

Azerbaijan – the rage of the people

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The dramatically deteriorating economic situation in Azerbaijan has caused a wave of spontaneous protests which have been ongoing since 12 January. The people are protesting against price rises and demanding that the unemployment problem be resolved. The government has reacted to the protests chaotically, hoping that the protests will at least temporarily be extinguished. Thorough reforms are impossible in Azerbaijan due to the corrupt government system which is limited by clan bonds, where any changes in the system are viewed as a threat to the positions of the ruling groups. Oil prices are likely to remain low, and this will contribute to the escalation of the protests for social reasons, which translates into a higher risk of internal crisis. Dwindling financial reserves also add to the likelihood of a conflict between the main groups in the government elite within the inner circle of President Ilham Aliyev. Concern is also growing that the conflict in Nagorno-Karabakh will be rekindled and that Azerbaijan will become more susceptible to pressure from Russia, which has been rebuilding its position in the Caucasus.

The nature of the protests and the government's reaction

Protests were seen in more than ten different places across Azerbaijan, including the cities of Quba and Siyazan, several villages and outskirts of cities. They have not yet reached the country's capital city, Baku, where only merchants have so far protested (demanding reduced rents). The protests are a grassroots initiative, they are uncoordinated and lack leaders. Their common denominator is the deep frustration of the public resulting from the deteriorating economic situation of the country which is heavily dependent on oil prices. In turn, what directly triggered the protests were the price rises, which were a consequence of the liberalisation of the exchange rate of Azerbaijan's currency in late December 2015 (since then the dollar has risen by over 70% according to the official exchange rate), increasing unemployment levels, and the inability to repay loans (loans in foreign currencies account for approximately a one quarter of the portfolio of bank loans). The protesters focus above all on social issues, paying only the minimal of attention to politics at the present stage. The scale and the character of the protests are unprecedented in Azerbaijan (society is apolitical and atomised in this country), and prove that the economic problems are serious and that people are desperate.

The government has reacted to the protests in a chaotic and somewhat panicked manner. Both, rare attempts by local governments to negotiate with the protesters and pacification actions have been taken. Over 60 demonstrators have been arrested. The government accuses opposition parties which are disgraced among the public (Azerbaijani Popular Front Party and Musavat, whose regional leaders have been detained) and 'Islamic

organisations' (it is unclear who they mean by this) of organising the protests. Nevertheless, the protests have forced the government to make concessions. President Aliyev decided to make moves to alleviate the consequences of the ongoing crisis to some extent: taxes on bread have been reduced, pensions, wages and welfare benefits have been increased by 10%, and a ban on food exports has been imposed. Aliyev also convened an emergency parliamentary session and ordered the privatisation of state assets (without specifying more details), assistance to banks, and for action to be taken to stabilise the national currency.

The inefficiency of the economic and political system

The measures which have so far been taken by the government are quick fixes and insufficient to successfully alleviate the growing tension in the country. This is a consequence of both the economic structure of the country and the nature of its political system. The economic crisis in Azerbaijan will continue to deteriorate as long as oil prices remain low. This is a consequence of the national budget's dependence on the oil sector (the primary sector generates around 90% of the country's exports and over 65% of central budget income) and economic backwardness (with the exception of the primary sector). Falling incomes (including due to falling oil output and exports since the beginning of the decade) limit the government's resources required to neutralise the protests by further increasing benefits.

Secondly, the nature of Azerbaijan's political system does not contribute to reforms and structural changes. The country is governed by regional-business-clan groups (the most influential being the Nakhchivan clan and the Pashayev family, to which, for example, the president's wife belongs), who receive certain assets, both in the state administration (official positions) and in the economy (monopolies) in exchange for their loyalty to Aliyev. This arrangement means that any structural changes adversely affect the interests of the groups holding power. Over the past decade, these groups have supported Ilham Aliyev, believing that he is the guarantor of their position. At present, the crisis, and especially the president's attempts to take anti-crisis measures (which will also include the liquidation of some state institutions) may lead to undermining this deal. Symptoms of conflict smouldering inside the elite were visible already last autumn when the ministers in charge of national defence and telecommunication were dismissed.

Possible developments

Given this context, easing the internal tensions is a highly difficult task, and is even impossible to carry out without resorting to repression. The decisions to offer symbolic raises may be interpreted by the protesters as a sign of the government's weakness, and also as a symbol of its arrogance (because, from the protesters' perspective, the scale of the aid offered is insufficient and inadequate when compared to the wealth accumulated by the ruling elite). Accusations addressed to the Islamic community will not contribute to calming the situation, either, since they will lead to a radicalisation of this community. This means that the government's most likely strategy will be to pacify the protests with the help of the relatively efficient and effective coercion apparatus (internal troops). A successful pacification of the public will make the radical authoritarianism in Azerbaijan even stronger. However, if the government proves unable to cope with the scale of dissatisfaction and protests, the system may collapse in Azerbaijan. This scenario has several possible

outcomes, ranging from a national insurgence against the government groups and the president, to a conflict inside the elite aimed at removing Aliyev from power and thus allowing the elites to maintain their position. Nor can it be ruled out that the government may resort to rekindling the conflict over Nagorno-Karabakh with Armenia, seeing this as a way to consolidate the public. However, this approach to Nagorno-Karabakh, which has been applied over the past two decades, may turn out to be counterproductive, and the public may react to it in a way the government does not expect.

The international context is also unfavourable to President Aliyev. From Baku's point of view, his main ally, Turkey, is constantly becoming involved in new conflicts: the conflict in the Middle East, the conflict with Kurds at home and, since last autumn, also the conflict with Russia. As a result, even though Turkey remains a strategically important partner, co-operation with it tends to be more and more problematic, and Baku may not count on its interests being taken into account by Ankara (one proof of this was Azerbaijan's nervous reaction after Turkey shot down the Russian bomber aircraft in November 2015). Another challenge for Azerbaijan is Iran regaining power, especially since the Western sanctions have been lifted. Reduced tension in Iran's relations with the West decreases the geopolitical significance of Azerbaijan, but this will not mean that it will change its attitude to its southern neighbour. Baku is extremely distrustful towards Teheran, since it is convinced that Iran wants to destabilise Azerbaijan, for example by stirring up unrest among Shia Muslims. This is a well-grounded suspicion, given the fact that Iran has pursued a similar policy for years in the Middle East (for example, supporting Hezbollah in Lebanon, engagement in the Syrian conflict, using the Shia minorities in Bahrain, Saudi Arabia and Yemen in its game). All these factors make Azerbaijan more open to Russia, especially since co-operation with Russia, from the point of view of the government in Baku, may have a stabilising effect (the lack of support for demonstrations) and reduce its destabilising potential (for example, Moscow is able to launch an extensive information campaign on the protests in Azerbaijan in Russia, where there is a large Azerbaijani diaspora). Baku may also seek support from Moscow to be able to use the conflict over Nagorno-Karabakh (in fact its renewal) to consolidate the public around the government.