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INFORMAL RELATIONS IN EVERYDAY LIFE INFORMAL ECONOMY

Special Editor: Robert Orttung

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Informal Networks in the South Caucasus's Societies

By Huseyn Aliyev, Dunedin

Abstract

Reliance on informal kinship networks and circles of friends and acquaintances in every-day life is a common characteristic of post-communist societies in Armenia, Azerbaijan and Georgia. Two decades after the end of Soviet rule in the Caucasus, the great majority of the South Caucasus's residents continue to depend on informal networks as key sources of social capital, social security, civic association and primary means of support and assistance in different aspects of day-to-day life. Having examined the origins, composition and main operational principles of informal networks, this article argues that informal networks in the South Caucasus are not only the main sources of social support, but also are tightly entangled in the web of corruption and patron-client relations which are wide-spread throughout the region.

Origins of Informal Networking

Informal networks, often described in the academic literature as civic, social, private, interpersonal or personal networks, are thought to form the base of social capital and lie at the core of inter-personal relations in modern societies. Vibrant inter-personal networking is expected to generate social capital and benefit the spread of information and knowledge. Yet unlike many Western societies, post-communist social structures are known to be dominated by 'strong tie' networks—that is composed of networks with high intra-network 'bonding' and low extra-network 'bridging' (Granovetter 1973). The lack of extra-network ties makes it difficult to transfer social capital between networks and therefore discourages the exchange of ideas and social communication. The segregated and secretive nature of post-communist networks is often explained by the necessity to create social niches free from intrusions of a totalitarian or post-totalitarian state. Richard Rose described such social systems as 'hour-glass' societies. He argued that: "The narrow midpoint of the hourglass insulates individuals from influence by an undemocratic and repressive state. There is a rich social life at the base, consisting of strong informal networks based on trust between friends, relatives and other face-to-face groups" (Rose 1997, 88). In 'hour-glass' societies reliance on family and friends and participation in informal networking often replaces membership in formal civil society and also results in low levels of trust towards formal institutions.

The emergence and entrenchment of informal 'strong tie' networks in post-Soviet societies is a phenomenon dating back to the Soviet era. Decades of totalitarian control under the watchful eye of the Communist Party, in conjunction with constant shortages of day-to-day goods and services, contributed to the growth of informal networks all over the Soviet Union. Secretive, hierarchical and homogenous, such networks were functioning upon the unwritten principles of reciprocity of favours, popularly known under the Russian-Soviet

term of *blat*. While some informal structures operated mainly with the goal of procuring difficult-to-find consumer goods and services, others were built with the purpose of accumulating useful contacts and acquaintances. Yet most of these Soviet-era profit-based and need-centred networks were, both for the sake of profit and to ensure network safety, staunchly against the 'bridging' of social capital and spread of information or resources beyond a network's boundary.

In the South Caucasus, the spread of informal networks was not only determined by economic hardships and attempts to create a private sphere free from the communist authorities' control, but also came as a result of persecution by communists of traditional social structures. Described by Soviet authorities as backward and archaic, traditional extended families and local communities, such as the Armenian patriarchal family *azg* and Azerbaijan's *mahalla* communities, were forced into the informal sphere and inevitably became centres of networking. This meant that, unlike in Russia, informal networks in the Soviet South Caucasus were not merely circles of friends and acquaintances but were rooted in family, kinship and clan structures. As a result, principles of Russian *blat*—centred on exchange of favours and mutual reciprocity—became replaced in the Caucasus with concepts of family honour and paternalism. Analogous to other peripheral regions of the Soviet state, the network-operated 'shadow economy' of the South Caucasus reached colossal scale during the 1960s–1970s and often accounted for a significant portion of per capita income for the region's residents. For instance, a study by Yochanan Altman (1983) on the informal economy of Soviet Georgia reports that network-operated informal underground businesses often reached an industrial scale and required mass participation. Apart from their economic function, informal networks were also employed in politics. The Soviet policy of *korenizatsia*, aimed at elevating local elites to leadership positions in republican branches of the Communist Party

and regional administrations, unwittingly allowed kinship and clan networks to proliferate among the elites, ensuring elite continuity even after the end of Soviet rule. Inter-personal networks created and cemented by the South Caucasus elites in the 1970s and 1980s played a fundamental role in the post-Soviet governments of Eduard Shevardnadze and Heydar Aliyev.

Post-Communist Networks in the South Caucasus

If Soviet totalitarianism and the shortcomings of the communist command economy were among the key determinants for the rise of informal networking in the South Caucasus, the post-communist social and human insecurity characterized by weak and ineffective governments, rampant unemployment and countless other plagues of the transitional period ensured the survival and continuity of such structures. Yet in contrast to the Soviet-period, the post-communist informal networks in Armenia, Azerbaijan and Georgia were no longer used to procure day-to-day consumer goods and durables, instead their main function became to assist their members in securing jobs, cementing business ties, and receiving preferential treatment in health-care, education and other social sectors. Similarly to the Soviet era, contemporary networks remain heavily reliant on family, kinship and blood relations. The World Values Survey (WVS) administered in the mid-1990s reports that the majority of the population in Armenia (86.3%), Azerbaijan (85.1%) and Georgia (94.7%) emphasized that family plays a very important part in their lives. This data markedly contrasts responses to the WVS survey in other post-Soviet countries; only 68.3% of the public in Lithuania, 70.7% in Latvia and 79.0% in Moldova said that family ties are very important. Rather similar results were also provided by the European Values Survey (EVS) held in 2008: 93.3% of the population in Armenia, 86.7% in Azerbaijan, 91.2% in Georgia, 68.4% in Latvia, 61.9% in Lithuania and 75.5% in Moldova said family contacts are very important. Accordingly, it seems that while the reliance on kinship support fell in the Baltic and Eastern European former Soviet countries, in the South Caucasus the role of family connections either grew stronger or remained as important as in the immediate post-Soviet period. Kinship-centred informal networks thereby are at the top level of the networking hierarchy in the South Caucasus. Such networks are highly paternalistic; favours and services are distributed in accordance with the seniority of network members and often do not require reciprocity. Membership in these networks can only be obtained through the rights of birth or marriage. Unlike the Soviet age networks, the present-day kinship struc-

tures are no longer threatened by official persecution, yet, they still have to retain their secluded and homogeneous nature to protect the network's resources and capital from competitors and outsiders. The central role performed by kinship groups in providing their members with social and human security is also notable from the results of the Caucasus Barometer survey, conducted by the South Caucasus-based Caucasus Research Resource Centres (CRRC) in 2008. According to the survey, 74% of respondents in Armenia, 63% in Azerbaijan and 64% in Georgia named family and relatives as the most effective source of securing personal safety and civic rights. When asked who offered them help in moments of need, during emergencies and life changes, an average of 85% of public across the region identified family and 55% extended family. Furthermore, the CRRC survey on volunteerism and public participation administered during 2011 in Georgia reported that when asked 'how would you pay for damage in a car accident,' a majority 42% of the Georgian public believed that their family will help with the payment, an additional 29% said that they would borrow money from a relative and only nine per cent expected to take money from a bank.

The next level of informal networking is reserved to friends and acquaintances. Both the WVS and EVS surveys reveal notably high reliance among the South Caucasus's residents on friends. The WVS surveys conducted in 1996–97 reported that 44.7% of the population in Armenia, 35.3% in Azerbaijan and 73.6% in Georgia thought that friendship connections are very important, versus only 22.2% in Latvia, 19.3% Lithuania and 21.4% in Moldova. Administered a decade later the EVS (2008) survey presented that 49.8% in Armenia, 31.0% in Azerbaijan, 60.2% in Georgia believed that friends play a very important part in their lives. By contrast, only 27.4% of the public in Latvia, 18.3% in Lithuania and 24.2% in Moldova had similar opinion. While circles of friends are evidently less important in the South Caucasus than kinship networks, they too are an essential part of informal networking. For instance, the CRRC 2008 survey reveals that 70% of the public in Armenia, 61% in Azerbaijan and 66% in Georgia mentioned friends as a safeguard of personal safety and civic rights. 45% of people across the region also relied on friends for assistance in emergencies and moments of need. Yet unlike kinship networks, friendship-centred networking most often works upon the *blat*-defined principles of reciprocity of favours. This means that although each individual can have many friends, only the closest and the most trusted of them become a part of an individual's informal network and therefore can benefit from the exchange of favours. While kinship and friendship networks are the most widespread forms

of informal social structures, the South Caucasus's residents also rely on numerous contacts with acquaintances, neighbours and members of the same ethnic groups or place of birth who form a periphery of each individual's informal network. These less significant contacts are often employed in procurement of public goods and become fundamental in extra-network dealings. Since many of these occasional contacts cannot always be reciprocated, monetary or material gifts become an essential form of payment in these 'one-off' exchanges of favours.

The 'Dark Side' of Informal Networking

Compensating for the weakness of state and civil society institutions, informal networks nevertheless are not bound by legal norms and regulations. To provide social and human security for their members in societies governed by ineffective and corrupt institutions and characterized by low levels of political trust, informal networks more often than not resort to bribery, corruption and patron-client relations. Although favours and services distributed within kinship and close-friend networks are as a rule corruption-free and only in case of reciprocating remote relatives or not-so-close friends perhaps require a token gift, dealings with 'outsiders' or non-immediate network members almost always require financial remuneration. If paying bribes in return for small-scale services, such as passing a drivers' license exam, does not necessarily require the use of contacts, most 'deals' with high and mid-ranking officials are done with an aid of contacts even if a bribe is to be paid in the end. Besides, the bribes offered for such contacts-arranged

'favours' are most often seen as a gift rather than corruption; a form of reciprocity when no such favour can be offered by an individual's kin or friendship network. For example, the Caucasus Barometer 2011 survey on volunteerism and civic participation in Georgia reports that 40% of its respondents thought that a situation of a government official recommending a relative for a job in a ministry is not corruption and another 45% said that giving a gift to a doctor for preferential treatment does not constitute corruption. While the first case is obviously an intra-network favour, the second example describes a reciprocity-based relation between acquaintances. Both situations are not commonly understood as corrupt, yet, could be seen as unfair by individuals with no such networks. Apart from sustaining practices of corruption, informal networks are also tightly knit into patron-client relations. Indeed, seniority and hierarchy in kinship networks is not only a part of traditional family structure in the region but also an essential mechanism to preserve the homogenous and segregated nature of networks vital to efficient procurement of services. In consequence, as long as the networks continue relying on paternalism as a means of preserving hierarchy and encouraging financial and material gifts as forms of extra-network reciprocity, their homogenous, segregated structure is unlikely to change. It follows then that absent 'bridging' of social capital between networks, as well as continued reliance on exclusivist and non-egalitarian, if not outright illegal, principles of operation, such social structures cannot effectively contribute to democratic transformation and institution-building.

About the Author

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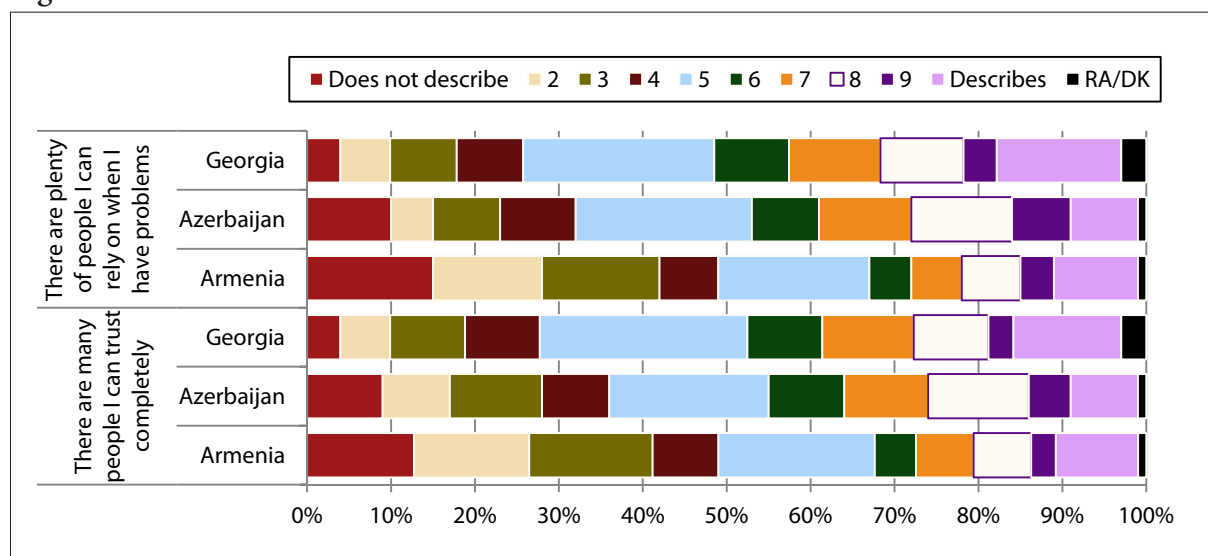
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OPINION POLL

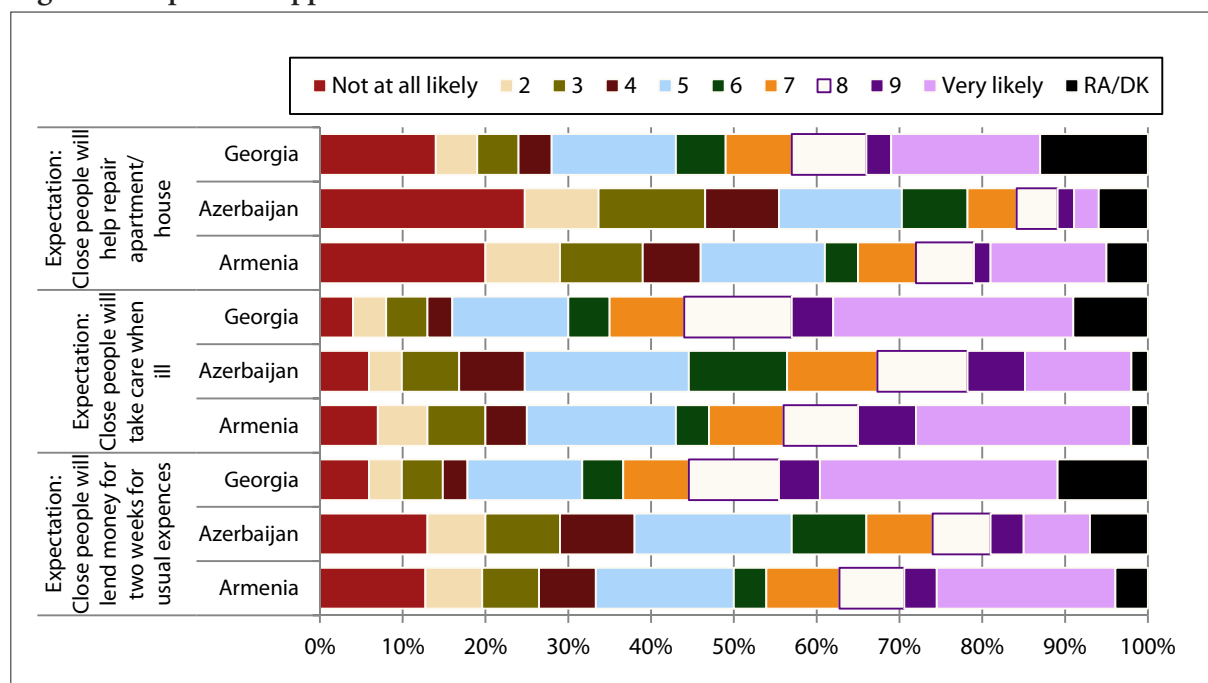
Informal Relations in Everyday Life

Figure 1: Close Relations

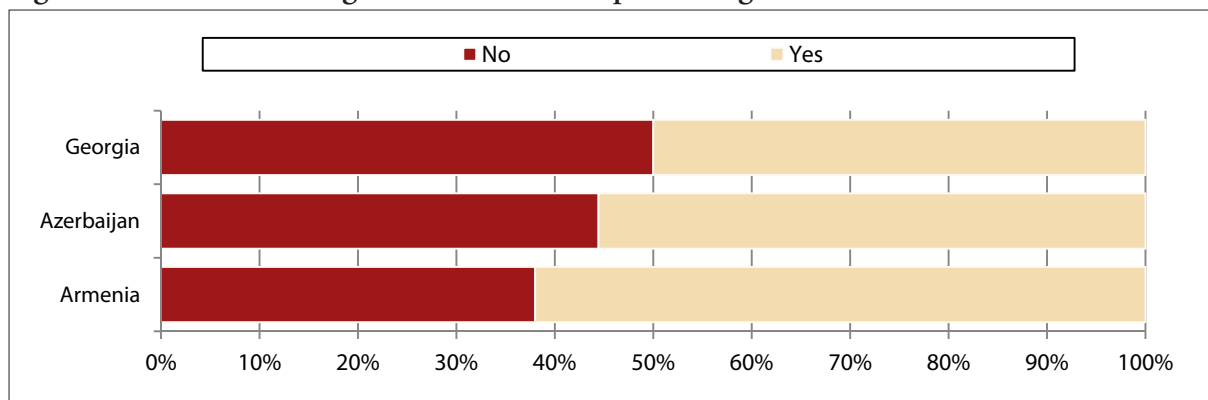


Source: Caucasus Barometer 2012 (Caucasus Resource Research Center)

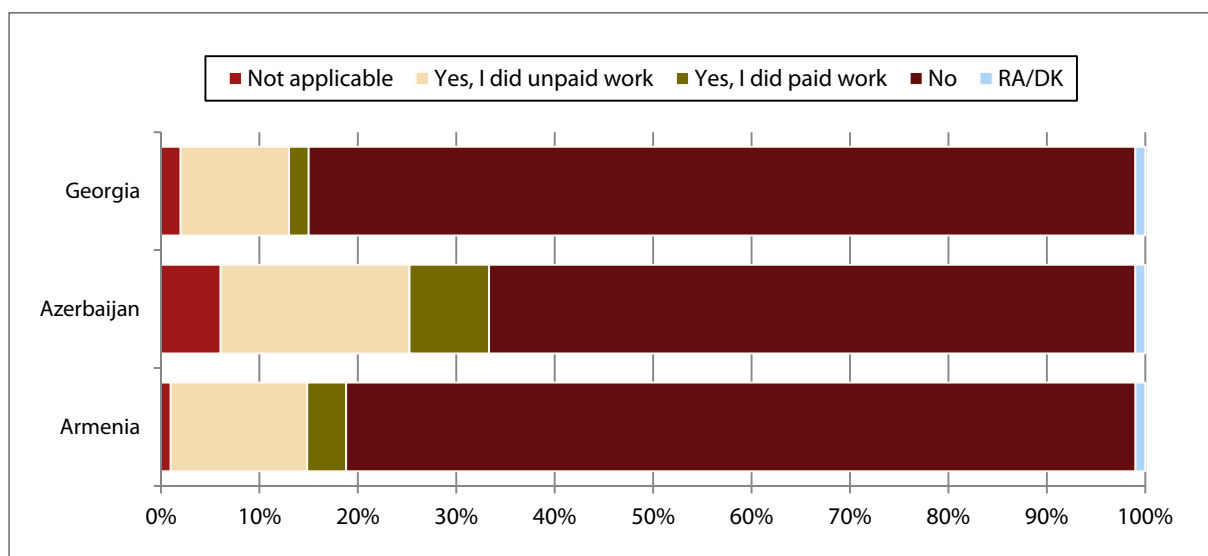
Figure 2: Expected Support



Source: Caucasus Barometer 2012 (Caucasus Resource Research Center)

Figure 3a: Activities During Last 6 Months: Helped A Neighbor/Friend With Household Chores

Source: Caucasus Barometer 2012 (Caucasus Resource Research Center)

Figure 3b: Have You Done Any Unpaid Or Paid Work for Your Family's Or Close Relative's Business for At Least One Hour Within the Past Week?

Source: Caucasus Barometer 2012 (Caucasus Resource Research Center)

Azerbaijan: A Dictatorship Built on a Capitalist Economy

By Rail Safiyev, Berlin

Abstract

This article describes the four key features of the informal economy in Azerbaijan: monopoly, envelope salaries, distortion of statistics and data, and extortion. This system works to keep the current rulers in power and allow them access to extensive rents.

Azerbaijan's Economy

The rhetoric employed by Azerbaijan's president and other leaders usually stresses the claims that Azerbaijan boasts the world's fastest growing economy and the highest rate of foreign direct investment. They also emphasize that the country has the largest GDP and national budget in the South Caucasus. Obviously, the oil boom, bolstered by soaring prices in recent years, make such statements possible. Today the non-oil sector comprises a small fraction of the national income, indicating that the economy relies predominantly on oil and gas revenues. Natural resources will continue to be the main source of wealth and catalyst for the economy since other sectors have yet to develop.

Azerbaijan's energy production is now growing slightly, marking the revival of its industry which laid in ruin following the collapse of the Soviet Union. However the country suffers from extensive rentierism, in which top leaders are essentially "giving the money away," a practice that rentier theorists label "the distributive economy." Accordingly, chances for restructuring the economy are few.

To explain how Azerbaijan's economy functions, an economist who served for many years in the office of Azerbaijan's Ministerial Cabinet developed the phrase "the spontaneous distribution of gross output" (*stikhiinoye pereraspredelenie valovogo produkta*). This phrase explains a lot if one considers that economic subjects are driven by "state capture" and that the whole economy provides conditions for spontaneous, incalculable and unfixed individual profits.

Informality

This article will examine the informal side of Azerbaijan's economy. It draws on insights from evidence I gathered during my fieldwork in 2008–2009 in Baku and subsequent desk research. In this work informality means the package of economic exchanges scholars ascribe to the shadow or black economy, although we must take into account that in a country with virtually no functioning bureaucracy and low levels of state capacity, informality is the main vehicle of state-market relations.

Typically Azerbaijani citizens have little use for formal rules. Formal economic rules, which regulate competition, payments and price, as well as privatization and

property issues have little practical application to Azerbaijani reality. In a regime characterized by ideological control and fear, informal practices can be efficiently applied to instruct people on how they should behave in practice. Even though the regime does not exclusively determine all the informal rules, the space between the state and its citizens is not empty, but rather sanctioned and censored, demanding from subjects a loyalty to the regime's political course and the absence of any regime criticism.

I detected four types of informality that essentially organize and constitute the functional engine of Azerbaijan's economy. In fact, these practices have become the basis for the economy. They are: "*monopoliya*" (monopoly and protection), "envelope salaries" (informal wage payments), "*pripiska*" (distortion of statistical data) and informal extortion. These practices have been conducive for creating an economy of "bureaucratic oligarchy," in which the bureaucrats achieved control over and possession of large sums of capital and private businesses while also wielding influence over politics.

Monopoliya

"*Monopoliya* (inhisarçılıq)" refers to a closed circle of traders who are linked to the highest bureaucrats and benefit from holding exclusive quota for importing and exporting all variety of cargos, commodities, and goods. My respondents described hand-written booklets that included a "monopolized" register lying on the desks of custom officials. Such things are important because the custom service employees oversee trade in the so-called monopolized goods, while the police and other agency officials close their eyes to such matters. A *monopoliya* of this kind contains inextricably intertwined linkages and rules. The "monopolist" is someone who may secure, with his "long outstretched arms" into the governmental circles, restriction on the import of foreign goods while being the main producer of similar goods on the domestic market. For example, in Azerbaijan it is widely believed that a famous minister produces "Jale" brand juice, while preventing others from entering the market.

A further component of *monopoliya* includes "patronage" or *krysha* (roof). The influence of monopolists is guaranteed by their political power, since they provide protection and economical security to their clients, who

generally are businessmen.

The former president and now his son mention *monopoliya* often in speeches criticizing the artificial price increases caused by the domestic dealers—“monopolists”—due to the protection rates and high “custom fees” at the border. Other state agencies also criticize the costly effect of *monopoliya*, as they are challenged daily by the difficult conditions on the domestic market. A statement from the agricultural ministry issued on 13 August 2010 and published in the local press reproaches *monopoliya*, pointing out that even though Azerbaijan has sufficient lands to feed its population, grain prices consistently remain high. One of the reasons why former Minister of Economic Development Farhad Aliyev was charged with plotting a coup against the President in 2005 was his statements against *monopoliya*, for which he clashed with a hardliner and close loyalist of the regime, who served at that time as the chief of the Customs Committee.

While the customs service imposes limited quotas or a total ban on the import of certain goods, dealers working with other commodities have to win approval for their imports from other high state employees—who may or may not be involved in *monopoliya* or with the representatives of the *monopoly* group. The entrepreneurs of small-sized firms fear any kind of official investigation, while the monopolists benefit from the protection of the police and have never been susceptible to judicial persecution. The solution for entrepreneurs is often to resign themselves to bribe-giving in order to get rid of “the troublemakers.”

The experience of an entrepreneur who imported panes of glass from Russia and Iran from February 2008 exemplifies the situation. He was urged to stop his dealings on the Russian border with Azerbaijan since, as was made clear to him, this type of trade is under the supervision of “monopolists.” When he appealed to the Corruption Committee, the Prosecutors’ Office and the Customs Committee, he only received assurances that they had received the information and would work on it. Subsequently, he was asked to pay a “bill” of \$475 per 1 m³ of glass. When he refused, he was directed to an ominous person name “Vidadi”, who had no official status, but who was well known to the custom officials. My respondent was told to contact him “for further questions” and to try to bargain the import price with him. Finally, he was compelled to sell the glass to that person. For the entrepreneur, it was a clear message that only a select few could set up an interregional business trading in glass because the sector “has its owner.”

Envelope Salaries

In October 2008 President Ilham Aliyev abruptly made clear that he was aware of, and opposed to, the informal practices of paying employees part of their salaries in

envelopes and off the books (*zərfdə maaş*) in a regular meeting with his ministers (though he did not clarify in which particular institution the practice took place). It seemed to be a disclosure of an unhidden secret, as some state institutions make informal payments, for instance the State Committee on Property Issues, the Ministry for Taxation, and the Customs Committee. Even construction firms have developed informal agreements on salaries in order to avoid paying taxes. For instance, the practice exists in the Ministry of Taxes since the end of the 1990’s (as one respondent made clear) where the audit department has been entrusted with extortive inspections and has institutionalized graft through the allocation of informal payments to servicemen in the ministry’s other departments. This well-organized alternative economy of the public office works in contrast to the real state service by means of alternative sources.

The impact of such informal salaries is high. The upper stratum in the administration, benefits as they train employees not to deviate from their regular duties. In contrast to the official wage, the envelope salaries reflect market prices. In the same vein, individual bribery strategies are blocked since they would reduce the level of trust between the chief and his subordinate, the informal payments create a mutual reciprocal relationship between them. This situation prevails in the Baku Central Bus Station, as my interview with one of the workers there testifies that the state-owned company is apparently controlled by the family of the transport minister, where the nephew of the transport minister pays out envelope salaries to his employees (informally-contracted illicit workers) while he himself operates with the protection of his powerful relatives. In such a disciplined framework there is a centralized trust, with the compliance of employees and fixed rates regarding how much employees are allowed to accrue.

In early January 2011, apparently alarmed by the possibility of Arab spring uprisings spreading to Azerbaijan, President Ilham Aliyev announced that the upcoming year would be focused on fighting corruption, including those “unpleasant elements,” which in his view contaminated the government’s work and overshadowed its achievements in the public eye. Almost immediately, some low-ranking officials were fired, although their names, positions and the reasons why they were dismissed have not been reported. The alleged anti-corruption campaign turned into a zealous hunt for scapegoats and large numbers of fired personnel, for which each ministry boasted that it was taking such measures in order to fight “social evil.” High ranking officials, such as ministers who are associated with big corruption schemes in the press, have been spared.

Generally, the effect was quite positive, but only in a

short-term perspective. After a few months, bribe-taking resumed and the naïve hopes of Azerbaijanis were dashed as the corruptive practices continued as before. Meanwhile, public servants whom I interviewed lost motivation when the informal salary payment to their office was suspended temporarily. Official monthly wages were not sufficient to meet the basic costs of living. The ruling and functional efficiency of informal payments lies in their comprehensive and extended character; they form a consensual norm since they make it possible to survive economically.

“Distortion” of a New Era

Pripiska is a word borrowed from Russian and means “report padding” or, in other words, the distortion of production data. In the economy of the Soviet Union in which the statistical authorities were not autonomous and independent, statistics existed solely for the examination of production data. Individual interests in positive reporting to the statistics authority or GOSPLAN were important because further career improvement and prestige depended on a good presentation of the production assessments of the republics. It also determined the supply of investments for the coming years as high numbers promised increased chances for income generation.

Pripiska (distortion) embodies the standard falsification of data of an entire era. It infected a whole generation of Azerbaijanis who knew how to take advantage of state projects and production during the Soviet era.

The spectacle of faking production data, which were converted into private profits, continue now with only tiny differences. A practice that the authorities of Azerbaijan have learned is how to make a profit from state contracts, which is a match for the Soviet era practice of *pripiska*. The Soviet *pripiska*-dealer had creative approaches to increase his gains by changing figures, such as enlarging an unregistered cotton field to produce additional output or intentionally underestimating sown area in reports. Now data-managers generate profits from multiplying the expenses of state projects by several millions or, in contrast, using less material or registering dummy corporations, which participate as subcontractors in state-financed projects. If during the Soviet era the overvaluation of production data (*pripiska*) was designed to “satisfy” the officials in Moscow, now public infrastructure projects and projects of regional development are lootable state resources.

Infrastructure projects, construction of ministerial buildings, the headquarters of the ruling party, parks and entertainment centres, museums named after the “national leader” Heydar Aliyev, Olympic centres, school buildings, hospitals etc., are commonly seen as gift distributing mechanisms of a patron state, as well as a means for operating the economy. Similar to “oiled”

economies, any failing of the bureaucracy is compensated by pecuniary incentives from oil revenues.

If in the early years of independence corruption in tender practices was ephemeral, now it appears to become a structural setting for state-economy relations. Tender procedures are imitated as if the state offers construction and production rights to private firms, while in reality they are controlled directly or indirectly by state officials.

One example can be helpful in providing a detailed picture of this problem. In 2008, for the construction of a sewage system in Sabirabad, the state announced a tender and the winner was awarded 1,400,000 AZN. Penah Huseyn, who served in the parliament from 2005 to 2010 carried out his own internal investigation. According to him, the bid was won by a strange, unknown company. Based on documents he assumed that the real contract was signed with an old lady who lives in Nakhichevan and whose company had only 6 Manat (less than 5 euro) in its account. It was very suspicious that the construction of a huge sewage system in a town like Sabirabad was assigned to a poor woman. The real aim of the contract was to give the assignment to a subcontractor in order to launder the state-sponsored investment money into a fake company, as the subcontractor company was quickly founded and in fact was controlled by officials in the tender-offering body themselves.¹

In the national budget of recent years in Azerbaijan, apart from expenses for the modernization of the army, the major investment targets are the construction of highways and infrastructure. These construction goals are particularly prone to large scale embezzlement, because it is not clearly laid out in the budget how much these projects cost in detail or exactly how the assigned money should be spent. Some highways and buildings are constructed for catastrophically large amounts of money, so that, if one compares the construction costs of a building or a high way in Europe and Azerbaijan, there is a big difference in expenditure.

Extortion

In Azerbaijan, most businesspeople illegally pay for receiving commercial licences and evade tax payments; even electricity bills can be haggled between inspectors and clients, a problem that Georgia has already solved. Hardly anyone would expect that the courts would judge their case fairly or defend his/her rights, even in cases where he/she has done nothing illegal and has not violated the law. In a heavily corrupted society you can rarely find anyone who has never bribed an instructor at the university or school in order to pass an examination or get a good

¹ Also here: Babək Bəkir. Tenderlə sovrulanlar... 26.01.2009 <http://www.azadliq.org/content/article/1374816.html>

mark. Rüşvət, the word for bribe in Azerbaijan, is mostly understood as “payment” or what is “due.” In Azerbaijan there are different euphemisms for bribery according to the situation and which actually represent the diminutive effect of the meaning of bribery.² However bribes are required by the actions of the state authorities as blackmail practices are part of the subtle power order in general.

As part of my research, I surveyed how policemen were inspecting residential areas twice per day. Their task, as the inhabitants told me, was to fulfil regular orders of the police chief (*rais*) and extort money (*haqq—what is due*) from residents who in fact lived in illegal houses in the area. In these areas, there were many unregistered and illegally constructed houses and properties, as is typical in the suburbs of Baku. The targets also included vendors who go from house to house to sell fruits and vegetables. The activity of such sellers was not licensed and the policemen could extort bribes from them almost without confronting them. Inhabitants knew that the purpose of police surveillance was not watching over the neighborhood, but the police chief’s order to extract bribes. Many justified their action saying “they also have families to feed.” Most people believe that they can’t resist the police, because in that case they would have faced much worst consequences and pay an even larger bribe. They knew also that the documents relating to their houses and properties are forged. In one case, the police car approached a house that had illegally added on an additional room. The policemen did not get out of the car and called the owner of the house from inside of the car and wished him God’s help for his business. As the house owner began complaining about the regular visits of policeman, he consoled him and followed: “Would we do harm to our uncle?” After that he pocketed

the bribe, which was the usual sum for such “irregularities.” There was no sign of anger; in fact, the situation seemed perfectly normal. Such informal extortion makes it possible to understand the non-binary opposition in people’s relation toward state extortion.

Similar examples can be drawn from the daily life experiences of taxi drivers. They are committed to pay unofficial cash regular fees called “51”. Thousands of taxi drivers registered with “51”, which was initially the office number in the administrative department and stands for the quasi-official registration of their working permit. If taxi drivers are caught by inspectors, they pay less than they would by working with annual licenses and are used to calling their patron for dealing with street police or special inspectors of the Transport Ministry. The benefits for working under these circumstances are widely assumed among taxi drivers, therefore they typically do not bother with state licensing formalities. In an environment of no real alternatives for subjects to defend their *formal* rights, the powerholder can readily instrumentalize extortion in a gentle way.

Conclusion

Regimes like Aliyev’s dictatorship sustain themselves and are effective in their power enforcement. The tricky combination of official populism and informal economy that blurs any clear distinction between rules and non-rules creates conditions which allow real power holders to maintain firm control, since, following Ledeneva, the rulers hold the whole society under conditions of “suspended punishment.” The regime reaches its goal to preserve the space of informal practices for its subjects in order to maintain a monopoly of power and economic autarky for self-enrichment.

About the Author

Rail Safiyev is a PhD Candidate at the Free University of Berlin.

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2 Hörmət, hədiyyə, sifət, gəlir, görün, haqq, halallıq, “otkat”, şirinlik, şapka, beh, muştuluq etc.

CHRONICLE

From 9 March to 7 May 2013

10 March 2013	The defeated presidential candidate Raffi Hovannisian goes on a hunger strike in Armenia and calls on incumbent President Serzh Sarkisian to step down
10 March 2013	The former Georgian State Security Minister Valery Khaburdzania says that he intends to establish a pro-Russia party in Georgia
12 March 2013	Armenian President Serzh Sarkisian meets with Russian President Vladimir Putin in Moscow as part of his first foreign trip after his re-election
12 March 2013	The President of the breakaway region of Abkhazia Alekandr Ankvab meets with Russian President Vladimir Putin in Moscow
14 March 2013	Armenia's Constitutional Court rejects a claim by defeated presidential candidate Raffi Hovannisian that the February elections in Armenia were rigged
14 March 2013	Two Azerbaijani activists, including an employee of the US-funded National Democratic Institute (NDI), are detained in Baku
18 March 2013	Georgian Defense Minister Irakli Alasania visits Azerbaijan and meets with Azerbaijani President Ilham Aliyev to discuss deepening cooperation between the two countries
18 March 2013	Georgian Defense Minister Irakli Alasania says that Georgia is negotiating with the European Union its contribution to the EU military training mission in Mali
22 March 2013	The Russian Foreign Ministry criticizes Georgian–US military exercises held at the Vaziani military base in Georgia and says that they are a “cause for concern”
22 March 2013	Georgia starts the rotation of its two battalions stationed in the Helmand province of Afghanistan
25 March 2013	A constitutional amendment is passed by the Georgian Parliament that strips the President of his right to appoint a new government without the Parliament's approval
25 March 2013	Armenian President Serzh Sarkisian signals that he is ready to engage in a dialogue with defeated presidential candidate Raffi Hovannisian
27 March 2013	The twenty third round of the international Geneva talks is held with a discussion on a revised draft of a statement on the non-use of force
28 March 2013	The Foreign Ministers of Azerbaijan, Georgia and Turkey sign a plan to expand cooperation between the three countries in Georgia's Black Sea port of Batumi
28 March 2013	Senior clerics of the Georgian and Russian Orthodox Churches meet with leader of the breakaway region of Abkhazia Alexander Ankvab in Russia's Black Sea resort of Sochi
30 March 2013	The Georgian Foreign Ministry expresses “grave concern” over Russian military exercises in the Black Sea
9 April 2013	Georgian President Mikheil Saakashvili visits Turkey and meets with Turkish President Abdullah Gül in Ankara
10 April 2013	The Azerbaijani Azad Fikir University (Free Thought University), set up to promote democratic values, is closed following a visit from officials from the Azerbaijani Prosecutor General's Office
10 April 2013	Thousands of workers held a protest at the headquarters of Qafqaz LTD Company, which manages the World Bank-sponsored Silk Road Project in Azerbaijan, to demand the payment of their salaries
11 April 2013	The chief of Russia's consumer protection agency Rospotrebnadzor says that the Georgian Borjomi mineral water has been reregistered and is officially eligible to resume exports to Russia
12 April 2013	Defeated presidential candidate Raffi Hovannisian travels to Moscow on a one-day visit
19 April 2013	Supporters of the Georgian opposition United National Movement party hold a rally in the centre of Tbilisi
22 April 2013	Azerbaijani Foreign Minister Elmar Mamadyarov meets with Israeli President Shimon Peres on a visit in Israel to discuss the Middle East situation and the conflict over the disputed region of Nagorno Karabakh
24 April 2013	Thousands of people gather to commemorate in Yerevan the mass murder of Armenians during World War I in Ottoman Turkey
25 April 2013	A park opens in honour of the late Azerbaijani President Heydar Aliyev in the Ukrainian capital Kyiv

29 April 2013	Georgian Prime Minister Bidzina Ivanishvili asks for assistance from international partners to re-establish ties with Russia disrupted during the Russian–Georgian war of 2008
2 May 2013	The Georgian State Ministry for State Reintegration says that Romania has become the eleventh country to recognize Georgia's neutral travel documents designed for residents of the breakaway regions of Abkhazia and South Ossetia
2 May 2013	The Georgian Parliament launches the discussion of a package of bills partly decriminalizing the entry of foreign citizens into the breakaway regions of Abkhazia and South Ossetia from territories other than those controlled by Tbilisi
2 May 2013	Azerbaijan protests the arrests of two Azerbaijani citizens along with four Iranian activists of Azerbaijani origin in the city of Tabriz in Iran
2 May 2013	The Georgian National Olympic Committee votes in favour of Georgian athletes taking part in the Sochi Winter Olympics of 2014
3 May 2013	EU Commissioner for Enlargement and Neighborhood Policy Stefan Fuele urges Azerbaijan to meet its democracy and human rights commitments and expresses hope that the presidential elections will be held fairly during a visit to the country
7 May 2013	Georgian President Mikheil Saakashvili meets with Azerbaijani President Ilham Aliyev in Baku on the sidelines of the South Caucasus Forum to discuss the ongoing construction of the Baku–Tbilisi–Kars railway line
7 May 2013	The Azerbaijani Parliament approves an amnesty for nine thousand inmates

Compiled by Lili Di Puppò

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ABOUT THE CAUCASUS ANALYTICAL DIGEST

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