

Good Governance in the Post-Soviet South: Testing Theories of the Resource Curse in Azerbaijan

Dayne Lukas Shaw

Abstract

The theory that there may be a fundamental link between resource abundance and stalled development in developing states has gained increased traction in recent times, with the assorted understandings of this phenomenon grouped together under labels such as the paradox of plenty and the resource curse. The objective of this paper is therefore to demonstrate the extent to which resource curse theories can account for the deficient development of the state of Azerbaijan. This analysis shall take place through testing the various sub-theories that constitute the resource curse against the experience of the state of Azerbaijan, thereby gauging the extent to which both pre-determined models and unique country specific factors account for the demonstrably stalled social, political and economic progress. It shall, however, be argued that resource curse theories alone cannot entirely account for Azerbaijan's failure to take significant steps towards good governance, and that various structural, historical and cultural factors are also at work.

Keywords: Rentier State, Azerbaijan, oil, resources.

1. Introduction

Theories that purport there to be an inverse relationship between resource wealth and good governance, democracy or economic growth have existed for hundreds of years. In their most primitive form they have been articulated as early as 1576, with Jean Bodin asserting that "men of a fat and fertile soil, are most commonly effeminate and cowards" (Bodin 1576: 565). Bodin's statement is perhaps crude, but it is nonetheless a useful starting point for understanding the vast array of theories that comprise a phenomenon widely identified as the resource curse.

This study shall focus on the political aspects of resource curse theory, specifically the rentier state concept. Rentier state theory concerns the effect resource rents may have on democracy, good governance or political reform. These rents are the independent variable throughout rentier state literature and they are also the variable that is tested throughout this study. Put simply, rent is defined as the difference between the price at which a resource, such as oil or gas, is sold and the costs incurred in discovering, transporting and refining it (Yates 1996: 17). Rents are distinct from other potential sources of revenue for a number of reasons. Firstly, because they are paid directly to the state. Thus awarding the state absolute power in the distribution of these rents. Secondly, rent producing industries tend not to be labour intensive, instead requiring a small number of highly skilled workers. The effects of these distinctions are key issues of contention in rentier state theory.

However, rentier state theories have limitations. They have typically been applied to Middle Eastern states, primarily due to the emergence of the region as the key oil production centre of the twenty-first century. Hossein Mahdavy provided the foundation of the field of study with his 1970 article "The Patterns and Problems of Economic Development in Rentier States: the Case of Iran." Beblawi and Luciani (1987) meanwhile also conduct their research within the geographic and cultural boundaries of the Middle East. That two of the foundation studies of rentierism are confined within these limitations poses a problem. Application of the theory is however steadily expanding beyond its point of conception. In Africa, it has been extrapolated in order to provide an explanation for civil wars, political instability and authoritarianism, to varying degrees of success (Basedau 2005). Whilst in Latin America, it has been used to explain corruption and inequality in Venezuela (Rossi 2001), whilst at the same time being used by others as a standard against which to demonstrate Venezuela's

success. In summary, it is a theory that has been utilised to demonstrate many contradictory conclusions.

This explains why the subject of the study is Azerbaijan. Azerbaijan is a state characterised by an entirely distinct set of historical, cultural and political factors compared to many states which regularly receive the focus of rentier state analysis. Situated on the periphery of Central Asia, between Russia to the north and Iran to the South, it has experienced independence from the Soviet Union for more than two decades. It is a largely Shi'a population but a secular state with a population that is by no means devout, setting it apart from traditional rentier state subjects in the Middle East. Culturally, it is also distinct, with clans forming the primary macro social structure, rather than tribes or religious groupings, as one may expect of a Middle Eastern or African subject. These are factors that render the study of Azerbaijan informative to the larger body of rentier state research. Taking well established theories and extrapolating them to a new subject is the best means by which to test their utility.

With the value in this endeavour firmly established, it is important to detail the precise aims of this study. The aims of this study are three-fold. Firstly, to rigorously analyse rentier state theory and articulate a clear framework that renders its application to various subjects simple. Secondly, to test the extent to which this framework is applicable to a state outside of rentier state theory's traditional zone of application. Thirdly, to devise an accurate classification of Azerbaijan that fully accounts for its political character.

In order to provide a clear rentier state framework suitable for application to numerous subjects, this study utilises the categorisations devised by Michael Ross (2001). Ross identifies three key ways in which rentierism manifests, these are, the "rentier effect," the "repression effect" and the "modernisation effect" (2001: 332). These three groupings provide a structure within which to perform a rigorous analysis of the various effects associated with rentierism. This framework is applied in both sections two and three. This three pronged approach will be used to evaluate rentier state theory in section two, before then determining its explanatory capacity with regards to Azerbaijan in section three. Having evaluated the utility of rentier state theory with regard to Azerbaijan, there will then be an attempt to accurately account for aspects of the Azerbaijani regime that rentierism does not sufficiently illuminate. Where limitations are identified, this study shall employ two further analytical approaches. Firstly, aspects of democratisation theory will be used to provide a distinctly

alternative approach that does not employ rents as the key variable. In using this approach, the aim is to account for Azerbaijan's specific political makeup and gauge the extent to which it diverges from other rentier states and states which may simply be classed as authoritarian. Finally, cultural factors will also be considered, including macro social structures such as clans. Again, this is with the aim of providing a very precise analysis of Azerbaijan and determining the extent to which rentierism is explanatory when stood alongside specific cultural factors.

There are limitations to this approach however. First of all, Azerbaijan has only been independent for little over two decades. Consequently, research on the effects of its resources over a sustained period are limited. Secondly, Azerbaijan, like many states with authoritarian tendencies, allows limited access to in-depth information. This is especially problematic regarding the study of institutions. Academic research on this subject is extremely limited. For these reasons much contextual research in this study draws on news articles and reporting. These are imperfect sources of information and so wherever used there has been an attempt to gather numerous sources to guarantee their validity. A further limitation concerns the scarce literature regarding social structures in Azerbaijan. Again, this is due to Azerbaijan's Soviet history limiting research in the area and its authoritarian tendencies limiting avenues for research in more recent times. This means that there is a reliance in this paper on only a few academic sources when it comes to social structures in Azerbaijan.

2. Characteristics of the Rentier State

2.1 Foundation Characteristics of the Rentier State

The concept of the "rentier state" emerges from a sub-category of research into the wider study of the resource curse. It is appropriate therefore to describe the "rentier state" as one of many potential manifestations of the resource curse. However, it is a vast field of research in its own right. Hence, for the purposes of clarity, it is imperative that attempts to accurately analyse the concept clearly detail the parameters within which research will be undertaken.

Rentier state theories utilise rents as the independent variable, though the dependent variables can differ. They can however be organised into two categories; firstly, the effects of external rents upon the capacity of the state to promote economic development, and secondly, the effects that external rents have on good governance and quality of democracy (Ross 2001:

330). Ross' effects framework encompasses aspects of both of these approaches. Therefore, this section addresses the effects of external rents on democratic reform and good governance, whilst also considering the economic and socio-economic factors at work. This is because economic and socio-economic factors are integrally bound up in rentier state theory and therefore understanding the processes and effects associated with rentierism requires a holistic approach.

The foundation of this study is the simple definition offered by Mahdavy, which characterises rentier states as “those countries that receive on a regular basis substantial amounts of external rent. External rents are in turn defined as rentals paid by foreign individuals, concerns or governments to individuals, concerns or governments of a given country” (1970: 428). This may entail that rents could be a product of aid for example (political rents), but more commonly the term rentier state has been applied to states with resource based economies.

Mahdavy's development of the rentier state theory, based on his study of Middle Eastern oil rich states, identifies the significance in economic situations where “oil revenues received by the governments of the oil exporting countries have very little to do with the production processes of their domestic economies,” and, “the inputs from the local economies - other than the raw materials - are insignificant” (1970: 429). As evidence, Mahdavy cites data from a ten year period between 1948 and 1958 in Iran. In this period oil production increased by 36.87 percent and yet the local expenditure of the oil industry decreased by 18.32 percent (Mahdavy 1970: 429). This highlights a key characteristic of rentier states, and that is the relative economic simplicity by which rents are accrued. The lower the production costs and the higher the price of the commodity, the larger the rents will be. For these reasons, Mahdavy asserts that for all practical purposes one can consider oil revenues as almost a “free gift of nature,” or as comparable to “a grant from foreign sources” (1970: 429).

Having established that the foundation characteristic of the rentier state is the regular receiving of external rents, requiring minimal investment (relative to output); the question then becomes what are the ways in which rentierism manifests itself and what are its effects. Furthermore, it becomes important to determine whether these characteristics are consistent and identifiable throughout numerous cases to the extent that their application to a variety of cases is viable and informative. The processes and policies that may emerge from rentierism however have been grouped together into three "effects" by Michael Ross (2001). These three

effects are; "the rentier effect", "the repression effect" and "the modernisation effect" (2001: 332). These three effects shall now be individually analysed and operationalised.

2.2 The Rentier Effect

Ross highlights how oil revenues are often used by states to relieve social pressures that might otherwise form the basis of opposition – this general concept he refers to as “the rentier effect” (2001: 332). The rentier effect can be further broken down as it manifests itself in three distinct ways. Firstly, through the “taxation effect” (Ross 2001: 332), the idea previously detailed that in lieu of the necessity of taxation there is less demand for accountability. Secondly, “the spending effect” is the theory that oil wealth enables the government to invest its resources in patronage to prevent demands for reform to develop (Ross 2001: 333). The third sub section of the rentier effect is “the group formation effect” (Ross 2001: 334), which entails that the government prevents the emergence of independent social groups that may form the basis of opposition to the status quo. However, the means by which this occurs is disputed, as there remains a question regarding whether governments deliberately attempt to prevent the emergence of social capital. First (1980), citing Libya, argues that there is not always a concerted effort to prevent the emergence of an indigenous bourgeoisie, but rather that the possibility of such a class emerging is restricted by the bloated and sprawling state, a typical 'symptom' of rentierism. Chaudhry however argues that many rentier states do in fact embark on a rigorous endeavour to thoroughly depoliticise the population, citing the examples of Saudi Arabia, Iraq and Libya, where “governments deliberately destroyed independent civil institutions while generating others designed to facilitate the political aims of the state (1994: 19). That two studies cite the example, Libya, as evidence of contradictory conclusions illustrates the tangled nature of rentier state theory. The consequences of de-politicisation policies are in turn detailed by Ostrowski, who identifies the way in which rentier states are characterised by “an extremely large and powerful economic and social role that [fosters] the long term stability of the ruling regimes” (2011: 3). Shambayati meanwhile, highlights how the dislocation of the government from the people may in some cases be exacerbated by the elimination of “economically motivated pressure groups” (1994: 307), which in many states form the basis of opposition. In the absence of a call for "no taxation without representation", a different paradigm emerges where opposition to the state is born out of cultural or moral opposition. Such a situation,

Shambayati contends, has contributed to the emergence of Islamist movements in Middle Eastern rentier states, for “whom economic issues are of secondary importance” (1994: 307). Shambayati attempts to demonstrate this through a comparative study of Iran and Turkey, illustrating the differing paths of the states due to Iran’s ability to pacify economic opposition, thereby enabling the emergence of opposition drawing on religion. Though a single comparative study cannot establish rigid rules for analysis, it can provide guidance for further research. With this in mind, Fürtig (2007) offers additional depth to Shambayati’s supposition, with a complementary framework for understanding whether rentierism can be a causal factor in the emergence of political Islam. In rentier states, the relationship between the state and society is often characterised by a reversed dependency structure, as the regular material relationship between the two is softened due to the absence of the need to impose an efficient tax system - the previously mentioned “taxation effect”. Therefore, in these societies, Fürtig contends that the major political issue can often be justice rather than freedom, as a “rational individual can only afford to demand governmental non-interference if his or her economic well-being is not closely related to the distribution policy of the state” (2007: 13). Therefore, calls for reform may focus on a fair distribution of rents rather than on political freedoms. Justice, as a concept, plays an important part in Islam, with Fürtig citing the example of “zakat,” Muslim’s obligation to donate to those who are needy (2007: 14). With ideologies such as Marxism possessing limited capacity to mobilise opposition, and the competence of authoritarian states in destroying western style political structures such as political parties, Islam has often emerged as the most resilient political force in many authoritarian states. Therefore, in order to identify whether a state is experiencing rentierism, it may be valuable to study the nature of government opposition, whether it is characterised by economic motivations, and the relationship between state and religion.

Clark (1997) however, interprets the relationship between rentierism and civil society differently. Citing the Republic of Congo’s bout of democratisation in 1991, Clark argues that a growing middle class developed as a consequence of patronage and a bloated public sector - Congo’s civil service expanded from 3,300 in 1960 to about 80,000 at the beginning of the 1990s, forming a bureaucratic bourgeoisie (Clark 1997: 66). This educated and economically secure class was the driving force behind the formation of the 130 civil associations that participated in a national conference in 1990 tasked with monitoring the transition to democracy and organising elections, thus facilitating the peaceful transition towards electoralism in 1991 (Karl 2000). A similar approach emphasising the role of the

bourgeoisie is the comparative historical research by authors such as Barrington Moore. The crux of Moore's *Social Origins of Dictatorship and Democracy* (1966) is often reduced to the phrase "no bourgeoisie no democracy". Though memorable, this phrasing undermines the depth of Moore's premise, which emphasised the significance of an independent bourgeoisie supplanting the aristocracy. Applying Moore's approach could prove valuable to understanding Azerbaijan's predicament, through identifying whether a robust, independent bourgeoisie exists in Azerbaijan and if such a class does exist, does it hold political aspirations that are not compatible with the current nature of the Azerbaijani state. However, this plethora of opposing contentions primarily serves to highlight the need to clearly identify the role of civil society in rentier states.

Ultimately, Ross' rentier effect is aligned with Karl's supposition that all rentier states can be characterised by the same economic policy pattern of "maximising the external extraction of rents for subsequent distribution through public spending according to a political logic" (Karl 1997: 197). This is directly counter to the open and enlightened policy-making associated with good governance (World Bank 1994: 68). It also summarises a theme prevalent in all rentier state theories: that rents are a means for elites to maintain established power structures. This gives a helpful but broad understanding of rentier state behaviour. To really appreciate the nuances of individual rentier states, the means by which rents are utilised must be understood. In understanding how rents are distributed, a more holistic understanding of individual rentier states can be achieved.

2.3 The Repression Effect

The second causality that Ross identifies is "the repression effect" (Ross 2001: 335). This is the supposition that oil wealth enables governments to invest heavily in security apparatus to either protect their own positions, or to protect the extraction of resources, which may be located in unstable territories (Le Billon 2001: 15). An example would include the various mukhabarat prevalent in many Arab states (Gause 1995), or the SAVAK in pre-revolutionary Iran. Determining whether a comparable organisation operates in Azerbaijan could serve to illuminate the means by which the regime maintains power. A secretive internal security force may suggest that the regime is maintaining power through repression. Equally, the absence of such an organisation may indicate that the regime maintains its stability by other means. The role of internal security forces is therefore a key area of analysis.

Azerbaijan's military capabilities could also be an area rich in information. The nature of Azerbaijani military capabilities could indicate whether the government is concerned by its geo-political situation, between Russia and Iran, with smaller neighbours such as Armenia, or with internal security. A strong naval presence in the Caspian Sea for example would suggest a focus on protecting oil facilities. In conclusion, identifying the role of military and internal security apparatus could indicate what the Azerbaijani regimes security priority is, whether it is using military power to protect itself, the rent producing industries, or, the security of the state.

2.4 The Modernisation Effect

The third effect that Ross identifies is “the modernisation effect” (2001: 336), which draws heavily from the work of Ronald Inglehart. This effect supposes that democracy is a consequence of a collection of social and cultural changes, such as occupational specialisation, urbanisation, and higher levels of education, which are in turn brought about through economic development (Ross 2001: 336-337). Specifically, Inglehart highlights two specific changes that he claims are concurrent with democratic transition. These are:

1. Rising education levels, which produce a more articulate public better equipped to organize and communicate, and
2. Rising occupational specialization...produces a more autonomous workforce, accustomed to thinking for themselves...and having specialized skills that enhance their bargaining power against elites (Inglehart 1997: 163).

Ross however acknowledges that unlike the rentier or repression effect, the modernisation effect is not primarily concerned with resource wealth. Instead, Ross focuses on what he terms "an implicit corollary" of Inglehart's theory, and that is; "if economic development does not produce these cultural and social changes, it will not result in democratization," which is extrapolated to rentierism by supposing; "if resource-led growth does not lead to higher education levels and greater occupational specialization, it should also fail to bring about democracy" (2001: 336). This theory poses an important question regarding whether economic development in resource rich states is fundamentally different from non resource

rich states to the detriment of processes outlined by Inglehart. Ross uses a variety of metrics in order to gauge the levels of occupational specialisation, education, health services, media participation and urbanisation in resource rich states. All of which he determines to be the most effective devices for gauging modernisation. Measuring occupational specialisation - "the number of men and women in the economy's secondary (industrial) and tertiary (services) sectors as a fraction of the men and women in the economically active population" - Ross finds a strong correlation with democracy (2001: 352). However, measuring variables such as education, life expectancy and urbanisation, Ross finds no significant correlation with democracy. Ross therefore offers two ways of interpreting these results. Firstly, they could indicate that the modernisation effect is genuine, but that occupational specialisation is the only real causal mechanism (2001: 335). The second possible interpretation is that the spending effect and the modernisation effect happen concurrently in resource rich states, with the consequence being that:

...few are drawn into the industry and service sectors; yet thanks to large revenues, the government can subsidize education, health, and other services...the public enjoys generous social services yet is politically hampered by two antidemocratic forces: a lack of occupational specialization and a government that uses its fiscal powers to dampen dissent (Ross 2001: 355-356).

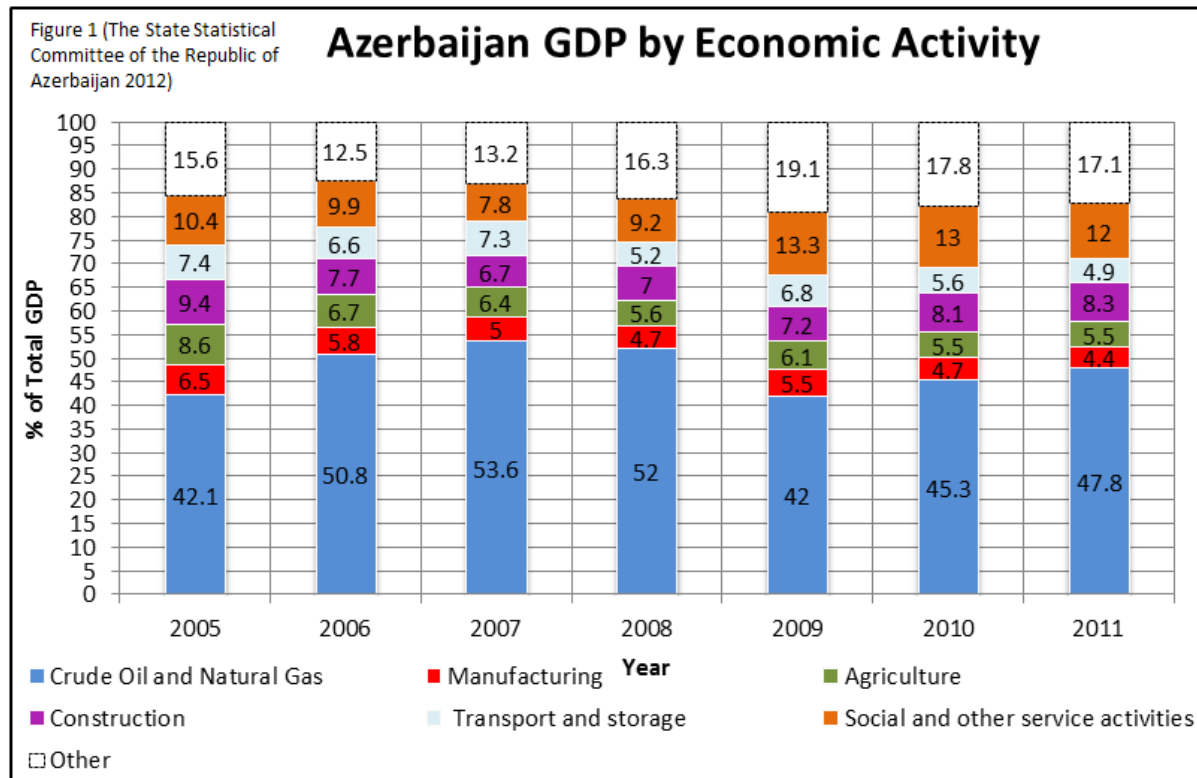
Testing these conclusions should indicate whether rentier state development is distinct and whether this serves to undermine democratic transition and good governance.

3. Is Azerbaijan a Rentier State?

3.1 Foundation Characteristics

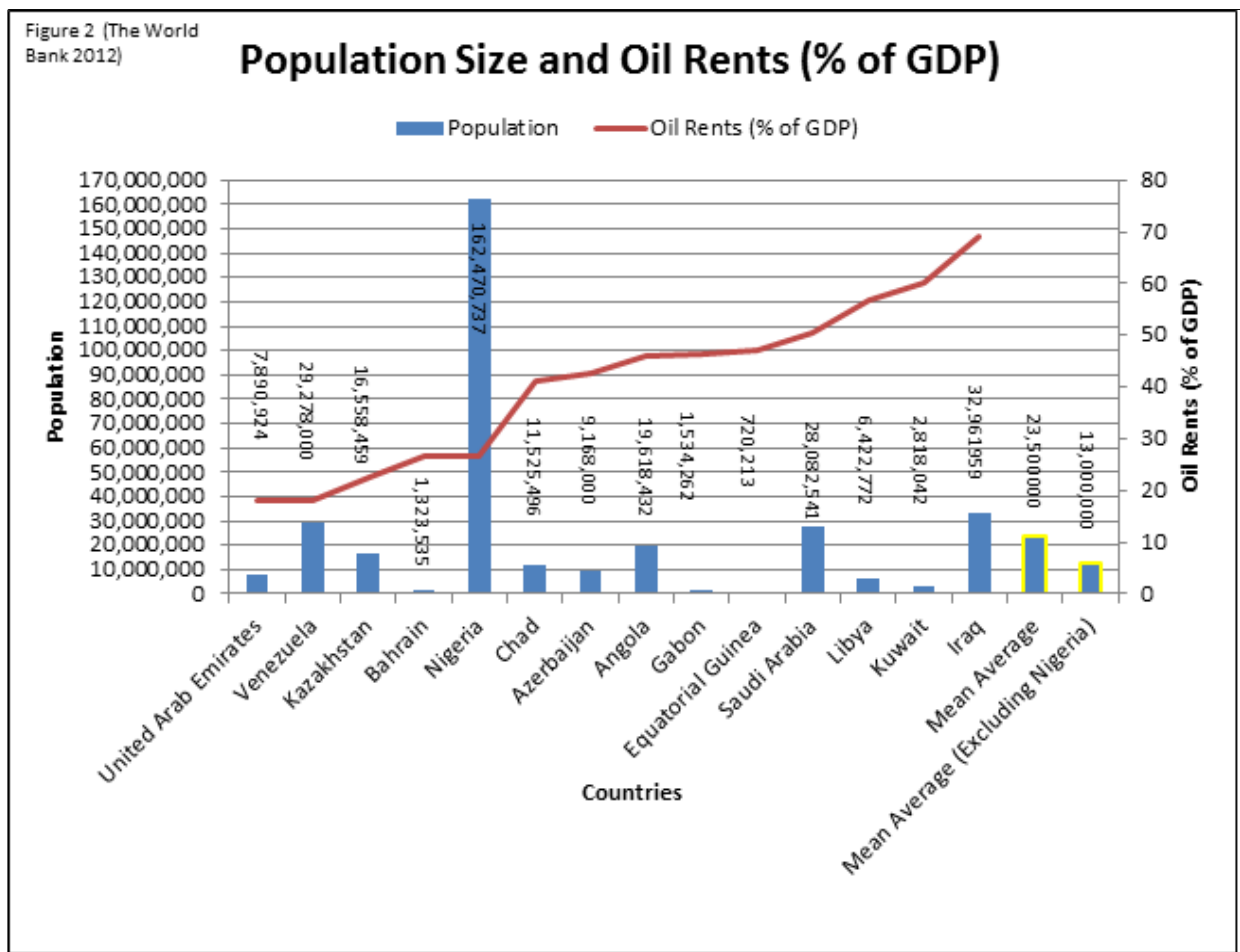
Azerbaijan is a rentier state. This classification can be made on the basis that it receives "on a regular basis substantial amounts of external rent...paid by foreign individuals, concerns or governments," consequently fulfilling the foundation characteristic employed by Mahdavy (1970: 428). Furthermore, these rents are generated by Azerbaijan's resource wealth. This resource wealth accounts for a vast proportion of the country's GDP, as well as its total exports. For example, in 2011 mineral fuels, lubricants and related materials constituted 47.8

percent of Azerbaijan’s total GDP (Figure 1) and nearly 95 percent of Azerbaijan’s total exports (Figure 2). To say that Azerbaijan’s “...economy is dominated by rents rather than productive enterprises like agriculture and manufacturing” (Ostrowski 2011: 2) is statement of fact.



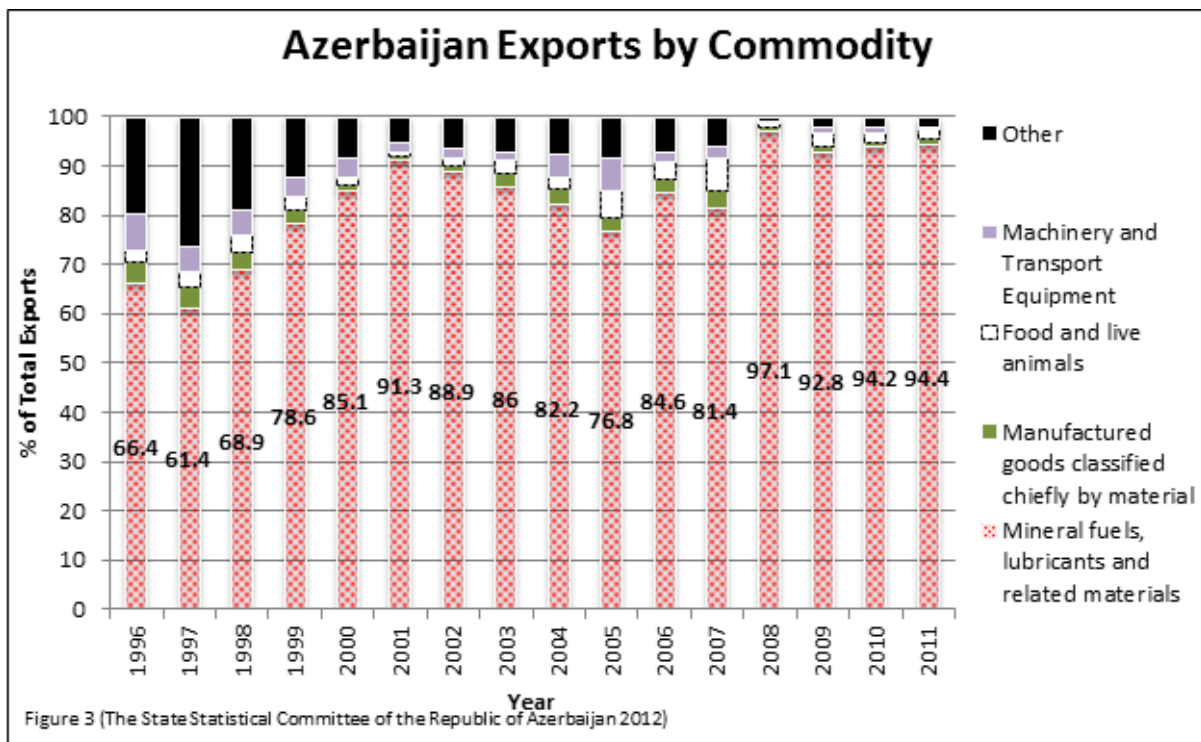
Furthermore, with a population of little over nine million it falls in line with the theory that small population oil producing states are "ideal type" rentier states (Shambayati 1994: 310). Though there is limited study of the relationship between population size and rentierism, Michael Herb sets a simple and obvious understanding of the relationship: “rent wealth produces more rentierism when divided by fewer people” (2005: 305). Herb cites states such as Gabon and Qatar as examples of where population is key to their status as rentier states. Population size, on this basis should be a determinant factor in the identification of rentier states. Whereas the economic effects of the resource curse, such as "Dutch disease" have been "observed across time and in countries that vary by population size and composition, income level, and type of government" (Karl 2004: 662), rentierism appears to be far more concurrent with fundamental limitations such as population. As figure 2 demonstrates, many rentier states have small populations. The chart shows fourteen states for which oil rents comprise a significant percentage of GDP. Seven of the fourteen states listed, including Azerbaijan, have populations totalling less than ten million and twelve of the fourteen have

populations below thirty million, with only Nigeria as an outlier. The mean average population for the fourteen states is 23,500,000. Removing the outlier from the calculation - Nigeria - provides a mean average of 13,000,000. This is suggestive of a fundamental link between population size and rentierism, as asserted by Herb (2005). That Azerbaijan is extremely close to the mean average (excluding Nigeria) suggests that there are elements of the classic concept of the rentier state that can be applied accurately to Azerbaijan. However, it is important to acknowledge the limitations of what can be drawn from this data. Firstly, oil rents as a percentage of GDP is not a definitive indicator of rentierism. Instead, it is simply the most practical metric available for identifying the potential scope within which rentierism could exist. Additionally, rentierism is not concerned solely with oil wealth, other resources such as gas or diamonds have also been pinpointed as possible causal factors behind rentierism (Yates 1996). Such limitations render any assertions tentative and broad conclusions difficult.



However, following Mahdavy's stress on the link between input costs relative to the amount of rent generated, it is significant that in 2009, oil production in Azerbaijan was costing approximately \$13 per barrel (State Oil Company of Azerbaijan 2009). At this cost of production the margins are huge, as oil prices have often exceeded \$100 per barrel over the past decade (BBC News 2013).

Having established that the essential characteristics of rentierism are evident in Azerbaijan - resource abundance and economic dependency on subsequent rents - the task becomes detailing the effects of this paradigm and the extent to which they can explain Azerbaijan's absence of good governance. This shall be undertaken through the use of the theoretical framework provided by Ross (2001).



3.2 The Rentier Effect

As has been previously articulated, the rentier effect is concerned with the means by which resource rich states utilise rents to prevent the emergence of political demands counter to their own interests. To reiterate, the three key means by which this can occur are; firstly, through not enforcing a rigorous tax system and thus not forming any monetary relationship between society and the state - the "taxation effect"; secondly, through investing rents in

patronage to ensure that there is a strong constituency with a stake in the maintenance of the status quo - the "spending effect"; and thirdly, the quashing of civil society by the state to destroy any means of independent organised opposition - the "group formation effect." Collectively, these three processes form the "rentier effect." Applying them to Azerbaijan will serve to identify the extent to which it is a classic rentier state.

The Taxation Effect

As previously established, the lack of a systematic and efficient tax system is a factor that is repeatedly cited by theorists as a characteristic of rentier states (Ross 2001, Anderson 1987). The reasons for this are two-fold. Firstly, a windfall of rents allows governments to disregard effective taxation, as it accounts for a comparatively small proportion of revenue. Secondly, is the theory that levying tax may entail the development of opposition on the basis of "no taxation without representation". The consequences of this are that there is no co-dependent relationship between the government and the population. There are limits however to characterising the economic links between state and society in purely negative terms. Clark's (1997) previously detailed study of the Republic of Congo demonstrates that resource wealth has the capacity to encourage reform. Clark highlighted how abundant oil wealth enabled unprecedented state investment in public services, creating an emerging white-collar middle class which led to a bout of democratisation in 1991. This indicates that state-societal economic links may be informative in more nuanced ways than simply applying the doctrine of "no taxation without representation." In Azerbaijan it is certainly the case that taxation does not form a huge proportion of total GDP. In the years 2008, 2009 and 2010, World Bank data (2012) shows that tax revenues as a percentage of GDP were 16.4, 14.1 and 12.2. This, compared to resource revenues which range from 45 percent to 55 percent, may indicate that the tax system is not integral to the maintenance of the regime and thus not as rigorously enforced. Enforcement of the tax regime is perhaps a more telling indicator of its significance. An effective and efficient tax system would surely indicate that such revenues are integral to the operation of the state. However, various studies have found that the tax system in Azerbaijan is "poorly enforced" (Economist Intelligence Unit 2008: 11), "flawed," "not implemented fully" and "hindered by inefficiency and corruption" (Business Monitor International 2010: 35).

If the tax system is inherently flawed and subservient to other processes, such as patronage and corruption for example, then this should go hand in hand with the dislocation of the government from the public. Again, this is immediately evident in Azerbaijan. Politics in Azerbaijan is dominated by a small group of elites that controls every arm of government and have shaped the political institutions to suit their own purposes. Auty points to the 1995 constitution that rendered Azerbaijan's three high courts (Constitutional, Supreme and Economic) subservient to the President (2004: 121-122). The means by which this was achieved is incredibly bold in its simplicity. The president is responsible for appointing all Judges to the Constitutional Court, with the approval of the Milli Majlis (Parliament). The Milli Majlis however is entirely subservient to the Executive, its "power to scrutinise the budget and impeach the president are nominal," which renders the whole illusion of accountability farcical (2004: 122). Parliamentary elections in 2010 for example resulted in the President's New Azerbaijan Party winning 72 of 125 seats, with the opposition Freedom Alliance coalition winning zero representation, down from seven seats in 2005 (BBC 2010). That this is an accurate reflection of the political will of Azerbaijanis seems doubtful. Election monitors noted numerous violations including ballot stuffing, tampering and wildly exaggerated turnout figures (Al Jazeera 2010, Foster 2000: 4) Again this demonstrates that the three key branches of government do not provide checks and balances, but are instead a chain of cronyism and patronage that facilitate corruption. Further illustrative of this is the transfer of power from Heydar Aliyev, to his son Ilham Aliyev in the 2003 election and then the abolition of the constitutionally set limit of two presidential terms, potentially enabling a lifelong presidency (Grono 2011: 84). Attempts to legitimise this dynasticism by the government are numerous. One key means is the domination of the media by the President's Party during elections. Election observers in 2000 reported how the government utilised its position of strength. The New Azerbaijan Party received:

...overwhelmingly positive coverage on national news and the official policy of giving equal free time to all parties was technically respected, but the time allotted to opposition parties was often between 12 a.m. and 4 a.m. (Foster 2011: 4).

This is one illustration of the way in which the regime seeks legitimacy. Even though there is mass election fraud also taking place, the regime still seeks to create a facade of accountability. However, the fact that this is a hereditary presidency unequivocally demonstrates that Azerbaijani politics is a closed system dominated by the Aliyev family.

A second means by which legitimacy was attempted was through escalating the dispute with Armenia to precarious levels. In the build-up to the 2003 Presidential election tensions between the two states were escalated, with soon to be President Ilham Aliyev widely claiming that the Nagorno-Karabakh issue would be resolved in the near future, implying that military force against Armenia could be imminent. Sources such as the UNHCR and Moscow based newspaper *Novye Izvestiya* portray the Azerbaijani government at this time as being concerned with exploiting the dispute to "solve the issue of power in the country" by "distracting the population from the anti-presidential actions" and allowing "Ilham Aliyev to build a reputation as a strong leader" (Torbakov 2003). The Azerbaijani regime has utilised the Nagorno-Karabakh dispute astutely. In the knowledge that it is unlikely to be capable of achieving a military victory over Armenia, the regime instead uses the issue as a national rallying cry, as a distraction which can be dragged to the forefront of the public mind at times of instability. This is similar to many Arab nationalist regimes, such as Nasser's Egypt and Hafez Al Assad's Syria, and post revolutionary Iran, which exploited the Arab-Israeli conflict for similar purposes. It is a perverse form of populism where instead of the situation being the "pure people" versus the "corrupt elite," the corrupt elite demonises the "foreign invader" that threatens the nation (Mudde 2004: 544). This is but one method by which the Azerbaijani regime seeks legitimacy. It is however a method common to many regimes and not associated solely with character of rentier states.

The Spending Effect

The spending effect is the second part of the rentier effect hypothesis and again, it is concerned with how governments of rentier states maintain power. It is the theory that rents enable the government to invest its in patronage to prevent demands for reform to develop (Ross 2001: 333). Applying this to Azerbaijan, Auty describes how; "In the absence of an impartial judiciary and civil service, ministries form lines of patronage whose ability to deliver rewards (such as tax relief, relaxed regulation and preferential contracts) depend upon proximity to the Aliyev family" (2004: 121-122). The power of patronage in preserving authoritarian regimes has been demonstrated throughout the ages. One example which Vandewalle (2012) cites is the case of Gaddafi's Libya. Vandewalle states that although such regimes often appear irrational, they partly sustain themselves through networks of patronage that render the continuation of the regime to be in the interests of groups outside of the

immediate ruling elite. One illustration of the power of patronage are the groups that fought for the Gaddafi regime even when its collapse appeared inevitable, Vandewalle asserts:

These people owed loyalty to Gaddafi...it may look very strange that you may pledge allegiance even now for a dictator who destroyed a lot of lives, but this patronage system has benefited some people (Vandewalle 2012).

This paradigm has emerged in Azerbaijan; patronage and corruption are core characteristics of the regime. It has permeated down from the Presidency to the lowest levels of the bureaucracy. At the presidential level, Auty cites numerous examples of corruption, including abuse of the Production Sharing Agreements and the siphoning away of state revenue, taking cuts on business deals and using these funds to enrich himself, his family and his associates (2004: 121).

Figure 4: Public Sector Employment in Armenia, Azerbaijan and Georgia (Guliyev 2012: 120-121)	
State (Year of Available Data)	Public sector as percentage of Working population
Armenia (2008)	6.5
Azerbaijan (2008)	18.4
Georgia (2006)	8.1

With regard to public sector spending, Guliyev (2012) uses two sets of data - the share of public sector employment in total employment and the public sector as percentage of the population - to attempt to “to estimate the scope of patronage possibilities,” (Guliyev 2012: 120-121) due to the inherent difficulties of measuring patronage directly. To contextualise these figures, Guliyev also includes the equivalent figures from neighbouring states Armenia and Georgia. Obviously, these two states are imperfect control samples, however, they do lack the key variable, resource rents. The data from Guliyev’s study is reproduced in figure 4.

From these figures, it is Guliyev’s conclusion that there is massive scope for patronage (2012: 121). Whilst Armenia and Georgia’s public sector has contracted more than 60 and 50 percent respectively, Azerbaijan’s has experienced a near 30 percent decrease. These three

states all share a common Soviet heritage and so the discrepancy between them cannot be attributed to this. Instead, it appears it is a deliberate policy of the Azerbaijani regime to maintain a large public sector "which they readily staff with their own people" (Guliyev 2012: 121). This is not indicative of a bureaucracy imbued with a professional ethos (World Bank 1994: 62). Instead, it recalls First's (1980) assumption that a bloated state leads to the crowding out of social capital. The level of rents flowing into Azerbaijan has undoubtedly enabled such a situation to develop. It has meant that the security of employment has been rewarded by Azerbaijani elites to those who present no opposition to the orthodoxy, thus entrenching the regime's security. What has been created is "a public sector that rests on vested interests, patronage-based incentive structures, and ingrained patterns of behaviour that include significant rent extraction, with minimal checks and balances from Parliament, the private sector, and civil society" (Desai et al 2011: ix). This is a perfect illustration of Ross' spending effect, investment into the public sector in order to facilitate networks of patronage, which in turn reward devotion to the status quo. It also demonstrates a clear link between the absence of good governance and influx of rents.

Figure 5: Percentage of public sector employment in total employment in Armenia, Azerbaijan and Georgia (Guliyev 2012: 120-121)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	49.8	38.9	37.1	30.3	27.4	26.5	24.8	25.8	23.3	21.1	19.8	19.6	19.3	18.8
Azerbaijan	56.1	51	46.5	46.2	36.2	33.6	33.4	32.0	31.5	31.7	31.9	32.0	36.3	36.4
Georgia	42.4	30.1	28.7	34.6	31.3	25.1	N/A	23.5	24	22.8	23	20.6	N/A	N/A

The Group Formation Effect

The third component of the rentier effect is the "group formation effect"(Ross 2001: 334). Taking the group formation effect and applying it to religion in Azerbaijan is a fruitful route to understanding the extent to which Rentierism is evident. To reiterate, the group formation effect assumes that rentier states prevent the emergence of independent social groups that may form the basis of opposition, though the means by which this occurs though is contentious. To contextualise, Azerbaijan is an Islamic country - the Pew Research Center lists Azerbaijan's population as 99.2 percent Muslim (2009: 39). On the surface it appears that there is a contradiction therefore between what appears to be a religious society and a

government that preaches staunch secularism. However, the convergence of state and religion in Azerbaijan exists in institutions such as the Spiritual Board of Muslims of the Caucasus, a body that has administered religious activities in Azerbaijan since the Soviet era (Cornell 2006: 62). Its endurance of the post-soviet era is perhaps indicative of the attitude of the Azerbaijani regime towards Islam. It suggests recognition of the Soviet means of coping with religion as a potential vehicle for opposition, that means being repression. Analysis of this particular institution reveals that it may be concurrent with Chaudhry's assertion that governments of rentier states deliberately seek to destroy independent civil institutions whilst sustaining bodies that facilitate regime interests (1994: 19). This is evidenced by the characterisation of Sheikh ul-Islam Haji Allahshukur Pashazade - the head of the Spiritual Board of Muslims of the Caucasus - as "a ruling regime loyalist since Communist times" (Cornell 2006: 63). Further characterisations include, the widely held understanding that Pashazade was a KGB agent during the Soviet period, that he is dogged by rumours of womanising and drinking, and that the institution he heads is filled by cronies from the Shi'a and predominantly Talysh South (Cornell 2006: 63). Only four percent of Azerbaijanis trust the Sheikh ul-Islam as a religious leader (Cornell 2006: 63-64). This suggests that the Azerbaijani state is keen to maintain a useful ally in a key position of power. Though Pashazade appears to be no paragon of religious piety and seems to have little legitimacy in the eyes of many Azerbaijanis, he obviously performs an effective service in maintaining state control over an area where opposition could emerge. Further state control is illustrated by the State Committee for Work with Religious Organisations, which was created by the Azerbaijani government in 2001 with the intention of providing more stringent oversight of religious activity. Accordingly, this body has "broad powers in the control of publication and distribution of religious literature, monitoring importation and dissemination of religious literature, and power to suspend the activities of religious groups violating the law" (Cornell 2006: 65). This is a regular theme emerging in this study of Azerbaijan, a poorly maintained facade of freedom attempting to conceal very obvious state control. In summary, the main points to draw from this are that, the state seemingly has mechanisms for direct control over the main religious authority in the country, that the authority is headed by a widely discredited figure, and that amongst wider Azerbaijani society this institution holds little legitimacy.

This paradigm - a secular, authoritarian, rentier government of a predominantly Muslim population - should correspond to Shambayati's assertion that:

In rentier states only moral and ideological commitment obliges the government to increase the national wealth, to provide services, and to consult the population. In other words, the relation between the ruled and the rulers is defined in moral and ideological terms. Consequently, organised challenges to the state are based on moral and cultural issues, where rentier states are most vulnerable (Shambayati 1994: 329).

As stated previously, in Iran this resulted in the emergence of revolutionary Islam as the most coherent and resilient opposition to the Shah's regime. In Azerbaijan then, at the minimum one would anticipate evidence of dissatisfaction with the state drawing on political Islam, and, recalling Furtig (2007), there should be a recognisable theme of justice amongst the reasons for its emergence. Unsurprisingly this is the case; though it is difficult to gauge precisely the extent to which political Islam is developing. Sources that detail the activities of Islamic political groups cite familiar reasons for their growth, including; "continued problems with corruption, mismanagement, limited avenues for political participation, political inequality and social injustice" (Cornell 2006: 55-69), "lack of democracy, frequent human rights violations, and the authorities' clumsy repression of less radical but unregistered religious communities" (Fuller 2005). These factors have contributed to an impression amongst many Azerbaijani's that political Islam is a genuine vehicle for opposition to the state. Of this upturn in support Altay Goyushov, a professor of Islamic history at Baku State University, stated that "The democratic opposition uses peaceful ways to demand change ...This does not bring any result and disappoints the public...here comes a new force, which refuses to [go along] peacefully with the authoritarian government. They offer radical ways to hold the government responsible" (Sultanova 2012). One event that demonstrates this alternative approach occurred on October 5 2012:

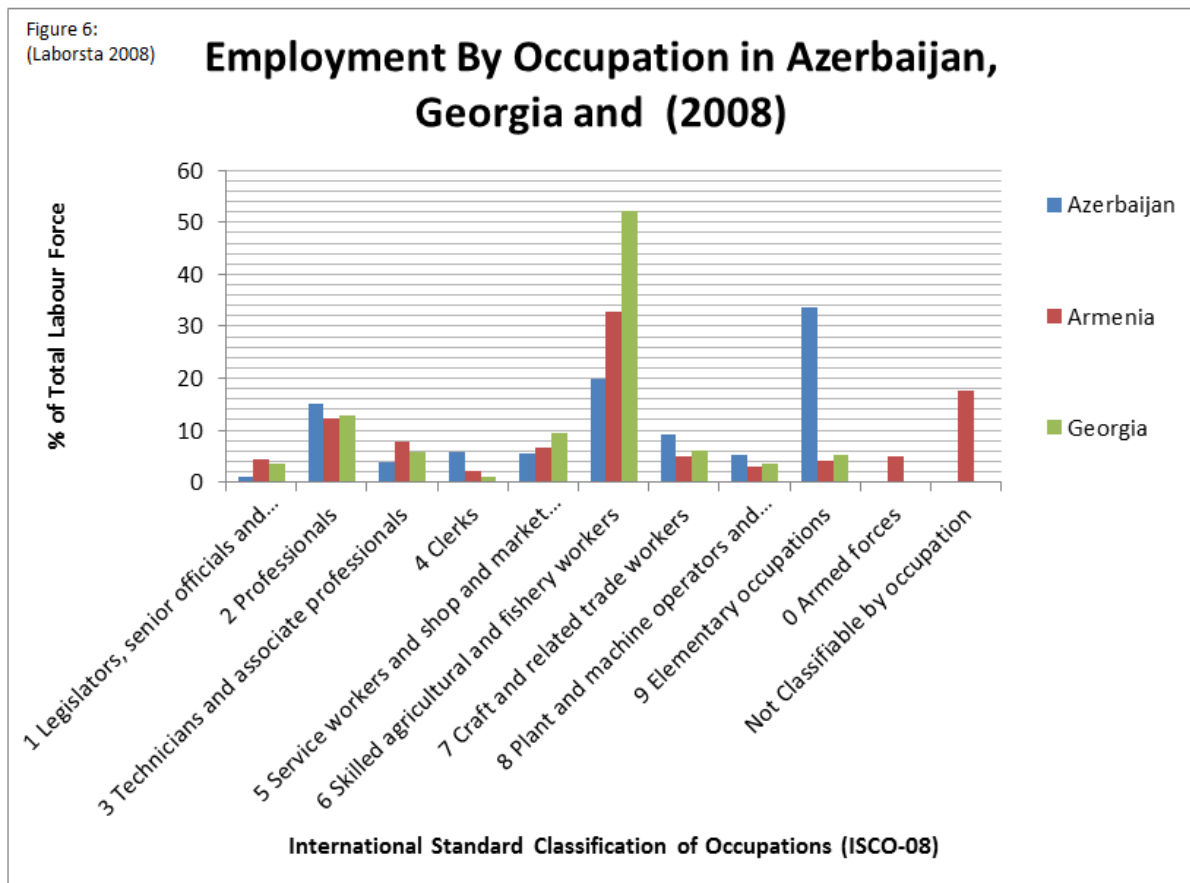
...more than 200 observant Muslim men gathered in front of the Ministry of Education in Baku, renewing efforts to end an informal ban on women wearing hijab, a Muslim head covering for women, in Azerbaijan's public schools and universities...police acted forcefully to put an end to the unsanctioned demonstration. But this time, demonstrators fought back, beating law-enforcement officers with wooden clubs (Sultanova 2012).

Though Shambayati's theory is not entirely demonstrated by the case of Azerbaijan - there is not a groundswell of support for revolutionary change drawing on political Islam - it can still

be inferred from the evidence that there appears to be an intrinsic link between the character of the Azerbaijani state and the appeal of political Islam. The apparent moral deficiencies that are a product of rentierism - corruption, authoritarianism, etc - have resulted in a growing challenge to the state drawing on a common moral foundation across the population, religion.

Religion is not the sole public sphere into which the Azerbaijani state extends its reach however. In the aftermath of the 2005 Parliamentary elections, brothers Rafik and Farhad Aliyev (no relation to President Ilham Aliyev) were arrested. Rafik Aliyev, owner of the country's largest private oil company, was arrested prior to the election and stripped of his assets on charges of participating in a coup attempt. Farhad Aliyev, a former minister of economic development, was arrested on the same charges and also stripped of his assets. This included a chain of luxury jewellery stores that was reportedly awarded to President Aliyev's personal chief of security. A number of other prominent Azerbaijani business leaders were also arrested in the same period, including many owners of large industrial companies. The Jamestown Foundation unambiguously characterises these arrests as politically motivated (Ismailzade 2006). This charge is made on the basis that all of the arrested had links to the Entrepreneurs Council, a business group that was challenging the chair of the State Customs Committee over corruption and import-export monopolies. This can be linked to back to theories previously outlined in section two regarding the group formation effect, specifically, the work of Barrington Moore. Moore's (1966) theory, "no bourgeoisie, no democracy," put forth the case that a strong bourgeoisie encourages a transition towards democracy, as it gradually supplants the role of entrenched aristocracy. Whereas when the bourgeoisie is weak, Moore argues, it is forced into cooperation with either the masses or the elites, leading to communism or fascism. Though this simple three pronged explanation cannot do justice to the entirety of Moore's work, it offers a useful approach to understanding the motivations behind the arrests. One conclusion that could be drawn, is that the group were arrested because, as the Jamestown Foundation asserts, they were a threat to an established network of corruption that was operating out of the State Customs Committee and that their "...fall is due to Heydarov's (chair of the State Customs Committee) lobbying of President Aliyev" (Ismailzade 2006). A complimentary theory is that Azerbaijani government elites recognised the potential formation of an alternative power base centred around this emerging bourgeoisie. This is certainly supported by the fact that many of those who were arrested were not given due process and were very quickly stripped of all financial assets, possibly in order to "limit [the opportunity] to bankroll - or lead - a new political opposition after

release"(Ismailzade 2006). Comparisons could be drawn with the way in which Russian businessman Mikhail Khordokovsky was arrested, stripped of his wealth and imprisoned, as he increasingly began to attract a rival power base to the existing government elites in Russia. This short case study lends some credence to a very basic understanding of Moore's ideas regarding the role of the bourgeoisie in the transition towards democracy. It certainly indicates that the Azerbaijani regime has some recognition of the potential danger that such a group could pose to an authoritarian regime.



3.3 The Repression Effect

Ross' repression effect entails that "resource wealth retards democratization by enabling governments to boost their funding for security" (Ross 2001: 328). To begin, some key figures. Firstly, data from the World Bank (2012) shows that Azerbaijan spent 4.9 percent of its GDP on its military. This is the fifth highest in the world for states with available data, behind Saudi Arabia, Israel, Oman and Iraq. Though it is important to note that this particular dataset is not entirely complete, the most notable states for which such data is unavailable are Syria, Libya, the United Arab Emirates and the Democratic People's Republic of Korea.

Although this gap in data is unfortunate, it is the company that Azerbaijan keeps in this list, rather than an arbitrary ranking, from which inferences can be drawn, therefore the strength of the assessment is not reduced. Azerbaijan nevertheless commits a comparatively vast amount of its GDP to military expenditure. This expenditure is facilitated by rents derived from natural resources. The fact that its expenditure as a percentage of GDP is behind only five states that are either the ultimate demonstration of the rentierism - Saudi Arabia - or in some of the most precarious security situations in the world - Israel, Oman and Iraq - is telling. With this headline data recognized, it must now be contextualised within Ross' framework. Again however, this label - "the repression effect" - is simply a categorisation for various different effects, in this instance, those stemming from the relationship between resource wealth and security related expenditure. Ross cites three distinct examples to illustrate this effect. Firstly, military spending in Iran during the reign of the Shah, creating what Skocpol labels "a rentier absolutist state" (1982: 268), secondly, the creation of a presidential guard in the Republic of Congo during the 1990s oil boom (Clark 1997), and lastly, the prevalence of powerful Mukhabarat in many Middle Eastern states (Gause 1995) (Ross 2001: 335-336).

For effects such as these, Ross reasons, there are two possible explanations. Firstly, they emerge from self-interest, based on preserving the stability and integrity of the government, or secondly, from the need to protect vulnerable minerals and related infrastructure that may be located in unstable regions, possibly inhabited by discontented minorities (Ross 2001: 335-336). In order to establish whether either of these causalities can be extrapolated to Azerbaijan, what now follows is a step by step application of these effects as templates. This will aid in determining whether the repression effect is identifiable in Azerbaijan and subsequently establish the reasons behind its possible emergence.

First is Skocpol's characterisation of Iran, in which the pre-1979 state is characterised as a "rentier absolutist state" (1982: 268). Skocpol outlines how the Shah held power even beyond the absolute monarchs of old. The reasons for this being Iran's thoroughly modernised army and its brutally effective secret police force, SAVAK, both of which were firmly under the Shah's immediate control. This description however cannot be effectively extrapolated to Azerbaijan. To begin with the headline statistics again, between 1973 and 1978, military expenditure in Iran equated to 9 percent of GDP (Looney 1988: 54), whilst with regard to Azerbaijan the percentage is 4.9 (World Bank 2012). This may be, as previously detailed, a very large allocation of resources, yet it is comparably humble to the Shah's Iran.

On the domestic front, there are countless accusations of torture made against the Azerbaijani police service (Zeynalov 2000, Amnesty International 2012). The actions of Azerbaijani security forces are vastly different compared to the Shah's Iran however. Human Rights Watch's (2011) claim that torture and ill treatment of prisoners occurs with impunity in Azerbaijan, and that two prisoners died in police custody in 2011. This is a general reflection of the nature of police abuse in Azerbaijan. It is characterised by arbitrary violence against those detained, forced confessions and harassment. These practises are not solely confined to political targets however, they are imposed on targets ranging from petty thieves to political dissidents (Human Rights Watch 1999). This suggests that violent methods are inherent in the Azerbaijani security forces. Instances of death or "disappearance" as a consequence of police action appear to be rare though. However, the murder of journalist and regime critic Elmar Huseynov remains unexplained. Huseynov, author of the critical 'Monitor' magazine, was shot seven times outside his home in Baku after a sustained period of harassment by state authorities (BBC News 2005). His murder remains unsolved. The attempted blackmail of investigative journalist Khadija Ismayilova is a more typical representation of state harassment in Azerbaijan though. Ismayilova's home was secretly installed with concealed cameras, which recorded footage that was then used in an failed attempt to suppress the journalists writing (RFE/RL 2013). Though there are undoubtedly appalling human rights abuses being carried out by the Azerbaijani state, they are far less comprehensive and brutal than many other regimes. This is certainly evident in comparison to the reign of terror imposed by SAVAK, which was considerably more brutal. Illustrating this are SAVAK's operations in 1978. As opposition to the Shah's regime became more open in this period, it is estimated that SAVAK killed approximately twelve to fifteen thousand people and seriously injured approximately fifty thousand more (Global Security 2013). To reiterate, Human Rights Watch (2011) claimed that *two* detainees died in police custody in Azerbaijan in 2011. This comparison demonstrates that although the Azerbaijani regime may be brutal in its desire for self-preservation, it is not as comprehensive in its destruction of domestic opposition. Various reasons account for this differential in brutality and scope. These include the comparative rootedness of the state in the respective societies of Iran and Azerbaijan, relevant social structures in Azerbaijan and the exploration of Azerbaijan as a sultanistic semi-authoritarian state. These approaches however draw heavily on democratisation theory and for the purposes of clarity are analysed further in section 4.

Internal security organisations are active in Azerbaijan, including the Azerbaijani National Guard, the Special State Protection Service and the Internal Troops of Azerbaijan. The roles of these bodies includes protecting members of government, responding to natural disasters and ensuring the safety of vital infrastructure such as the Baku-Tbilisi-Ceyhan (BTC) Pipeline. These are menial tasks in comparison to the brutal reign of terror imposed by SAVAK. However, the last of the aforementioned roles immediately links to the second of Ross' explanations for the repression effect, namely the protection of infrastructure vital to the accumulation of rents in potentially unstable regions inhabited by discontented minorities. Thus, the proximity of the BTC pipeline to Nagorno-Karabakh - as close as 15 kilometers from areas of the disputed territory (PBS 2004) - is significant, as according to Grono, "war rhetoric has dominated the official discourse on the Nagorno-Karabakh conflict" (2011: 84) and so instability remains on this front as a resolution does not appear to be forthcoming. In this instance then, Ross' reasoning for the repression effect is demonstrated. Military spending is linked to the wider security complex that. Beyond the example of the Nagorno-Karabakh conflict, there is also Azerbaijan's grave concern about being compressed between Iran to south and Russia to the north. That the Caspian Sea, the primary source of oil and gas, is divided amongst these regional powers, as well as Kazakhstan and Turkmenistan additionally, seems to motivate the vast military output. Demonstrating this is the conflict between Iran and Azerbaijan in 2013 over the Sardar Jangal oil field (Kucera 2013), as well as the revelation that there have been serious tensions between the two Shia dominated states over exploration rights in the Caspian Sea for a long time. Azerbaijan fears that even the smallest conflict between the two states would threaten infrastructure, bring a halt to all production and seriously threaten the interests of the comparably small state (Kucera 2011). To reiterate, it has therefore been established that Azerbaijan's military spending follows the pattern established by Ross' repression effect, namely, that it is the product of a desire to protect infrastructure related to rent producing industries that are subject to security threats related to Nagorno-Karabakh and the highly charged borders in the Caspian Sea.

3.4 The Modernisation Effect

The last of the three effects that Ross credits Rentierism with is the "modernisation effect" (2001: 332). As previously outlined, the modernisation effect is concerned with socio-economic processes that may have some causal relationship with the emergence of

democracy. Ronald Inglehart was particularly focussed on the way in which improving standards of education and occupational specialisation encourage a more politically engaged society with more power to shift political culture in the direction of democracy (1997: 163). In testing Inglehart's assertions, Ross (2001) arrived at two possible conclusions. Either, the modernisation effect is genuine but its only real causal mechanism is occupational specialisation, this being the only factor that significantly correlated with democracy in his study; or, the spending effect and the modernisation effect occur concurrently, meaning that few people are drawn into manufacturing or services due to the government being able to operate in lieu of these sectors being highly productive.

In order to gauge the extent of occupational specialisation, Ross analysed "the number of men and women in the economy's secondary (industrial) and tertiary (services) sectors as a fraction of the men and women in the economically active population" (2001: 352). Therefore, for the purposes of performing analysis on Azerbaijan, figure 6 displays employment by occupation in Azerbaijan, Georgia and Armenia. This data is categorised according to the International Standard Classification of Occupations (ISCO-08), as used by the International Labour Organisation (ILO). Across the three states, the chart illustrates that the breakdown of employment by occupation is quite similar, but there is one key point of interest: the variation between the percentage employed in elementary occupations. The ILO (2004) defines elementary occupations as consisting of "simple and routine tasks which require the use of hand-held tools and often some physical effort," that may include "selling goods in streets, or from door to door; various street services; cleaning, washing, pressing; collecting garbage; sweeping streets; simple hand-assembling of components; packing by hand; freight handling." In Azerbaijan, these account for around thirty 33 percent of total employment, whilst in Armenia and Georgia it is circa four and five percent respectively. This category is not one that produces occupational specialisation. This is informative to the extent that it shows that a third of Azerbaijani labour is occupied with simple and routine tasks, rather than in roles that require significant levels of education. This is significant because of Inglehart's supposition that with occupational specialisation comes autonomy, an inclination towards independent thought and the increased bargaining power that emerges from having specialised skills (1997:163). Where this is absent, Inglehart theorises a robust democratic urge will also be.

To reiterate, the data presented could be indicative of Inglehart's (1997) theory regarding modernisation and the conclusions that Ross (2001) reaches having extrapolated the theory

to rentierism. The data shows that Azerbaijan has a much greater percentage of its labour force employed in elementary occupations than its previously mentioned neighbours, suggesting a lack of occupational specialisation, but this link between theory and data is tentative. However, the extent of the difference across the sample analysed suggests that there is a process taking place, or a variable present, in Azerbaijan that is not in Armenia or Georgia. That the process is some manifestation of rentierism, or the variable resource rents, is what could be drawn when applying Ross's conclusions.

4. Accounting for Rentier State Theory's Limitations

4.1 Democratisation

In the interests of performing as rigorous an assessment of Azerbaijan's political organisation as possible, it may be valuable to analyse from an alternative angle and consider approaches that do not consider natural resources a key variable. One such approach can be found in theories of democratisation. Guliyev (2005) takes just such an approach. In working to apply standard theories of democratisation to Azerbaijan, Guliyev found that many states characterised by ambiguous political systems fell into a grey zone between democracy and authoritarianism that is ill defined. Carothers (2002) points out that many regimes do not necessarily follow anticipated routes towards democracy and may instead simply consolidate their position in the grey zone. This is something that Marina Ottaway expands upon. Ottaway (2003) chooses to use the phrase "semi-authoritarianism" to fill this chasm of ambiguity between democracy and authoritarianism, applying it to states such as Egypt, Venezuela and Azerbaijan. This typology is characterised by little real competition for power and minimal accountability, whilst allowing enough space for political parties and civil society to emerge, as well as a partly free press and some political debate. All of which exist to the point that they pose no threat to maintenance of the regime (Ottaway 2003: 3). As Guliyev asserts, the value in these approaches is their re-orientation of "transitology's conventional framework, with its loose focus on transition to democracy" (2005: 395). After all, Azerbaijan has experienced a reversed trajectory of transition, from a democracy-oriented rule from 1992 to 1993, to semi authoritarianism with the arrival of Heydar Aliev as President immediately following this (Guliyev 2005: 395). Therefore, it is what Ottaway describes as a "semi-authoritarianism of decay" (2003: 51). The fact is that Azerbaijan does not appear to be on any identifiable course towards consolidated democracy and it is certainly

not approaching anything resembling good governance. The vast majority of its institutions are corrupt, bureaucratic husks, seemingly in existence for the purposes of dispensing patronage. The reasons for this, suggests Ottaway, is that these political systems are carefully constructed and maintained systems, rather than failed democracies or democracies in transition (2003: 7). These systems are at best standing still and at worst facing the decay of lingering avenues towards reform.

4.2 Cultural Factors

If any semblance of process of reform or movement towards good governance is absent then naturally the question begs as to why. Oleksandr Fisun provides a potentially explanatory analogy:

...understanding post-Soviet democracy may be compared with the study of an iceberg, which has two parts - above-water, which consists of modern political institutions with elections, political competition, constitutional rules and norms etc, and underwater, which is significantly bigger and more important than the visible half. (Fisun 2003: 2)

Fisun is referencing the complex web of informal social structures that exist within many post-soviet states. In many of the states of the post-soviet south the prevalent social structures are clans. These clans, assumed by many to have been eroded under the weight of Soviet occupation, are an integral part of society in many of these states (Shkolnikov 2002: 2). They have also come to hold political significance in some. Collins (2002), in the article "Clans, Pacts, and Politics in Central Asia," offers a whole of array characteristics that identify clans. Clans are defined firstly as "informal social institutions in which actual or notional kinship based on blood or marriage forms the central bond among members" (2002: 142). These informal social institutions consist of an "extensive web of horizontal and vertical kin-based relations," rooted in, "norms and trust that makes rational sense, particularly amid the semi-modern economies of Central Asia" (2002: 142). Such social organisations thrive in Azerbaijan because they function parallel to broken bureaucracies and offer a space within which transactions can be carried out according to established norms (Collins 2002: 142).

This cultural approach therefore offers a new lens through which to view the political makeup of Azerbaijan. Combining the semi-authoritarian approach chosen by Collins (2002), with the

understanding of the prominent role of the informal social institutions known as clans, is what leads Guliyev (2005) to suggest sultanism as a potential means for analysing the Azerbaijani regime. Guliyev uses the definition of sultanism provided by Chehabi and Linz, which for the purposes of clarity is reproduced below:

...contemporary sultanistic regime...is based on personal rulership, but loyalty to the ruler is motivated not by his embodying or articulating an ideology, nor by a unique personal mission, nor by any charismatic qualities, but by a mixture of fear and rewards to his collaborators. The ruler exercises his power without restraint, at his own discretion and above all unencumbered by rules or by any commitment to an ideology or value system. The binding norms and relations of bureaucratic administration are constantly subverted by arbitrary personal decisions of the ruler. As a result, corruption reigns supreme at all levels of society. The staff of such a ruler is constituted not by an establishment with distinctive career lines . . . but largely by people chosen directly by the ruler. Among them we very often find members of his family, friends, business associates, or individuals directly involved in using violence to sustain the regime. (Chehabi and Linz 1998: 7–8)

Numerous examples of the core characteristics of sultanism, as described above have already been documented in this study. For loyalty motivated on the basis of fear and rewards refer to the business group arrested and stripped of their assets in section 2.2, or Auty's description of patronage "depending upon proximity to the Aliev family and their cronies" (2004: 121-122). For exercise of arbitrary personal power see Heydar Aliev abruptly closing every casino in Azerbaijan following reports that his son and future President Ilham Aliyev was in debt to a Turkish crime syndicate (Mulvey 2003). Finally, for autocratic control of regime personnel see President Ilham Aliyev's wife, Mehriban Aliyev, being elected to Parliament with 94.49 percent of the vote, the highest of any candidate in the election (Ismayilova 2010). These are but a few illustrations of what may be called sultanistic tendencies in Azerbaijan. Ultimately, Guliyev (2005) acknowledges Chehabi and Linz's assertion regarding sultanism that "no regime type fits this ideal type perfectly" (1998: 7–8). Instead, what is proposed is that Azerbaijan is a semi-authoritarian state characterised by dynasticism and the dominance of informal politics, thereby rendering a hybrid understanding of the state as sultanistic semi-authoritarianism most accurate (2005: 423-424).

Though Guliyev's synthesis of two distinct approaches is a valuable means by which to understand Azerbaijani politics, it fails to account for any role that resource rents may play. Guliyev simply does not acknowledge the elephant in the room, the rents. In order to understand how Azerbaijan developed as a sultanistic semi-authoritarian state, the role of natural resources must be accounted for. Their significance to the development of independent Azerbaijan is too large to ignore. One possible approach that incorporates the significance of resource rents in Azerbaijan, is to consider that within this sultanistic semi-authoritarian state, resource rents are a binding force that allows those at the top of clan structures to more effectively carry out programs of patronage. In this context, resource rents can be considered a "steroid", an enhancement of pre-existing social structures. Evidence of this can be drawn through a comparison of fellow central Asian states that do not have similar access to rents but do have macro social structures. The first example would be Tajikistan. As figure 7 demonstrates, for Tajikistan neither oil or gas rents constitute a significant percentage of GDP, instead its economy is dependent on remittances and commodities such as unwrought aluminium, dried apricots and cotton (US Department of State 2012). Its post-soviet history is marked by a near decade long civil war that was brought to a conclusion by the new millennium, with Emomalii Rahmon, President since 1994, establishing a one party state where his party occupy nearly every seat in Parliament and regularly receive more than ninety percent of the vote in uncontested elections (BBC News 2010). It is a deeply authoritarian state.

Compare this to sultanistic semi-authoritarian Azerbaijan, which unlike Tajikistan allows some degree of government opposition in the form of media outlets and government sanctioned opposition rallies. It may be the case that Azerbaijan can tolerate some degree of political dissent because it has the wealth to effectively utilise clan networks and thus ensure that elites within these informal social institutions have a stake in the maintenance of the status quo. A state such as Tajikistan however simply does not have the wealth to effectively exploit informal social institutions to the same extent. Instead, the regime must maintain its power via far more extreme, even totalitarian means, such as denying access to international websites (Karimov 2010). This is just a single example. Fellow resource poor central Asian state Kyrgyzstan exists on the opposite side of the stability spectrum. After the collapse of a similarly authoritarian regime in 2005, Kyrgyzstan has threatened to erupt into civil war. Whilst Kyrgyzstan and Tajikistan have experienced either five or six Presidents respectively, the four resource rich states have had either one or two post-independence.

Figure 7 (World Bank 2011, Economist Intelligence Unit 2007)

Country	Oil rents (% of GDP) (2008)	Natural gas rents (% of GDP) (2008)	Armed Conflicts and Revolutions post-Independence	Leadership post Independence	Political Instability Index (2007) (0-10: Low Risk - Very High Risk)
<i>Resource Rich</i>					
Azerbaijan	53.1	10.5	Nagorno-Karabakh Conflict (1988-1994)	Heydar Aliyev (1993-2003), Ilham Aliyev (2003-present).	5.2
Kazakhstan	28.1	6.3	Non	Nursultan Nazarbayev (1990-present)	4.8
Uzbekistan	6.8	73.6	Non	Islam Karimov (1989-present). Saparmurat Niyazov (1991-2006), Gurbanguly Berdimuhamedow (2006-present).	6.3
Turkmenistan	32.5	111.4	Non		6.2
<i>Resource Poor</i>					
Kyrgyzstan	0.8	0.1	Tulip Revolution 2005, Second Kyrgyz Revolution 2010	Askar Akayev (1990-2005), Ishenbai Kadyrbekov (2005), Kurmanbek Bakiyev (2005-2010), Roza Otunbayeva (2010-2011), Almazbek Atambayev (2011-present)	7.1
Tajikistan	0.2	0.2	Civil War 1992-1997	Qahhor Mahkamov (1990-1991), Qadriiddin Aslonov (1991), Rahmon Nabiyev (1991), Akbarsho Iskandrov (1991), Rahmon Nabiyev (1991-1992), Emomali Rahmon (1999-present)	7.1

This is with Azerbaijan's second Presidency passing along hereditary lines and Turkmenistan's remaining within the elite of the ruling party and both only occurring due to the death of previous incumbents whilst in office. Therefore, in Central Asia what seems in evidence is an inverse relationship between resource rents and instability. This is shown in figure 7 with the political instability index, where the resource rich states of Central Asia are considered enjoy more stability than their resource poor neighbours. This is of course contrary to many established theories (Collier 2004, 2010). To clarify, this is not a judgement of political freedom or good governance, simply stability, defined as concerning economic distress and underlying vulnerability to social unrest (Economist Intelligence Unit 2007). The facts are that in Post Soviet Central Asia there appears to be a correlative relationship

between rents and stability. This can be linked to the previous assertion of this paper that stability has been achieved as a consequence of informal social institutions being exploited by regime elites using the power of rents.

Conclusion

In studying rentier state theory, this study has had three aims. Firstly, to provide an adequate framework for applying rentierism to subjects beyond the traditional geographic scope of the theory. Secondly, to test this framework against the experience of Azerbaijan. Thirdly, to account for any limitations of rentier state theory and utilise additional approaches to build an accurate characterisation of Azerbaijan. This has been achieved.

First of all, it has been demonstrated that the analytical framework provided by Ross is valid. In using Ross' three-fold 'effects' approach, it has been illustrated that categorising manifestations of the rentierism is achievable.

Secondly, the study has demonstrated that this categorisation has utility in application to Azerbaijan. This is significant because Azerbaijan is a state outside of the traditional scope of rentier state theory in the Middle East and Africa. Demonstrating that it has explanatory value in a post-soviet, central Asian state is a testament to the strength of the work done by Ross (2001). Furthermore, this study has detailed many precise links between Ross' theory and the reality in Azerbaijan. With regard to the rentier effect in section 3, it has been demonstrated that the Azerbaijani state has little reliance on taxation as a source of revenue. Additionally, it has been detailed how the tax system is inefficient and poorly enforced, therefore bearing out Ross' assumption that rentier states have little reliance on taxing their population. In examining public sector employment, it has been illustrated that resource rich Azerbaijan has far more scope for patronage than resource poor neighbours Armenia and Georgia. Through examining state institutions such as the State Committee for Work with Religious Organizations and the Spiritual Board of Muslims of the Caucasus, it has been shown that the state intervenes blatantly to control areas such as religion in order to subvert possible vehicles for dissent. In addition, the case of the prominent business owners arrested and stripped of their assets is further illustrative of the reach of the Azerbaijani state into the public sphere when concerned about bases of opposition power.

In applying the second part of Ross' categorisation, the repression effect, it has been detailed how Azerbaijan is one of the largest military investors in the world relative to its GDP. Furthermore, it has been documented how the state invests at such levels in order to protect its rent producing industries in perilous regions of the country. This also ran parallel to Ross' supposition that military spending in rentier states is very often concerned with protecting vulnerable infrastructure involved in the production of rents. The third component of Ross' categorisation, the modernisation effect, also demonstrated some utility. Although it was difficult to draw definite conclusions, the finding that Azerbaijan lacked indicators of occupational specialisation again appeared to be suggestive of Ross' accuracy in his 2001 study.

Finally, it has also been detailed how a differential exists between Azerbaijan and rentier states such as pre-revolutionary Iran when it comes to the level of violence employed by the state. This was raised in section 3 and resolved in section 4 when addressing the how clan structures negate the need for large scale brutality. The power of social structures, under applied in the study of specific rentier states, is given prominence in this paper. Clan structures are an integral part of Azerbaijan and so to overlooking them would be less than thorough. In the penultimate section of this paper, a new approach to understanding Azerbaijan is proposed that provides a more specific account of the states character than rentierism can alone. Azerbaijan is indeed a rentier state, this alone however is an insufficient portrayal. It serves only inform that Azerbaijan has experienced a number of "symptoms" that have befallen states with similar resources. It does not indicate why Azerbaijan is less authoritarian than the Shah's Iran for example, or Saudi Arabia. The conclusion reached with section 4 however provides some explanation for this differential. The Azerbaijani state is a carefully constructed semi-authoritarian state Ottaway (2003), built to serve the interests of those who dominate powerful clans. These clans are complex social structures which run parallel to formal institutions, which are invariably corrupt, and provide a forum within which patronage can safely take place. These clans however are insufficient to maintain power on their own. This is demonstrated in section 4 through a comparison of central Asian states and their stability and resource wealth. That the resource rich states of central Asia have successfully maintained stability whilst their resource poor neighbours experience revolutions and civil wars indicates that resource wealth is the key to stability. Thus, it is a conclusion of this paper that it is the combination of clan structures and resource wealth that creates the political conditions seen in Azerbaijan. This is why a totalitarian state is not in

evidence, or anything approaching the brutality of the Shah's Iran, it is because it would be unnecessary. The Azerbaijani regime effectively maintains power through trickle down investment in clans and dispensing patronage to prominent clans, thus guaranteeing their loyalty to the status quo, all facilitated by the abundance of rents.

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