

## Oil and Stability in Azerbaijan: Cracks Begin to Appear

By Lucy Wallwork, Openoil.net

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The protests I witnessed on March 10 in Baku's Fountains Square, motivated by non-combat deaths and "hazing" allegations in the Azerbaijani military, may not have delivered the thousands of activists promised on Facebook. But the government's heavy handed response was enough to reveal jitters at the heart of the Aliyev regime, as rumblings of discontent arrived in Baku following earlier protests in regions such as Ismaili. Baku's riot police were certainly sporting their Sunday best in central Baku, kitted out with state-of-the-art water cannons and rubber bullets and deploying them generously. But they had little to show for their efforts than a series of iconic defiant images beamed across international media.

Tom de Waal, in his recent piece for Foreign Policy, asked the question "how do you renovate a house that's falling apart at the foundations?", one likely to be vexing President Aliyev, even if he is elected to a third-term later this year (a strong possibility, even if a smooth ride is unlikely). The oil revenues reliably filling state coffers over recent years have allowed him to buy patronage and support (or at least passive compliance) both inside his country and on the international stage. But depletable resources have a nasty habit of depleting, and as Azerbaijan passes peak production such revenues are likely to fall year on year, with significant implications for Aliyev's financial and political capital. And he will only be able to dip into the State Oil Fund to cover the gaps for so long (the Fund's direct transfers to the state budget shot up 16-fold from \$686 million in 2007 to \$11.64 billion in 2011, while oil production began a downward trend, falling by 17% over 2010-2012).

Oil riches and regime stability have long been linked by Resource Curse theorists. Windfall oil revenues, like "manna falling from heaven", allow leaders to buy political loyalty and to strengthen coercive structures, placating citizen opposition (enter water cannons). This anti-democratic effect of oil might help to explain why authoritarianism has proved so durable in Azerbaijan, where we are coming up to 20 years of Aliyev rule. In 1993, when Aliyev Sr. came to power, the prospect of a relatively stable autocratic political system seemed like a pretty good deal for a nation at war and in economic turmoil.

But to a resident of Baku's suburbs in 2013 watching the Bentleys roll past while the prices for staple goods continue to rocket, just how convincing is this stability narrative? And just how much stability can be expected from a notoriously volatile commodity such as oil, which plunged from \$145 — \$60 per barrel in one year from 2008-2009? Even for those willing to sit back and exploit the rent-seeking opportunities, with falling production, even at current prices there will simply soon be far fewer rents to seek.

What the waves of civil unrest across the country have shown recently is the potential for popular content to spill over

unexpectedly and quickly gather momentum, such as that which led to Georgian President Sakashvili's unexpected downfall in last year's parliamentary elections across the border. In all of the Caucasian countries emerging from the break-up of the Soviet Union, the birthing pains of the 1990s have been at the forefront of peoples' minds. But what recent displays of anger and defiance have shown is that, while Azerbaijanis will tolerate poverty levels and the misery of missing out on the fruits of the most recent oil boom, it is when their dignity is insulted that the touchpaper is lit. In Ismaili it took the obnoxious son of a Minister crashing his Hummer into a downtrodden local taxi driver that provided the trigger.

Cynicism is also on the rise over the role of international democracy watchdogs, such as the OSCE Office for Democratic Institutions and Human Rights, ODIHR (dubbed 'Oh, Dear' by some activists). And the government's response to events does little to stem the growing anger – the arrest of youth activists from the NIDA movement over recent weeks on the usual trumped up drug charges is a tactic that is wearing thin. And neither do international 'meddlers' get off lightly, as Presidential aide Ramiz Mekhtiev's war cry against foreign NGOs makes clear, and the more recent closure of the Western-led Free Thought University by government security forces.

Getting a reading of the level of genuine will for political change in Azerbaijan is tricky – opposition activists can draw dramatic conclusions from the wave of protests, while what we have seen until now are ripples on the surface. The few hundred brave protesters taking a shower in Fountains Square last month will not be the only ones at the polling stations in November. But on the ground nerves can be felt on all sides, and the outlook for the oil industry has no small part to play. -0-

The wiki-based Azerbaijan Oil Almanac, co-produced by OpenOil and Baku-based news agency Turan, is now live at [oil.turan.az](http://oil.turan.az) (in Azerbaijani) and [en.oil.turan.az](http://en.oil.turan.az) (in English). It is the first bilingual open-source, digital curation of publicly available information on Azerbaijan's oil industry.