdahl. This attitude is related to what the respondents perceive as ‘typically Norwegian’ values – a solid grounding in democracy. Contact with the opposition is an integral part of the democratic rules of the road.

Statoil has a greater sense of an equitable redistribution of the oil revenues than the other companies

No one makes accusations against Statoil or alleges that it has done anything corrupt. It is a serious company. Statoil is in a special position because it comes from a small country with strong traditions of democracy and social justice. The respondents think that such a company is more likely to create fair and just contractual relations than the sharks from the big countries. They do not, for example, like the monopoly position BP-Amoco is in danger of acquiring in Azerbaijan. Monopolies are always bad, and a bigger role for Statoil will ameliorate this situation.

Chapter 3

Corruption and Oil in Azerbaijan – Is the Western Oil Industry an Accomplice?

Some General Comments on Corruption as a Phenomenon

Many of the interviewees echo the doctrine of Edmund Burke, that corruption deprives people of one of their most precious possessions: their freedom. A society permeated by corruption like the Azerbaijani enslaves the inhabitants. This is not a matter of winners and losers, the paralysing culture of corruption affects everybody, and everyone is a victim of the system. Corruption prevents economic growth and development, it erodes respect for the law, and teaches that honest work is not where the rewards are to be found. Corruption demoralises people and destroys social cohesion. A corrupt society is a society in decadence and decline.

If the Azerbaijanis are to experience a free, modern and stable society, they must break the chains of corruption. With their oil wealth and their pre-Communist democratic heritage, Azerbaijan should be in a position to give its citizens a good standard of living, and the conditions should be right for developing the rule of law that is so fundamental to democracy. The situation in present-day Azerbaijan is, on the contrary, that corruption is making the rich richer and the poor poorer. We have seen how the political elites that enjoy power are pocketing public funds. This is the kind of thing that destabilises a country, and the prospects for the nation's future are worrying. When the mass of the people see that they are not getting their rightful share of the oil wealth, they will sooner or later flock to political movements dedicated to revenge against the rulers. This has been seen in several of the oil states, for example in both socialist Algeria and imperial Iran.

Free competition and corruption are like fire and water. Corruption efficiently negates the advantages of a free market. That market liberalism can function in a corrupt society is an illusion.

Our data document that corruption at the top is one of the main complaints of the Azerbaijani political opposition. One of the main problems of the new state is a government apparatus whose employees have gained their posts not on merit but by bribery and nepotism enjoys no popular trust. A political leadership which, instead of setting a good example, exploits its position for personal enrichment forfeits legitimacy. A large proportion of the funds donated from abroad to help the refugees from the conflict in Nagorno-Karabakh has disappeared into the pockets of officials, and so these wretched victims are doubly marginalised. Moreover, it is not good economics for the money thus dishonestly appropriated is not reinvested in domestic production but stashed away as dead capital in foreign bank accounts. We have reason to believe that the current Azerbaijani leadership are valued clients of secretive foreign banks.

Given widespread corruption in the political leadership, in the government apparatus and in the market, it is hardly surprising that the ordinary citizen indulges in corruption too. Corruption becomes general and thus ‘normal’, and a common attitude is that it is nothing to get excited about. Pakistan is a good example of how bad it can get, with one set of criminals replacing another; there is no one who doesn’t have his fingers in the till.

Geopolitical changes and transformations of the global economy after the cold war have aggravated the problem of corruption worldwide. It is therefore essential to take up arms against corruption and the unhealthy societies it creates, and history shows that this fight is not a hopeless one. The American ‘Foreign Corrupt Practices Act’ criminalises the bribery of foreign officials. That 33 OECD countries and 5 others in February 1999 approved regulations based on the philosophy of the American legislation was another step in the right direction. General Electric, Shell and Rio Tinto are examples of multinationals who have imposed a strict ethics code. The danger of being mired in corruption has led these companies to withdraw from what could otherwise have been lucrative business, as when Unilever pulled out of Bulgaria. In Italy, it was not until the big companies got tired of paying bribes that the big *Tangentopoli* investigation started. In Seoul, anyone can supervise public procurement over the Internet.

Our respondents are pretty definite that the allocation of oil exploration and production licences in Azerbaijan is not done on the basis of free competition. One of the main principles of the Act was the doctrine that a company paying a bribe is as guilty as the person who receives it; this attracted great interest among our sample of interviewees, particularly in connection with the bonuses paid by Western oil companies when contracts are signed in Azerbaijan. It was claimed that this money never appears in any official accounts and no one knows where it goes. The interviewees are quite sure that all of it goes straight into the pockets of President Aliiev and his henchmen. They think it essential to make it known that anyone who pays these bonuses is collaborating with Aliiev and his machine, and that the one party to the deal is just as guilty as the other. Fortunately, few or none of the oil companies involved in Azerbaijan are willing to go as far as the French oil company Elf, which bought governments, installed African presidents and orchestrated coups against others. On the contrary, it is a hopeful sign that many Western oil companies are currently very concerned about the problem and interested in doing something about it.

In the campaign against this omnipresent and paralysing corruption, what is happening in Chile, Slovakia and Latvia can serve as a model for Azerbaijan. In these countries the people at the top have displayed a willingness to eliminate corruption. They have appointed anti-corruption committees and commissioners to enhance the effectiveness of investigation procedures and to amend the tax, labour and criminal laws. Honest officials are rewarded. Such a step in Azerbaijan would represent a radical break with tradition. As long as the people at the top are hopelessly corrupt themselves, it may seem like a lost cause, but as we saw above, it does pay to take the offensive. Western oil companies can become a positive influence, but they must first make up their minds to do so. Up to now their motto seems to be ‘We take care never to be mixed up in corruption, we can do no more than that’. Or: ‘We are not corrupt, corruption is part of Azerbaijani culture, we’re against it but not responsible.’ Measured against the ethical codes now being formulated by the most progressive multinationals, this thinking is obsolete. Western oil companies have an objective moral responsibility if, as our interviewees assert, their activities have led to increased corruption. There

is indeed much to suggest that the Western oil industry – probably unknowingly and inadvertently – indirectly helps not only to maintain this culture of corruption but even to aggravate it.

The Latvian Minister of Justice Valdis Birkav deserves to be quoted here: ‘Corruption is like an iceberg, we tow it out into the warm waters of publicity and it melts.’ Corruption thrives best in the dark; if the oil industry were more supportive of freedom of speech in Azerbaijan, it would be helping to tow that iceberg into the warm water. Wherever there is freedom of speech, great things can be done. By advertising solely in press media that support the dictatorship, and by appearing solely on TV channels that are controlled by the government, as our respondents complain the Western oil industry does, they are playing on the same side as a corrupt regime.

The interviewees’ simple, and probably effective, suggestion to the oil companies is therefore that they advertise equally in the opposition press and appear equally in TV channels controlled by the opposition. Such a practice would give the opposition increased status, not to mention revenues, and would be a leg-up for democracy. It would also help to tow that iceberg into warmer waters.

Situational and Dispositional Causal Explanations for Corruption. Intuitive Analyses

Cognitive psychology devotes much attention to the way we draw conclusions about our own and others’ behaviour. In daily life we are always analysing cause and effect on the basis of our ‘instincts’ and ‘intuition’ – it is this aspect of human behaviour that has inspired the term ‘intuitive scientists’.

When our interviewees were confronted with the same questions as dealt with in academic studies of corruption, they produced what we might call ‘intuitive analyses’.

Cognitive studies show that explanations of *others’* behaviour, and most especially their undesired or unexpected behaviour, systematically exaggerate the particular features of those actors, in what the jargon calls a *dispositional* explanation. In contrast, explanations of one’s own behaviour emphasise the *situational* variables. In other words, *I* acted this way because I had no choice, but *he* acted that way because he’s a bad man. The same thing happens at national and corporate level: we are defending our vital interests, you are imperialists; we are avoiding bankruptcy, you are greedy exploiters. People are judgemental, they enjoy being judgemental, and they are always pleased to be told that everything is the fault of some other rascal – the inherently wicked not-me, the Other.

In the work of analysing corruption, we are confronted with a series of supposed explanations. Most discussions operate with a dichotomy – corruption driven by greed and corruption driven by the need to survive. The interesting aspect of the first explanation that it is a dispositional attribution, links the question of ‘guilt’ to the individual. It is the inherent characteristics of the individual who performs corrupt acts that explain why there is corruption. In Azerbaijan, the individual-characteristic explanation is applied to the elite (except that it is here called by the pejorative term ‘clique’) that sits on the top of the heap and pulls the strings. The political elite is greedy and devoid of any social conscience, and as long it remains in power nothing much can be done. Attributing the behaviour to the characteristics of the individual in this way mobilises the observer’s emotional reaction, his affective structures. Doing this is a vital and powerful move in all political mobilisation and in the rhetoric of revolution or coup.

Sometimes this dispositional analysis is generalised to levels below the power elite, with complaints of the moral degeneracy of the Azerbaijani nation as such.

The other approach is to relate corruption to structural conditions. The observer will then ‘acquit’ the individual, he or she is innocent because acting under duress. Here it is the distancing cognitive analysis that prevails, the affective component is repressed. In the Azerbaijani situation, for instance, it may take the form of the assertion that the police are corrupt because the police force is overmanned – by 50% – and thereby underpaid. It is not the individual characteristics of the policemen that make them corrupt, but the situation that forces them into corruption. The analytic literature identifies many such causes of corruption in structural conditions. Low pay of officials obliges them to take bribes in order to feed their families. Many states still lack an independent judiciary, which means that corrupt judges will not be punished by other branches of government, and potentially honest judges cannot risk the displeasure of the regime. There is no adequate rule of law of which a corruption-hunter could make use. Empirical studies show that there is more corruption in the public than in the private sector. When authoritarian penal methods are abandoned in the drive to democracy, the result is that there is no check on corruption at all. The literature emphasises the theory that when a culture of corruption has first taken root, the individual is enmeshed in a system which is almost impossible to break out of; a relationship of mutual dependence develops between the giver and the taker of bribes.

On the basis of cognitive attribution theory, our main hypothesis is that the Azerbaijani opposition will exaggerate the extent to which corruption is due to characteristics of the individuals presently on top of the power hierarchy. The following table shows the results of our coding of the explanations proffered by our interviewees for the high level of corruption in Azerbaijan.

Table 5 Causal explanations of corrupt behaviour in Azerbaijan

Causal explanations of corrupt Azerbaijani behaviour		Causal explanations of corrupt Western oil company behaviour	
Situational	Dispositional	Situational	Dispositional
7	10	19	24
N = 17		N = 33	

Situational Explanations of Corrupt Azerbaijani Behaviour

Table 5 above shows that situational and dispositional explanations of Azerbaijani corruption are divided fairly evenly, with a certain preponderance of the dispositional ones. In other words, the interviewees see corruption as residing partly in human frailty and partly in structural conditions. It was emphasised that in a society where corruption is widespread, the individual will be coerced into playing the game; he will be recruited by being tempted to commit minor irregularities and the leverage thus obtained will be used to compel him to do something more serious. If he refuses to obey his orders, he will be threatened with publication of ‘the file on him’ and prosecution for previous corrupt acts. Few dare to speak out against corruption because they fear that the searchlight may then be turned on them.

Many respondents deny emphatically that corruption is an integral part of Azerbaijani culture. In principle Azerbaijanis are not corrupt, they say, and refer

to opinion polls in which everyone is ‘against corruption’. As these respondents see it, the corruption is due to unjust political arrangements through the ages, with the Soviet period as the most recent and worst example. ‘It was the Russians who brought corruption to Azerbaijan’ is an oft-heard refrain. Others reject this, and conclude that it is the new epoch that has brought corruption: if Azerbaijan is more corrupt than other former Soviet republics, that is because it has progressed further in democratisation, and it is well-known that the introduction of democracy for the first time, and transition from a planned to a market economy, increase corruption in all countries. Yet others deny that Azerbaijan is more corrupt than other states anyway, since in the Soviet Union everyone was corrupt!

Dispositional Explanations of Corrupt Azerbaijani Behaviour

When the respondents make dispositional attributions, it is the regime that is ascribed the corrupt disposition and not the nation as such. Azerbaijanis are not corrupt, just the people at the top – what we call the ‘black-top image’. Ordinary people are honest and upright, and if they are enmeshed in corrupt behaviour, this is against their will. The rulers have little in common with the grass roots as regards mentality and conduct – the ‘fat cats’ have developed a culture of greed, totally devoid of any social conscience or sense of fair play. Some of the respondents talk about the Aliev ‘clan’, since the charmed circle includes his brothers, sons, nephews as well as his friends, but others thought the term misleading, and preferred ‘network’.

The interviewees, who are prominent representatives of the political opposition, therefore share the perception that as long as the current regime is in power, the problem of corruption will never be solved. With a corrupt power elite and a government linked to the black economy, it is useless to take up the struggle. Widespread corruption prevents the oil revenues benefiting the country and its people, as the money goes into the pockets of the rulers instead of being productively invested. Azerbaijan can become the new Nigeria. Some respondents refuse to paint so bleak a picture, despite everything there are strong democratic forces in Azerbaijan that may be able to break the culture of corruption.

The interviewees asserted that foreign investors were shocked at the ability of the rulers to keep financial transactions secret. The lack of transparency is the very power base of the culture of corruption. Some claim – but on this point there is no consensus among the respondents – that Western oil companies that show signs of wanting to do something about it are compelled to pull out of the country. There was also disappointment that Western oil companies can make profitable agreements with a dictator who does not hesitate to violate human rights. And as long as the rulers fail to respect the laws of the land, no one can expect that the ordinary people will do so. Azerbaijan is in a state of moral decline; despite the fact that most people are strongly against corruption, there exists a legalised nihilism.

As an example of the cynicism that characterises the little clique at the top, the respondents cited the diversion of foreign aid for the poor and marginalised refugees. The ‘fat cats’ have no scruples about helping themselves to this money, most of it disappears into corrupt pockets and little of it reaches the people for whom it was intended.

The above results show that the political front lines are not entirely locked, and so there should be a basis for a certain degree of collaboration in the fight

against corruption. The Azerbaijani opposition explains corruption primarily as a result of the greed that animates the ruling clique, but it is worth noting that structural and situational features of society are also identified and held responsible. The political opposition is willing to admit that the problem is complex and has many causes. However, in periods with a more polarised and hostile tone between government and opposition there is reason to believe that the regime will be given all of the blame for corruption.

Situational Explanations of Western Oil Companies' Attitudes to Corruption in Azerbaijan

Several of the interviewees considered that Western oil companies that set up in Azerbaijan are forced to pay bribes, and that they thus become part of the culture of corruption against their will. This does not necessarily apply to agreements made at government level, it is said, but operators who buy from subcontractors, for example, may not have a choice. To get the oil out of Azerbaijan, the oil companies are dependent on Azerbaijani infrastructure and other services, which are permeated by corruption. Some assert that the senior managers of the Western oil companies are straight, others distanced themselves even further from the suggestion that the companies were corrupt, by pointing out that the big Western companies have a reputation to protect and that they are exclusively interested in doing business in accordance with ethical principles.

From the general observation that it was difficult to do business in Azerbaijan without paying bribes, the conclusion was often drawn that Western oil companies were not clean, but this suggestion was rarely supported by hard evidence. The oil companies, it was said, operate in a culture where it is fully acceptable to take unlawful advantage. Western investors who became involved with the country after the fall of the Soviet Union had raised the corruption level. Some interviewees therefore concluded that increased Western activity has increased corruption. Others reasoned otherwise, but came to the same conclusion, namely that since almost all national income comes from the oil industry and the level of corruption is high, corruption must necessarily be linked to the oil industry.

The ordinary Azerbaijani sees Western oil companies as part of Aliev's corrupt system, and that they are thus helping to maintain that system. The assertion that collaborating with a corrupt regime makes the oil companies themselves corrupt is an interesting way to approach things. It implies that, even if you never pay bribes yourself, you are not innocent of corruption, for you are still operating in a corrupt context and aiding and abetting a corrupt regime. All Western companies that set up shop in the former Soviet Union sooner or later become involved in corruption. They become part of a culture characterised by secrecy, the cornerstone of corruption. When the dictator tells the oil companies to lie for him, they lie for him. An example of this is the Azerbaijani state oil company, SOCAR; there is no public inspection of SOCAR's accounts, not even ministers get to see any figures. Nor do Western oil companies reveal what *they* pay to SOCAR, thus helping it to keep its affairs secret.

Several of the interviewees understand the oil companies' behaviour because they are painted into a corner; they are powerless to deal with the culture of corruption and don't know what to do. Nevertheless, for a company that is in principle against corruption, the choice must be between accepting it and leaving the country. By paying the dictator money which he deposits in his foreign bank

accounts, the Western oil companies are institutionalising Azerbaijani corruption. Solid foreign companies in Azerbaijan that earn money without being corrupt serve as signposts, showing the people that it is not, after all, a law of nature that you have to be corrupt to survive.

Dispositional Explanations of Western Oil Companies' Attitudes to Corruption in Azerbaijan

The general perception is that Western oil companies are in principle honest and against corruption, but that the country is so corrupt that they are compelled willy-nilly to make fatal compromises. The interviewees are thus 'acquitting' the oil companies of 'guilt' by their intuitive analysis in terms of situational attributions. However, there was also a school of thought among the respondents that the oil companies were indulging in corrupt practices with open eyes, even that they were corrupt before setting foot in Azerbaijan.

A form of corruption practiced by the companies quite deliberately is to restrict competition for assignments. Invitations to tender in the oil industry are very often secret, and companies with a record of assignments are favoured. The principle of free competition is thus an illusion, which has been extremely destructive for Azerbaijan.

Some people went further than merely hinting that the oil companies do corrupt deals with the government. For example, it was mentioned that in 1998 a million tonnes equivalent of oil disappeared without trace. Even if Western oil companies knew where it went, they refused to say. Another recurrent accusation is that the oil companies pay bribes to the dictator for contracts – there is a mutual admiration society between him and the companies. It is usual to pay a bonus on the signing of oil contracts. Accusations of corruption related to these bonuses were the most frequent among the interviewees, and ordinary Azerbaijanis are also very concerned about this. It was emphasised that this bonus money vanishes without trace, which surely means that it goes into the 'fat cats' pockets. This has become a big problem, not only for the dictator, but also for the oil companies, because they are held responsible for the money going astray and yet either cannot or will not say where it ends up. This line of argument entirely brushes aside the oil companies' claims that they don't know what is really going on, for it is their duty to know.

If Western oil companies are, as they claim, against corruption, this must be expressed in an open policy that allows public access, even if this is not what the regime wants. Instead of access, however, the oil companies are practising secrecy, not only about the contracts but also about accidents; they lie about them and keep Azeri specialists at arm's length when corrective action is taken. Much of what Western oil companies get up to does not tolerate the light of day. Unless the oil companies rethink their policy, it was said, they risk meeting the same fate as they did in the Iranian revolution, that is, being nationalised. The behaviour of the oil companies in Azerbaijan is remarkably like that in the Shah's Iran. Finally, the oil companies show their true colours by never supporting Azerbaijani NGOs that are working against corruption.

Conclusion

The above results show that corruption faces Western oil companies with an important and serious problem in Azerbaijan. Large sectors of the political oppo-

sition regard the oil companies as co-conspirators in the high level of corruption. Either because they are inherently corrupt themselves, or in order not to provoke a corrupt government, they are tacitly accepting a culture of corruption. If conditions change, so that present-day oppositionals come to power, the oil industry may suffer for it. For this reason Western oil industry should take a more activist line, they must clearly show that they want to work against corruption.

Chapter 4

Does the Western Oil Industry Risk Accelerating the Islamisation of Azerbaijan?

Our work was informed by an interest in competing political ideologies in Azerbaijan – ideologies that have radically different attitudes to democracy and human rights. On the basis of our survey we identified three distinct and antagonistic ideological families with relevance to democracy and human rights:

Three Competing Ideologies

- 1 Secularism (a political ideology based on the separation of state and religion)
- 2 Ethno-nationalism (a political ideology based on the principle of the nationalism of a single ethnic group)
- 3 Islamism (a political ideology based on the principle that religion should provide guidelines for government, ‘theocracy’)

In order better to capture the various ideological shades, we chose an indirect strategy for our questions. The questions seemed to have a stimulating effect on our interviewees and we received some good answers. We asked the respondents themselves to describe their identity (see the questions in the Appendix I). Our conclusion is that the relative strength of the three competing political ideologies we have identified in our sample corresponds very closely to the situation as described in available literature about Azerbaijan (for an analysis based on secondary sources see Heradstveit and Strømmen 1999). One main conclusion is that Islamism is weak. The interesting question, however, is the potential of Islamism in a country like Azerbaijan.

The respondents were questioned on this subject, and we will return to their answers. First, however, we will report their responses regarding their sense of identity, which is an indirect measure of the strength of the three competing ideologies we mentioned.

The Secularist – a Citizen of the Multiethnic State Azerbaijan

Table 6 Self-identification as citizen of the multiethnic state Azerbaijan

Primary identity	12
Secondary identity	3
Tertiary identity	3
N = 20	

It is apparent from Table 6 that 60% of the sample consider themselves primarily as citizens of the currently multiethnic state of Azerbaijan; in other words, that they consider Azerbaijan as a nation-state. This suggests that a majority of the sample are in accord with the modern form of nation-building, that is, that the state is obliged to safeguard the rights of all individual citizens irrespective of ethnic background and religion. The contrast here is with states in which the rights of the individual citizen are determined by ethnic background (ethno-nationalism) or religion (Islamism). Moreover, the interview data indicate that several of the respondents in this category are operating with what we would call multiculturalism. This nation-building concept aims to integrate, not exclude the minorities, who are entitled to retain and practise their own culture and religion. It contrasts with the traditional French nation-building concept dominated by assimilationism – Africans and Vietnamese were taught to speak of ‘Our ancestors the Gauls’. Circumstances have now compelled the adoption of much more tolerance of minority languages and dialects in modern France, but other states that have cultivated French assimilationism are still hung up in it – Turkey, with its insistence on calling the Kurds ‘mountain Turks’ being a notorious and tragic example. The challenge facing the multiculturalists is to redefine all existing symbols and thereby give them a new content with which both the majority population and the minorities can identify, and which functions to unite and mobilise. In most Muslim states, nation-building has failed, because minorities have been met with an intolerance that has led to conflicts – the minorities have never felt themselves to be part of the nation.

While the present regime in its definition of secularism has exhibited a certain degree of intolerance as regards religion and minorities, the majority of the elite respondents have championed a nation-building concept in line with the Western. In no other Muslim state of the region do we find modern thinking on nation-states as strongly represented as in Azerbaijan, which gives the country a special position as regards the prospects for democracy and human rights. The nationalism of the respondents is not turned against ethnic minorities. As an example of this, we would mention that one of the interviewees who was previously Minister of Education, had encouraged the minorities to found their own schools and write and speak their own languages – a very different approach to Turkey’s.

Some of the interviewees, on the other hand, called themselves neo-Musavatis, with a different concept of ethnicity and nationalism than the traditional Musavat party, founded in 1917 and the symbol of Azerbaijani independence, identity and the forging of an Azerbaijani nationalism. In traditional Musavat thinking, the ethnic Turk has a privileged position, but the neo-Musavatis include everyone who lives in Azerbaijan, whether of Turkish, Caucasian or Persian background. That is why we should call ourselves Azerbaijanis, they say.

The Ethno-nationalist – a Pan-Turk

30% of the interviewees said it was more important to belong to the greater Turkic community than to be an Azerbaijani (a citizen of multiethnic Azerbaijan):

Table 7 Self-identification as member of the greater Turkic community

Primary identity	6
Secondary identity	12
Tertiary identity	1
Irrelevant	1
N = 20	

This is a pointer that ethno-nationalism – of which former President Elchibey is one of the foremost proponents – enjoys a strong position. He maintains that the population of Azerbaijan, which in this terminology is called Northern Azerbaijan, should unite with their ‘kith and kin’ in North-west Iran (Southern Azerbaijan), where most of the Iranian Azeris live. An interesting fact in this connection is that the Azeri population of Iran is said to be between 15 and 20 million, by some put as high as 25 million, while the population of Azerbaijan is a mere 8 million. The figures, particularly the Iranian one, are uncertain, but it is also clear that the number of Azeris in Iran is being exaggerated for propaganda reasons. During my fieldwork in Baku, in September and October 1999, the media made a big fuss of the birth of Citizen No. 8,000,000. It was no big surprise that this boy-child was given the name of Aliiev! Ethno-nationalism concentrates primarily on the Azeri population, which speaks a Turkic language, so it is correct to classify this variant of ethno-nationalism under the rubric of Pan-Turkism. However, even if other Turks are seen as ‘ethnic brethren’, the relationship with Turkey itself is not a simple one. The Azerbaijanis, for instance, claim to be the first to use the word ‘Turk’, but others claim that Turkey’s nation-builders ‘stole’ the name and monopolised it.

That Pan-Turkism is a vital force in modern Azerbaijan was clearly seen when we were in Baku in the autumn of 1999, witnessing demonstrations for the Azerbaijani cause in Nagorno-Karabakh. There were many demonstrators who carried the emblem of the *Grey Wolves*. These are extreme ethno-nationalists focussing on Turkish ethnicity and Pan-Turkism, and who had a startlingly good election in Turkey just recently. There can be no doubt that the ethnic orientation in Azerbaijani nation-building, in which the Azeris will be privileged at the expense of the minorities, is still very much alive, although not perhaps as strong as immediately after the fall of the Soviet Union, when ethno-nationalism flourished throughout the region. The big wave of post-liberation ethno-nationalism has now subsided. In conversation with us, former President Elchibey claimed that he had not abandoned his dream of uniting all the Azeris, but even if a few others in the sample expressed some sympathy for irredentism and thought it a desirable outcome, they also indicated that they thought it Utopian. The elite members who gave the Turkic-speaking community as their primary affiliation considered that Azerbaijani nation-building initially must be based on the majority group in Azerbaijan. This view fits poorly with Western democratisation and is fissile. It is thus encouraging to see that as many as 60% do not identify with it, but rather support a consensual line in which minority groups will have the same protection and rights as the majority. The minority shall be able to practise its religion and culture and speak its own language.

It was claimed that Atatürk faced three competing identities: Turkish nationalism, Islam and Ottomanism. The perception of some of the respondents was that if Islam and/or Ottomanism had prevailed, there would be no such thing as

Turkey. Certain similarities between Turkey and Azerbaijan therefore made them emphasise that they regarded themselves as ‘Azerbaijani Turks’.

For several respondents, ethno-nationalist thinking inspired the line that they perceived themselves as Azerbaijanis as regards citizenship but Turks as regards ethnicity or nation. They did not distinguish between the Azeris living in Iran (our kith and kin), and the Azeris living in Azerbaijan. These ‘Azerbaijani Turks’ could quite happily live in Iran. One of the respondents said: ‘When they call me an Azeri in Turkey, I don’t like it, because it implies that I am not like the real Turks. But we in Azerbaijan were the first to call ourselves Turks, and so we have a better right to the name than the people now living in Turkey. But I like to be called an Azeri when I’m in Iran, because that shows that the Iranian Azeris are aware of their Turkic heritage, and are doing it to defy the Iranian state.’

The interviewees complained that both Russia and Iran had suppressed and oppressed their culture, that Russian policy was about pressurising Azerbaijani Turks in the direction of Iran and to the area that is now Azerbaijan. At the same time they expanded the area of the Armenian state. Azerbaijan Turks used to inhabit an area that stretched from the Black Sea to the Caspian, claimed the respondents. Armenia was only a little area and half of Yerevan’s population were Azerbaijanis – none of whom now live there.

It was also said that the ‘Azerbaijani Turkish nation’ comprises 40 million people, not 8 million. The 8 million are only that portion of the nation that lives within the borders of Azerbaijan. A nation is based on a national majority population that then develops a national identity. Only after having returned to their roots should they think about becoming liberal, adopting democracy and the market model.

The Islamist – a Member of the Muslim Community

Table 8 Self-identification as member of the Muslim community

Primary identity	2
Secondary identity	2
Tertiary identity	7
Irrelevant	9
N = 20	

The results of Table 8 are hardly surprising. The trend is entirely in line with what we had previously read in the secondary literature. The country has a more superficial relationship with Islam than do the Central Asian republics. This is connected with both a strong secular influence earlier last century and the subsequent Soviet period in which an attempt was made to exterminate all religion, when atheist universities were established and atheist was a term of pride. The names Nobel and Rothschild are legacies of the oil boom of the early twentieth century. Of greater importance, perhaps, is the fact that Azerbaijan, independently of other countries, developed a rich cultural and intellectual life dominated by secularism and Western affiliations. The whole period culminated in the creation of the Democratic Republic of 1918–1921 – a symbolic lighthouse in today’s work for democracy and human rights. This greater strength of democratic traditions than in the Central Asian states has consequences for the effort

to promote democratic ideals now. It is rare to find such a strong and articulate opposition in a Muslim country. Turkey is an exception, and Iran is moving fit fully in the same direction.

The strong secular orientation that characterises Azerbaijan explains why as much as 45% of our sample say that Islam is no part of their identity. Only 35% mention Islam as the tertiary element of their identity, but even then call themselves ‘cultural’ Muslims. This means that they do not identify with Islam’s metaphysical message, but fully accept that they and their culture are influenced by Islam.

Of the two respondents who ranked Islam as the most important component of their identity, one was the leader of the Islamist Party that is now proscribed in Azerbaijan. The other was the imam of a mosque with deep roots in Azerbaijani history, and who is currently on a collision course with alive.

A consistent feature of the literature on Azerbaijan is not just the variety of opinions we encounter, but also the sometimes considerable uncertainty regarding the potential of Islam after the fall of the Soviet Union and its strength in Azerbaijan today. The need for more research on this topic is emphasised. For us, this is important because Islam’s recruitment area is relevant to an assessment of political Islam as an ideological competitor of current secularism. The fact that in many Muslim states the oil economy has created favourable conditions for Islamism is due mainly to the failure to let oil revenues benefit the masses – it has been squandered or appropriated by the corrupt elite. A possible scenario for Azerbaijan, too, is that the corrupt elite continues to pocket the oil revenues and stash them away in foreign banks, while ordinary people experience little or no improvement in their daily lives, indeed the social-economic situation deteriorates. In such a situation, claimed most of our respondents, it is not inconceivable that people will rally to political Islam as an alternative to secularism. At the same time, a minority dismissed the chance of this happening in the thoroughly secularised Azerbaijan.

Azerbaijan as Islamic Republic: the Theocratic Minority

Those of the respondents who advocate basing politics on Islamic principles justified their views with ‘Islam is our morality’. They see the Holy Qur’an as Azerbaijan’s primary ideology, and one that can reconcile all the warring factions in the country. They claim that even if the educated study the Qur’an in Arabic, it would be good if everyone could read it in their own language, and would therefore like to see it translated into Azeri. (Comment: this is an extremely unusual point of view. Traditionally, the Qur’an is immutable and cannot be translated, a so-called translation is merely ‘the meaning of the Qur’an’. This means that the Azerbaijani Islamists really are more ‘moderate’ than most of their co-religionists.)

It was claimed that a revitalisation of Islam was under way throughout Azerbaijan, and that it was untrue – as is sometimes claimed – that this revival is strongest along the Iranian border. Even in the Soviet period people felt affiliated to Islam. As soon as the Communist pressure was lifted, everyone was a believer. Even Aliiev has been on the *haji*. The first president of independent Azerbaijan, Ayaz Mutabilov, who now lives in Russia, has become a devout believer, as has Isa Gambar, the current chairman of Musavat. The interviewees also mentioned a special programme to help refugees both morally and financially: ‘As Allah says, the poor are our family.’

There is no prohibition on contact with Islamic movements abroad. So far, no such contact exists, it was said, but it is hoped that it will be established when supporters of a governance based on Islamic principles can be registered as political parties. The respondents stated that they do not support the fighters in Chechnya and Dagestan, because in their opinion these were merely exploiting Islamic slogans and were moreover heretics following the Wahhabi version of Islam invented by the Saudis. In Azerbaijan, they said, the Wahhabis are weak but might be able to cause a little trouble. When Aliiev prohibited demonstrations, it was their exploitation by the Wahhabis he had in mind.

Azerbaijan as Islamic Republic: the Optimistic Secularists

The respondents saw Islam as primarily a cultural phenomenon in Azerbaijan. Some thought it was foolish to ban the veil, others agreed with the Supreme Court judgement that prohibited it (pronounced while we were there, and as far as we could judge, highly controversial). As they said, ‘Church and state should be separate, and in the public space you have to obey the state’s rules, not the church’s’.

One argument that recurred was that Azerbaijan would never become an Islamic state, because under Communism 70% of the population became atheists. But suppressing religious fanaticism, the Russians actually did something positive in Azerbaijan – if only this one thing. They agitated for rational scientific Communism; we don’t want Communism, but we’ll happily keep the scientific rationalism.

90% of the population want the country to stay a secular state. The religious fanaticism of Iran has served less as an inspiration than as a deterrent. Besides, calling Iran an Islamic state is to misuse the word. The interviewees described various Iranian perceptions of Azerbaijan; some consider it more advanced than their own country, because of the greater degree of freedom.

The conclusion of the optimist secularists was that free and fair elections would sweep away the present corrupt leadership, removing any possible basis for Islamism.

Azerbaijan as Islamic Republic: the Majority sees Islamism as a Real Possibility

The interviewees all agreed that Islam has strengthened its position in comparison with the Soviet period, but that political Islam, which peaked in 1994–95, was now in decline.

Islamic influence from foreign states and outside movements

a) Ideological pressure

Under the Iranian Constitution, the country is actually obligated to disseminate the Islamic message. Together with the common border, the respondents said, this makes the Islamist threat very real. Iranian missionaries in Azerbaijan used to set out to convert Shi’a Muslims to political Islam. They established cells all over the country and conducted very powerful propaganda, of which one of the slogans was: ‘Azerbaijan has been oriented to the West, and what has the country got out of it? Nothing whatever.’ This missionary drive reached its cli-

max in 1994–95 and looked really dangerous; Aliev was afraid of the export of Islamic revolution and the respondents thought he was right to do so. Iranian missionaries were then forbidden to conduct propaganda and were finally rounded up and sent home. The interviewees – except for the two Islamists – entirely supported Aliev when in 1995 he proscribed the Islamist Party and threw five of its leaders into prison on charges of spying for Islam. Muslim activists were ever after regarded as Iranian spies, so Aliev’s strategy was extremely effective and inflicted a serious defeat on Islamism.

The respondents also maintained that Saudi Arabia was very active, not only in Chechnya and Dagestan, but in Azerbaijan too. Here the missionary creed was Wahhabism – the puritanical Saudi version of the Sunna that is widely considered heretical. They also thought that Chechnya had no interest in causing trouble in Azerbaijan, but that if Islamism ever took root in Dagestan, then this would represent an indirect danger. Some of the respondents aired the idea that aggressive Islamism might theoretically appeal to the Lezgian minority – who live on both sides of the Dagestani border and are Sunnis, as opposed to the majority of Azerbaijanis, who are Shi’is – but added that the Lezgians had taken a clear stand against it. Even if the Sunni minorities are ‘infected’, the majority, the Shi’i Azeris, will protect the integrity of Azerbaijan.

In other words, Azerbaijan has political Islam on both sides, the interviewees said. On the one hand the conditions for Islamism in Azerbaijan were no favourable and the danger thus rather theoretical, but on the other hand, it was necessary to be on guard and not wait before taking countermeasures. Nevertheless, many respondents were very much opposed to the ultra-hard line taken by Turkey.

b) War and crises

The respondents expressed great unease at the fact that during the crises in Chechnya and Dagestan, the Russians doled out arms to 10,000 Lezgians, because among other things this could encourage Lezgian secessionism and lead to the destabilisation of Azerbaijan. They said that when the Russians, who are losing their grip on northern Caucasus, arm ethnic groups in Dagestan, this is formally in order to fight Islamism, but actually just to create trouble all round, so that Russia can then step in to order to ‘restore law and order’ – in other words, the same old imperial game of divide and rule.

The interviewees also mentioned the Western protests against the First Chechen War of 1994–96. There are no protests against the oppression today, because the current war is seen as one waged against an aggressive Islam, and this is offensive to us. Russia may be interested in destabilising Azerbaijan. There are still many socialist groups in the country who enjoy close relations with Russia and who are supported by Moscow. Azerbaijan cannot feel safe with these parties around, it was said.

The respondents mentioned that there are supposed to be about 55 Islamic activist organisations in Russia itself. Political Islam is growing stronger in Russia because Islam is the main identity marker for Russian Muslims and is politicised as a counterbalance and weapon against Russian chauvinism, arrogance and oppression.

Domestic political factors that could accelerate the growth of political Islam

A majority of the respondents maintained that if there has not so far been any basis for an Islamic state, this is due to 70 years of Communism and the abandonment of Islamic values in this period. There is little to be seen of Islam in modern Azerbaijan, but if the situation deteriorates, there is some fear that the Islamists will come out of the woodwork.

The interviewees emphasised that socio-economic developments have their own logic and will be decisive for the power position of the Islamists in Azerbaijan. When people are poor, they look for new ideas, and given the proximity of Iran and Northern Caucasus, they have not far to look. Sufficient disappointment over the West and democracy, and sufficient desperation, will do the trick. People will rally to political Islam, not because they are particularly religious, but because they think it will help them to a better life. Even if secularism is strong, they said, we have seen how Christian missionaries who came in and worked with the poor after the fall of the Soviet Union have made 5–10 000 thousand converts. The excellent socialwelfare networks run by Islamists will easily win people to their side. Five years ago the prospects of an Islamic state were close the zero, but the current economic and social policies make it not unthinkable for Azerbaijan to become an Islamic Republic. Social injustice increases interest in Islam, but the respondents were convinced that with a new government that worked for social justice, the politicising of Islam would disappear by itself.

It was pointed out that both Iran and Algeria had liberal-democratic forces which failed to prevent the country falling, or almost falling, to Islamism. The perception was that, with an impotent democratic opposition that fails to win power, the same could happen in Azerbaijan. When people lose faith in both alive and the democratic opposition, both Islam and Communism may easily rise to the surface. Because both groups are so wellorganised, they are a danger; and it is not inconceivable that they may work together.

One of the respondents voiced the fears of the others: 'If you had talked to me only a year ago, I would have denied that Azerbaijan could develop into an Islamic theocracy, but developments are now strengthening the chances of Islam becoming an ideological platform. Progressive democrats like us find ourselves in a dilemma. People in the provinces haven't a clue about democracy, but they do have a nostalgia for Islam. When I travelled in Dagestan in 1978–79, everyone was a secular atheist, they were no more Islamist than we were. Everyone spoke Russian. But look what has happened in a short time. People are flocking to Islam. If our provincials become desperate enough, they will do the same. Baku is not the whole of Azerbaijan. In the countryside and in the small towns there is absolutely the potential for Islamism.'

Disappointment with Aliiev will mean disillusion with Western oil companies, and so a turning-away from the West altogether. Moreover, Azerbaijanis generally perceive the West as supporting their fellow Christians in Armenia and blocking the membership of Muslim Turkey in the EU. For these reasons, says this school of thought among the respondents, the current pro-Westernism is a fragile flower. There are, in fact, voices calling for *jihad* to liberate Nagorno-Karabakh; and so a Western refusal to help in a just settlement of this conflict will be a powerful catalyst for a mobilisation of the religious dimension of the conflict.

Revolutions tend to break out in states with corrupt governance, where reforms have started but then bogged down. If the Azerbaijani dictatorship

becomes harsher, we cannot ignore the possibility of a revolution and an Islamic Republic. But, the interviewees added, the country's special traditions mean that Azerbaijanis have nothing to fear, because *their* Islamic state will be a moderate one. To show that the country has a moderate form of Islamism, the respondents mentioned that the Islamist parties are now willing – in order to be legalised – to include a clause in their party constitutions accepting that Azerbaijan is a secular state. It was emphasised that because Azerbaijanis are more Europeanised and secular, an Islamic government will not result in Iranian or Algerian conditions.

Part II

Prescriptive Analysis

Chapter 5

Ethical Aspects of the Western Oil Industry's Business Operations in Azerbaijan. The Respondents' Prescriptive Analysis

Democracy-building, human rights and corruption are political minefields in which the oil industry can, even with the best of intentions, put its feet wrong. Nevertheless, it is essential that Western industry takes a pro-active line in these areas. Its historical record leaves much to be desired and so it has a small margin of error; if, therefore, it wishes to enjoy a positive image in Western civil society and public opinion, it must clearly demonstrate a change of heart.

This report is meant as a contribution to the debate over how the oil industry can in the best possible manner combine an ethical policy with good business in Azerbaijan. We asked the interviewees what the Western oil industry ought to be doing. Because the respondents belong to the political opposition, many of the answers may be tactically slanted. Others may be unrealistic, seen from the oil companies' point of view. Even so, this does not detract from the relevance of what is being said by Azerbaijan's main oppositional politicians, for it touches on vital aspects of the companies' ethical responsibility.

'Don't be fooled by President Heidar Aliev'

A recurrent perception in the responses is that Western oil companies, and the West in general, fail to see what Aliev is really about. Like other dictators, they say, Aliev is a consummate opportunist, and turns his coat at the slightest pretext. This has enabled him to conceal the true face of the dictatorship. He fooled Brezhnev, and now he is fooling the West. He is leading the West up the garden path by echoing whatever it says, giving the impression of being for democracy and popular welfare and against corruption. In reality, however, all he is really interested in is himself and his own family. Aliev has combined the worst of all possible worlds – Communist dictatorship plus a capitalism without social conscience. When he introduces Western laws and institutions, this is mere window-dressing to buy goodwill in Western countries, they exist only on paper. He is now tightening the reins, and the contours of a personal dictatorship are getting ever clearer. An example of this, often mentioned, is his 1998 law on press freedom; what actually happened is that censorship is stronger than ever, media people are imprisoned, and not only they, but also their families, are subjected to arbitrary violence.

Aliev does not rule by the will of the people, and this is why he is seeking support both from bigger states and from the oil industry, claim the respondents. In the Soviet period, Russian leaders would visit Baku for talks in the same way as Western leaders do now. Then, he talked Communism to his guests, and now he talks democracy, equally without any benefit to the Azerbaijanis. The interviewees are of the opinion that when Western oil companies maintain that they are not mixing business and politics, this is untrue, for it is thanks to the oil contracts that Aliev is still in power. On ethical grounds the oil companies cannot continue to remain indifferent to this situation.

Aliev and his cronies are greedy and lack any vestige of a social conscience. The interviewees emphasised that Azerbaijan is a Muslim country and that Aliev's technique for holding power is therefore based on clan thinking. He is worried about what will happen to his family the day he dies or steps down. There are a lot of Azerbaijanis waiting to redress their grievances, and waiting for this very day for their revenge.

It was also said that in a corrupt society like the Azerbaijani one, oil creates difficulties for the people and the country. There is a big black economy, it is well-known that Aliev's family is involved in oil sales on the black market. As long as the Aliev mafia is on top, however, it will be impossible to do anything about it. The respondents therefore find it morally abhorrent that Western oil companies have such a lukewarm attitude to the whole problem.

'Don't act as if the oil is Aliev's to give away'

The artillery barrage from the respondents is targeted not only at Aliev, but also at Western oil companies. Only a tiny minority of the Azerbaijani population is prepared to praise the industry. Even if the companies pay lip service to democracy-building, respect for human rights and the struggle against corruption, they are indirectly and directly upholding the dictatorship.

When Western oil companies come to Azerbaijan it is in order to earn as much money as possible, and to do that, you have to be on good terms with Aliev. Public relations are an optional extra. Several respondents regard the companies' wish to earn money – even a *lot* of money – as legitimate in itself, but demand that they do so in accordance with ethical guidelines.

The interviewees raise the question of lack of transparency and maintain that foreign oil investors are shocked at how much the regime can keep secret. Refusal to publish can only serve as evidence of corruption. SOCAR, the Azerbaijani state oil company, spends money as it sees fit and no one gets to see its books. When buying equipment, it operates with prices four or five times above the real price, and the difference goes into private pockets. This secrecy is the very bedrock of the culture of corruption, and it is downright depressing that the Western oil companies are nurturing it. When Western investors know perfectly well that all the oil revenues go into the pockets of a small clique at the top and do nothing about it, they are responsible for the phenomenon. Azerbaijan currently produces 10 million tonnes of oil: the population is convinced that Aliev skims most of the revenues, and if the country produced twice as much, all that would happen is that he would skim twice as much.

The respondents point out that it is not Aliev who owns the oil, but the people. The Western companies seem to think that the oil is Aliev's alone to give, and that they need to do business with and consider his interests alone.

‘Think in the long term – Aliev will not live forever’

Western oil companies have only been in the country for five years, and so they are under the illusion that stability is due entirely to Aliev himself. For this reason they want to keep in with him, fearing otherwise to lose their position. The interviewees regard this as short-term thinking. The idea that 30–40 years ahead it will be just as important for Western oil companies to have a stable society should induce them to rethink their policy and start forging other alliances. Investors should remember the role played by the Western oil companies under the Shah of Iran, and the tears in which that policy ended. Something similar is happening in Algeria and Libya, but the oil companies don’t seem to learn. Even if no violent revolution or Islamic state is provoked, at the very least a new government would look very carefully at the record of the oil companies and their support for the dictatorship, and not hesitate to cancel all existing contracts. Russia and Iran would be glad to take the Western companies’ place.

The respondents maintained that dictatorship is not the same thing as, or any guarantee of, stability, and that stable and secure social conditions can only be created in democracies. Aliev’s ‘stability’ is purchased at the expense of human rights and democracy and the struggle against the spectre of corruption. Without saying a word in public, the Western oil companies make profitable deals with a president they know is against human rights. When this president, unlike those in many other parts of the world, is allowed to get away with it, the interviewees think they have the Western oil companies to thank.

The respondents maintain that Western oil companies have on occasion gone much further in their adulation of Aliev than normal commercial considerations would dictate. There are funny stories about this: once the president of AOIC, Terry Adams, praised Aliev in such fulsome terms that even Aliev himself thought he had gone too far and asked him to tone it down a bit! On the same occasion Terry Adams presented a statue of the president. A spokesman from Chevron has admitted that in Angola the Western oil companies glorified the dictator in order to make him do what they wanted. The same sycophancy is seen in Azerbaijan, and makes people see corrupt interests.

In short, everything the Western companies do seems calculated to convince the Azerbaijanis that a good relationship with Aliev personally is more important than democracy. If the West continues this unconditional and uncritical support for Aliev, say the respondents, democracy will be a lost cause in Azerbaijan. Instead, the West and its oil industry must make it clear that they do not accept dictatorships.

‘If Aliev pushes, call his bluff’

The respondents think they have detected a greater distance between the opposition and the oil companies after Aliev came to power. This confirms what reliable sources confirm, namely that the president has told the representatives of the oil companies that they ought not to talk to the political opposition.

The interviewees describe how Aliev pressurises Western oil companies that have close contact with the opposition. However, their experience of 30 years of Aliev is that when he is pressured back, he yields. On several occasions the first American ambassador leant on Aliev, and won – no one is doing this now. Western oil companies should therefore present a united front, but they never have: instead, they have walked on eggs around the dictator. The interviewees are forced to conclude that the Western oil companies want him to stay in power

indefinitely, and are therefore not interested in strengthening the democratic opposition; and that behind the companies are Western governments thinking along the same lines. The companies should be aware that even if Aliev loses an election, there will be no question of his stepping down; Azerbaijani elections are mere window-dressing, and international observers have yet to see how bad they are. Democratic elections would be respected only after very strong pressure from the international community.

Western oil companies are afraid that if they don't do as the president wants, he will strike back and damage them in some way. However, the respondents maintain, as long as the companies have not obtained any unfair privileges, he can't do anything to them. In fact, the reason why Aliev gives special rights to foreign investors is to use it later to put pressure on them. If the oil companies yield to such pressure, it proves that they have something on their conscience; contrariwise, if their hearts are pure they have nothing to fear.

In the respondents' opinion, the terror of the oil companies that Aliev may make it difficult for them to implement all their signed contracts, and prevent them obtaining new ones, is unjustified. For example, if Statoil decided to pressurise Aliev to be more transparent and democratic, it could be asked to leave the country. However, the oil contracts are approved by parliament and are thus the law of the land, Aliev can't break them. The only time the companies have anything to fear is when the time comes to make new contracts. It is true that there is a danger that more cynical countries like Japan could exploit this situation by stepping in to replace companies that have fallen out with Aliev. If the Western countries are ethically responsible, however, they should take this calculated risk, all the more so if they present a common front. As for Russia, it's out of the game. To begin with, the companies were dependent on Aliev, but now he is dependent on them.

If, therefore, Western oil companies were to replot their course, cultivate the opposition, start protesting against violations of human rights and launch a campaign for democracy, Aliev would be unable to do anything. Unlike other Muslim countries, Azerbaijan has a strong and articulate opposition that would in that event support the oil companies. In addition comes the fact that democracy is the winning side globally. The oil companies, backed by the USA, have all the power they need to start emphasising ethics in business.

Even though there was a great degree of consensus on the above, some respondents took a different line as regards Western oil companies' room for manoeuvre vis-à-vis Aliev. One respondent put it this way: 'It is difficult to say how Aliev will react if Western companies had contacts with and supported the opposition. No one knows what's going on in his head. He might yield and accept it, but it is more probable that he would ask the companies to leave the country, which would be a great loss to Azerbaijan. Aliev is a dangerous person.'

'Talk to the opposition'

The interviewees pointed out that when Western oil companies failed to see that it was in their interest to fight for democracy and human rights and work against corruption, this was because these are areas dealt with primarily by local representatives of the companies. However, the local managers of the Western oil companies in Azerbaijan have very short time horizons – five years, for example, before someone else takes over – and so in the short term it is their line of least resistance to keep in with Aliev. Short-termism will always lead to alli-

ance with the sitting government, however dictatorial it may be. If the companies start thinking in the longer term, this will automatically lead to a greater emphasis on the moral aspects of their commercial operations. New management methods will reward good business ethics, and perhaps even penalise those companies that have gone out of their way to run the dictatorship's errands. It is vital, therefore, that someone at the top works out a human rights policy and forces it through.

The respondents who thought that the Western oil companies were doing nothing to promote democracy in Azerbaijan, said that the right thing to do would be to press their respective governments to pay more attention to supporting democratic forces in the country. The best in this area, they said, are the Americans. They get involved, and the Europeans should do the same. The respondents would like to see the oil companies, via their governments, supporting their demands for free and fair elections, the core of the democratic cause in Azerbaijan. If the leaders are unaccountable to the people, they won't do anything for them. As it is now, the only time Parliament has any influence, is when Aliiev has not made up his own mind. At all other times, the deputies follow blindly, and thanks to comprehensive election fraud Aliiev has always had full control. Should he lose a free and fair election, he could lose his grip on Parliament, it was said.

A similar perception, shared by many of the interviewees, is that the oil companies have not up to now had any positive effect on human rights either. Without human rights, there can be no democracy. The US State Department has commented on violations of human rights, but we hear nothing from the oil companies. Not all the interviewees, however, shared this view. There were several who were glad to see that the Western oil companies now – in contrast to what went before – are showing a sense of moral responsibility with regard to democracy and human rights. Ethical thinking in this context is practically unknown to Azerbaijanis and so it important to show the way. All support from outside was welcome. The oil companies can put pressure on the regime through the latter's signature on the international human rights conventions; the companies could monitor the protection of human rights and file periodical reports. These should be prepared by a new apparatus that they establish to keep track of what is going on in Azerbaijani society, independently of the government. Above all, the caution hitherto practised should be discarded. The companies should openly declare that they are adopting a new policy on human rights, and together with their governments they should not keep silence but speak out in public about Aliiev's massive daily contraventions. If the Western oil companies and their countries' embassies did this, then Aliiev would give way. He is not an unreconstructed Stalinist like Karimov in Uzbekistan.

The respondents maintained that if the oil companies resumed the dialogue with the opposition, both sides would benefit; the companies would then have access to better information about Azerbaijan, especially information that Aliiev tries to hide. The opposition should be invited to visit the companies' home countries and put its case. As it is now, the oil companies seem to be treating the opposition – who after all are those who support democracy and strong ties with the West – as if they have the plague.

‘Support the free press’

The respondents asked why Western oil companies are not supporting the free press. They find it startling that the companies advertise exclusively in organs controlled by Aliev. The opposition paper Azadliq had to close for lack of advertising revenue. The oil industry’s press policy is seen as a sign of partisanship. The only multinational that does not follow this sycophantic line is Coca-Cola, they advertise in all the newspapers. As well as oppositional newspapers, the interviewees consistently said that it was important that Western oil companies supported lawyers specialising in the media and free speech, so that they can afford to stay in operation and plead cases. They ought to support the press club in which the opposition holds press conferences open to all papers, and support the newspaper’s library service. The same applies to television companies; some of the apparently ‘private’ channels are secretly controlled by Aliev, but Western investors could help the Azerbaijanis to found a new television channel that really is independent.

‘Help to develop civil society’

Other contributions to the development of a civil society are within the power of the oil companies, for example financial support to NGOs engaged in human rights. This is actually quite legal even under Aliev’s rule. While a few of the interviewees thought that Western investors would never accept a programme for human rights and maintained that ‘we don’t really want them to, they are here to do business’, the others saw it as essential that the Western oil companies make a serious effort to school Azerbaijanis in democracy and human rights. They should support seminars teaching these subjects, seminars aimed at teachers, the young people in refugee camps and police cadets. Important generally was support for science and culture, student exchanges, technology transfers and development of local oil expertise.

Another important measure was to support trade unions and stop signing contracts that explicitly restricted labour rights. Yet other areas were minority groups, health care and women in the oil industry. Courses could be held for the deputies of the national assembly; these never meet the ordinary people, they have no notion of responsibility to constituents, and never speak about human rights.

If the West is serious about creating stability in the region – what has been called the Silk Road Project – its task may be summarised in two words: support democracy!

‘Open the books’

The interviewees have expectations of the oil, which they thought ought to create a basis for prosperity and give them political advantages. Western oil companies, that are professional in their operations and business relations, bring money to the country. On the other hand, it was said, you must not imagine that Azerbaijan is Kuwait – and it never will be. If we are to get rich, a lot of hard work is needed. We won’t become an oil nation in the traditional sense; oil will become a smaller but important part of our economy, it ought not to be the engine of economic development. The fact that oil has caused only trouble is connected to the fact that the country lacks petroleum legislation and strategy.

One respondent said: ‘A few years ago someone wrote in a article that the question was whether Azerbaijan would become another Norway or another Nigeria. It looks like the answer is Nigeria – dictatorship, police state, unemployment and corruption. Ordinary people haven’t seen a cent of the contracts with the oil companies, and no one knows where the money has gone. Western oil companies must help stop Azerbaijan turning into a Nigeria – and they can, if they have the courage to speak out and speak up.’ Other respondents didn’t like the comparison with Nigeria. We are not like the Nigerians, they said, we are much more advanced, and we won’t take the same road. There were some similarities, it was true, but differences as well: for example a free press, active political parties and in future there would be free and fair elections. One of the interviewees was even more optimistic, and that was why he was staying in the country; for, as he said, one day there would be a new situation when Aliev was no longer in power.

After five years, people are asking whether the money spent on SOCAR has been worth it, or whether it has all ended up in foreign bank accounts. We don’t know where the money from the early oil went, and it seems as if corruption is deterring further investment. We expected that when the big fish (the oil companies) came, the small fish would follow, but that has not happened, everything seems to have seized up. For this reason the Western oil companies must start publishing the figures of what they transfer to SOCAR. As long as SOCAR is not a public company, it can be secretive, and the corruption problem will never be solved. It must be pressured to publish its transactions. The Western companies must tell us how much they are paying for various services, for example for data from the Geological Institute. The same goes for the bonuses they pay for contracts. In the same way, the planned Azerbaijani Petroleum Fund must be controlled by democratic institutions, or else it will be just another weapon in the arsenal of the corrupt regime. Western oil companies must make sure that the intentions of the Fund are kept in mind and followed up. If they are, this will lead to more open politics and less corruption. In a word, all payments must be public. The Western oil companies could start doing this tomorrow, but they are afraid of Aliev’s reaction.

‘Publish the plans’

If investors start demanding access to accounts, contracts and asset flows on the Azerbaijani side, and themselves allow public inspection, this will go a long way to eliminating corruption. Moreover, they should publish all their plans and projects, not in the state-controlled press, but in their own publications, which they could then circulate to the opposition. That will stop politicians saying afterwards that ‘they didn’t know’. Conferences for the opposition in which the companies talk about their plans will also be useful.

‘Stop paying bribes’

The respondents emphasised that the oil companies must stop sucking up to Aliev and instead tell him loud and clear that there must be an end to his crookery. Economic aid must be given not to the government but to private companies and institutions. Western oil companies must stop allying themselves with Aliev, they must stop paying bribes, and they must talk openly about corruption and blow the whistle on the money that Aliev is pocketing.

The respondents called for joint conferences with the opposition and NGOs to which independent experts on corruption are invited. There could be ‘think tanks’ for corruption and economic development – for example, there was recently a corruption conference held by the American Chamber of Commerce and Bagirov, a member of the Musavat party and president of the Far Centre; the contributions will be published and distributed.

‘Support us in Nagorno-Karabakh’

The interviewees argued that oil and politics must not be seen as two separate spheres, because that would push the struggle for Nagorno-Karabakh into the background. They thought that young people would not fight for Nagorno-Karabakh because they think that it would prevent them enjoying the good life that they expect if oil production proceeds in peace and quiet.

The respondents maintain that Aliev’s promises that the oil companies would support Azerbaijan over Nagorno-Karabakh have not been fulfilled. On the contrary, it is asserted, the oil companies are exploiting the difficult situation. First Russia kept the conflict going to oppress us, and now the West is doing the same. Neither the USA nor NATO has supported us. The situation is now reminiscent of the cold war, with Russia on the one side and America on the other. Not even Norway, which does not have the same geopolitical interests as the Powers, can see the conflict objectively. Nagorno-Karabakh can become the next Kosovo.

The disappointment over the Western attitudes to Nagorno-Karabakh can cause future governments to give the oil contracts to the Japanese and Chinese instead. For Azerbaijan, giving the contracts to Western companies was a political choice, but the West saw it as a market response and took it for granted.

The odd thing is that Armenia is now using the oil argument to maintain the hopeless situation in Nagorno-Karabakh: the Armenians are saying that the oil will make the Azerbaijanis more powerful, and so they need Western support to compensate. As the respondents see it, the West cares about the Armenians but not about the Azerbaijanis. There is a double standard, which is not compatible with human rights thinking; the same rules should apply to all irrespective of ethnicity. Western oil companies should put pressure on their governments, and support us in Nagorno-Karabakh and against Russia. If they do that, we will love them.

Appendix I

Interview schedule for field research in Baku, September/October 1999

Name of interviewee

Part I Questions about the Western oil industry

- 1 What do you think are the most important aspects of the oil industry in Azerbaijan? Please list only three aspects and in order of importance.
- 2 What might lead to a *worsening* and what to an *improvement* of relations between the oil industry and the political opposition?
- 3 If the oil industry were to develop more intimate and friendlier relations with the opposition, then what do you think would happen?

Part II Questions about Statoil and Norway

- 1 What do you think about the Norwegian oil company Statoil compared to the other Western oil companies?
Is it *Much the same* *Different* *Very different*
If you think it is different, could you in a more detailed way describe how it is different?
- 2 How do you think the Western oil industry affects the struggle for democratic development and human rights in Azerbaijan?
Has it *No effect* *Negative effect* *Positive effect*
If affected, could you in a more detailed way describe how it is affected?
Could you cite some examples?
If the Western oil industry wants to be more helpful in your struggle for democratic development and human rights, do you have any suggestions for what they could do?
- 3 How do you think the Western oil industry affects the serious corruption problem in Azerbaijan?
Has it *No effect* *Negative effect* *Positive effect*
If there is an effect, could you in a more detailed way describe how it is affected?
Could you cite some examples?
If the Western oil industry wants to be more helpful in reducing the level of corruption, do you have any suggestions for what they could do?

Part III Questions about Azerbaijani identity

- If you should rank what I would call these competing identities, how would you rank them when describing your own identity?
- Azerbaijani
- Azerbaijani Turk, Lezgian Talish, Tat, Kurd
- Muslim

Part IV Questions about recent developments

Here we only presented themes for discussion with no standardised questions.

- Political Islam (in Azerbaijan)
- Destabilisation of Azerbaijan
- Terrorism against the oil industry in Azerbaijan

Appendix II

List of interviewees

Politicians

1. **Isa Qambar**, Chairman of the Musavat Party, Former Speaker of Parliament, Right-wing politician, espouses some liberal and some nationalistic ideas. Historian, former Research Fellow at the Institute of Oriental Studies. Ethnic origin: Azerbaijani Turk
2. **Abulfaz Elchibey**, Chairman of the Popular Front of Azerbaijan. Former President. Calls himself a right-wing politician, Turkic nationalist. Historian (Oriental Studies), former Senior Research Fellow at the Institute of Manuscripts, Academy of Science. Ethnic origin: Azerbaijani Turk
3. **Ali Kerimov**, First Deputy Chairman of the Popular Front. Right-wing politician, espouses some liberal and some nationalistic ideas. Leader of informal 'Yurd' organisation, Member of Parliament. Education: Law. Ethnic origin: Azerbaijani Turk
4. **Muzaffar Djabrayil-zadeh**, Chairman of the Islam Party (pro-Iranian, in favour of Islamic Republic)
5. **Leyla Yunusova**, Chairman of the Peace and Democracy Institute. One of the founders of the Popular Front, former Chief of National Army Information Service (in Elchibey's time). Ethnic origin: Azerbaijani Turk
6. **Ilyas Ismailov**, Co-Chairman of the Democratic Party (shares this position with Rasul Quliyev, now in asylum in the USA). Calls himself a democrat and an adherent of 'common sense'. Vague political views. Former Prosecutor-General (during the later Soviet years) and former Minister of Justice (in Elchibey's time). Education: Law. Ethnic origin: Azerbaijani Turk
7. **Zardusht Alizadeh**, Co-Chairman of the Social Democratic Party (shares this position with his brother Araz Alizadeh). One of the founders of the Popular Front Movement, later founded the SDP. Education: Oriental Studies. Advocates good relations with Iran and Russia. Against Pan-Turkism, in favour of Mutallibov. Ethnic origin: unknown, calls himself an Azerbaijani
8. **Nazim Imanov**, Deputy Chairman of the National Independence Party, Member of Parliament, Doctor of Economics. Right-wing politician,

liberal-minded, in favour of free market model. Ethnic origin: Azerbaijani Turk

9. **Dr Firidun Jalilov**, Speaker of the Assembly, National Independence Party, former Minister of Education (in Elchibey's time). Strong Turkic nationalist. Ethnic origin: Azerbaijani Turk
10. **Tahir Kerimli**, Chairman of the Vahdat (Unity) Party, former Chief Justice (in Elchibey's time). Education: Law. Calls himself a democrat, not in favour of Pan-Turkism. Ethnic origin: Azerbaijani Turk
11. **Etibar Mamedov**, Chairman of the National Independence Party, Member of Parliament. Historian. Right-wing politician, strong nationalist, in favour of 'order and stability'. Ethnic origin: Azerbaijani Turk
12. **Sabit Bagirov**, President of the Far Centre research institution. One of the founders of the Popular Front, former Chairman of the State Oil Company (in Elchibey's time). Member of the Musavat Party. Economist, liberal-minded. In favour of the Baku-Iran-Turkey pipeline. Ethnic origin: Azerbaijani Turk
13. **Panah Husseynof**, Chairman of the People's Party, former Prime Minister (in Elchibey's time), one of the Founders of the Popular Front. Historian. Espouses liberal, nationalistic, social-democratic and populist ideas. Ethnic origin: Azerbaijani Turk
14. **Ramiz Axmedov**, Chairman of the Azerbaijan Communist Party, philologist, journalist, First Secretary of the Communist Party in the Gabala and Evlakh regions under the USSR. Former Editor-in-Chief of the Communist Newspaper (main governmental paper in the former USSR). Pro-Russian and anti-Western. Has good links with the Russian Communist Party. Ethnic origin: unknown

Intellectuals, NGIs and Mass Media Magnates

15. **Dr Hasan Guliyev**, Chief Analyst, Turan Information Agency, Doctor of Philosophy, liberal-minded. Ethnic origin: Azerbaijani Turk
16. **Rauf Arifoglu**, Editor in Chief of the most popular newspaper in Azerbaijan, Turkic nationalist. Ethnic origin: Azerbaijani Turk
17. **Hadjy Azer Samedov**, Chairman of the Independent 'Islam Ittihad' religious community. Moderate Shi'i Islamist, in favour of good Azerbaijani-Iranian relations. Ethnic origin: Azerbaijani Turk
18. **Rauf Talishinski**, Editor in Chief of 'Zerkalo', the most popular Russian-language newspaper in Azerbaijan. Liberal-minded. Ethnic origin: unknown

19. **Vagif Sefikhanov**, Professor at Baku State University, CEO of RISK Computer Software Company. Liberal-minded. Ethnic Origin: Azerbaijani Turk

20. **Hikmet Hadjy-zadeh**, Vice-President of the Far Centre research institution, Member of the Board and Head of the Analytical Department of the Musavat Party. Liberal-minded. Ethnic origin: Azerbaijani Turk

Abstract

This is a study of the Azerbaijani political elite's perceptions of Western oil companies and their contribution to – or hindrance of – the development of democracy and human rights. Twenty oppositional figures, including most of the party leaders and presidential candidates, plus some media, NGO and academic personalities, were subjected to an in-depth interview.

There was a consensus that the Western oil industry was at best irrelevant and at worst inimical to the cause of democracy and human rights in Azerbaijan. This is because short-term commercial considerations have led it to kowtow to the dictatorship, ignore the political opposition and boycott the free media. There is also pay discrimination against Azerbaijani labour. Above all, it was almost universally agreed that the Western oil industry is aggravating the corruption of Azerbaijani life. Nobody thought Statoil worse than the other foreign oil companies, but only a minority thought it better.

The result of this undesirable behaviour is likely to be the severe displeasure of any new government based on the current political opposition, which may prefer Japanese and Chinese investment. At worst, the population's acute disillusionment with the West and the social misery caused by corruption and mismanagement may override Azerbaijan's secular and moderate traditions and bring about an Islamic Republic.

The elite makes many suggestions for what the Western oil companies can and should do to improve the situation: such as not being bluffed by the president, insisting on transparent accounting, cultivating alternative centres of power, facilitating scientific, educational and cultural exchange and supporting the Azerbaijani cause in the Nagorno-Karabakh conflict.

About the Author

Professor, *dr.philos.* Daniel Heradstveit is Senior Research Associate at the Norwegian Institute of International Affairs, Oslo. Heradstveit earned his doctorate from the University of Oslo. He has held positions as Professor of International Relations at Johns Hopkins University and Professor of Comparative Politics at the University of Bergen. He is the author or co-author of eight books on the Middle East, semiotics and political psychology, including his most recent work, *Political Islam in Algeria*.