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Kazakhstan and Azerbaijan as Post-Soviet Rentier States: Resource Incomes and Autocracy as a Double 'Curse' in Post-Soviet Regimes

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Notes

Our research is based on the project 'Political and Economic Challenges of Resource-Based Development in Kazakhstan and Azerbaijan', funded by VW-Foundation. This project is based at the University of Kiel. For further information visit <http://www.razkaz.uni-kiel.de>.

See, for example, 'Azerbaijani language policy or the further attempt of establishing new national symbols by Nazarbayev' in February 2007, president's speech 'Kazakhstan 2030—Prosperity, Security and Ever Growing Welfare of All the Kazakhstanis. Message of the President of the Country to the People of Kazakhstan', available at: http://www.akorda.kz/www/www_akorda_kz.nsf/sections?OpenForm&id_doc=DD8E076B91B9CB66462572340019E60B&lang=en&L1=L1&L2=L1-10, accessed 16 July 2008.

Also, for Russia see Ellman (2006), Kim (2003), Höhmann (2005), Bayulgen (2003) and Stykow (2003, 2006); for further research on Turkmenistan see Kuru (2002). Relevant research in this area is, however, dominated by examples from the Middle East (Anderson 1987; Beck 2007; Beblawi & Luciani 1987; Schlumberger 2006), Latin America and Africa (Smith 2005; Basedau & Lay 2005; Reno 1998; Bratton & van de Walle 1998).

For further information see [http://www.razkaz.uni-kiel.de](#) (2006) and
Munck and

This approach is based on the research of [http://www.razkaz.uni-kiel.de](#) (2006) and
research of [http://www.razkaz.uni-kiel.de](#) (2006) and
Moore (2006).

According to the term in
office of the President of the Republic of Kazakhstan, while
his successor, Nursultan Nazarbayev, was elected as President, 21
May 2000, the President of the Republic of Kazakhstan, Nursultan Nazarbayev,
available at: [http://www.razkaz.uni-kiel.de](#) (2006).

Eurasia (2006).
Authors' note: The data were collected in November
2005.



See OSCE press releases on Kazakh elections, available at: <http://www.osce.org/odihr-elections/14471.html>, accessed 8 June 2008.

Authors' interviews with Nurbulat Masanov, November 2005 and with Sergej Duvanov, March 2007, Almaty.

Authors' interviews with Dossyp Satpayev, November 2005 and March 2007, Almaty.

Examples of such parties include OTAN or Party of Citizens (Zhas Otan), founded by Aleksandr Maskevich, one of the key oligarchic leaders. Examples of oligarchic groups include the Bulat Utemuratov group; the Rahat Aliyev group, which is led by Nazarbayev's former son-in-law; the Timur Kulibayev group, which is led by another of Nazarbayev's son-in-laws; the Nurtai Abykayev group; the 'Eurasian' group, whose leading figures are not ethnic Kazakhs; and the Marat Tazhin group.

Authors' interview with Sergej Duvanov, November 2005, Almaty.

This situation, of the younger Zhus demanding greater political clout, is, in fact, unusual in the Kazakh tradition. Many would subscribe to the old saying, '[T]he younger brother ... has no right to demand power' (Masanov [2002](#), p. 16).

For example, the Revenue Watch programme of the Soros Foundation (established in Azerbaijan, as well as in Kazakhstan) includes regular roundtable meetings between

local NGOs and the state. The programme also includes training of local budgets and the state. The programme was established in 2005,

Almaty,

<http://www.az.org/ci>

A power ... generalisation is the S ... in countries see L ... 'bringing

together ... ion technolo ... public affairs':

Soros Fo ... in this

context, ... orye

khotyat' zhelayushchikh aktivno uchastvovat' v byudzhetnom protsesse respubliki Kazakhstan',

These codes (for example, the falsification of authority)



The establishment of the State Oil Fund of Azerbaijan (SOFAZ, Azərbaycan Respublikası Dövlət Neft Fondunun, ARDNF) can be seen as a positive exception however, as the fund pursues a relatively transparent policy, based on recommendations by the Extractive Industries Transparency Initiative (EITI) and the Memorandum of Understanding (MOU) between the government, the oil companies and some NGOs (Akhmedov [2006](#); Kalyzhnova [2006](#); Bagirov [2006](#)). In an ideal case, the effects of EITI should lead to benefits for governments and for the citizens of resource-rich countries. The objective of EITI is to show transparently what governments receive and what companies pay, demonstrated by, for example, the 'Publish What You Pay' programme run by the Open Society Institute in both countries. This is a first step toward holding decision makers accountable for the use of these revenues. Civil society should benefit from an increased amount of information in the public domain about the revenues that governments manage on their behalf, thereby increasing accountability and improving transparency. In short, implementing EITI as part of a programme of improved governance will help to ensure that oil and gas revenues contribute to sustainable development and poverty reduction, and will make the allocation of resource rents a more transparent process (Fasano [2005](#); Makhmutova [2005](#)). For more information on EITI see <http://www.eitransparency.org>, accessed 17 July 2008, also the new Transparency International Report on Revenue Transparency of Oil and Gas Companies, 2008, available at:

<http://www.eitransparency.org>, accessed 17 July 2008, also the new Transparency International Report on Revenue Transparency of Oil and Gas Companies, 2008, available at:

See Economists' Views on the SOFAZ, [2005](#).

Transparency International, <http://www.transparency.org/pubs/eitir/eitir2008.pdf>, accessed 17 July 2008.

See [transformation](#)

Authors'

RFE/RL,

Eurasia

The New York Times, 6 November 2006; Neweurasia Kazakhstan, 5 February 2007.

Apart from Giffen, a further example is the Baker Hughes case. For more information on this see the Litigation Release of the US Security and Exchange Commission, available at: <http://sec.gov/litigation/litreleases/2007/lr20094.htm>, accessed 8 June 2008; furthermore, for information on Kazakh reactions to this case see the press release of Transparency International, available at: <http://www.transparencykazakhstan.org/eng/content/124.html>, accessed 8 June 2008.

‘V Baku provodyatsya sel'skokhozyaistvennyye yarmarki’, Day.Az., 22 July 2006, available at: <http://www.day.az/print/news/economy/54644.html>, accessed 14 October 2006.

‘Minzdrav Azerbaidzhana planiruet perevesti na besplatnoe meditsinskoe obsluzhivanie vsled za bakinskimi i polikliniki v regionakh strany’, Media Press, 12 January 2004, available at: <http://mediapress.media-az.com/2004/january/mp120104.html>, accessed 13 October 2006.

Press release of Social Ministry, 1 January 2007, available at: www.enbek.kz, accessed 17 July 2008 (see interview with Satpayev, Almaty, March 2007).

‘Zarplata rabotnikov organov vnutrennikh del Azerbaidzhana povyshena’, Day.Az., 1 July 2004, available at: <http://www.day.az/print/news/society/9626.html>, accessed 12 October 2006.

Available at: www.enbek.kz, all sites accessed 17 July 2008.

Authors' note

See ‘Bosnia and Herzegovina: Combating Inflation’, <http://www.economy.gov.ba/story.cfm?story=1>

More details

Population of Azerbaijan from 1989 to 2006, UNDP country profile, accessed 8 June 2008.

Decree of the President of the Republic of Azerbaijan on the Long-Term Strategy on the Management of Oil and Gas Revenues, no. 126, 27 September 2004,



available at: <http://www.oilfund.az/index.php?n=162>, accessed 18 August 2007.

Bfai (Bundesagentur für Außenwirtschaft, German Office for Foreign Trade) economy data for every country: available at: <https://www.bfai.de/DE/Navigation/Datenbank-Recherche/datenbank-recherche-node.html>, accessed 17 July 2008.

See World Bank database, available at:

<http://extsearch.worldbank.org/servlet/SiteSearchServlet?qUrl=&qSubc=wb&ed=&txtnullalert=You+must+enter+something+to+search+for%21&q=%27white+elephants%27&submit.x=0&submit.y=0&submit=Go>, accessed 17 July 2008.

Statement of State Budget Execution as of 1 August 2007, Ministry of Finance, available at: <http://www.minfin.kz>, accessed 17 July 2008.

In relation to this omission, the international transparency initiative, 'Extractive Industries Transparency Initiative' (EITI), which has existed since 2003 and aims at preventing uncontrolled use of rents, particularly in resource rich countries, offers a possible solution. Azerbaijan and Kazakhstan have both indicated a willingness to participate in the initiative, with Azerbaijan ready to play a leading role. Strategies and general conditions, in order to ensure greater transparency in the domains of governmental budget policy and the distribution of oil revenues, have been made into a

Memorandum of Understanding between the government and civil society organisations. In order to bring this into effect, the Government has signed a number of laws and decrees under Public Oversight.

In the second interview, the authors' information from the side of the controlling of public and www.soros.kz

'Plus-R', 2006, 'Azerbaijan: Oil Revenues and the Expectations of Population for their Usage' (in Azerbaijani), available at:

http://www.mediaforum.az/files/2007/02/20/043916161_0.zip, accessed 9 May 2007.

Authors' interviews for Kazakhstan with Anton Artemyev from SOROS Foundation, 22 November 2005; with Sergej Duvanov, 29 November 2005 and for Azerbaijan with Hajizade, 17 February 2006, Baku.

Important in this context is the question of the role of international actors. Even if in our previous argumentative discourse we declared foreign actors partly responsible for the current situation because of their oil interests, we do hold the view that the international transparency initiative, EITI, for instance, constitutes an important step towards national transparency strategies. However, as long as this initiative is based on voluntary cooperation, natural resources remain an obstacle to democracy and are, following Western interpretations, a curse rather than a blessing for the development of the two states.

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