

LOCAL ELITES MEET FOREIGN CORPORATIONS

The examples of Iran and Azerbaijan

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The end of the Cold War has led among other things to an accentuation of the struggle for democratic development. Key concepts in this context are human rights and the rule of law. Instead of the privileges of national states, it is the rights of the individual that to an increasing degree are coming to occupy the centre stage of global politics. This policy is directed against states whose governments have little or no popular legitimacy, and where there is no rule of law, but usually a highly centralised state without a competitive private sector, and with comprehensively corrupt governing class. In line with this new global orientation, consumers in Western countries and the civil society are increasingly concerned that Western oil companies operating in undemocratic countries should do what they can to promote democratic values. It is being claimed that Western oil companies should be the driving forces of the development of civil society in the autocratic and dictatorial countries from which they pump their oil.

Recent research indicates that development of civil society is a precondition of the oil revenues benefiting the whole population¹. Up to now, the oil companies have witnessed the oil revenues of their host countries being squandered and even pocketed by the autocrat. These are "rentier states", in which the regime maintains itself from the "lootable resources" of the oil revenues rather than from citizens' taxes, so that it has

¹ Skidmore, David, 'Civil Society, Social Capital and Economic Development', *Global Society*, Vol. 15, No. 1 (2001).

no need to buy their support². And the growth of poverty in these countries fertilises the soil of extreme political movements such as the different strains of Islamism. Western oil companies cannot live with the ethical dilemma of the oil revenues demonstrably going straight into the pockets of the autocrats and their lackeys while the people live in misery. It is an even worse dilemma when the money that the Western oil companies pay to the states that extract oil makes it easier for autocrats to maintain undemocratic regimes.

In response to this, large sectors of the Western oil industry are now trying to profile themselves as ethically high-minded and supportive of human rights and democracy. Risk management no longer means blow-outs, fires and the politics of the host country, it is increasingly meaning reputation and acceptance by a wide variety of “stakeholders” – customers, employees, multilateral institutions, NGOs, the media and the public at large. Risk includes falling short of the new standards of Corporate Social Responsibility and being caught doing it³. Modern communications technology, primarily the Internet, and the globalisation process, facilitates rapid and effective protest action against oil companies, beginning in the well-developed civil societies of the West. What is regarded as poor commercial ethics has repeatedly led Western civil society and Western consumers to demonstrate against the oil companies. One of the key examples here was the pillorying of Shell over the Nigerian military government’s execution of Ken Saro-Wiwa in 1995. Several companies have been obliged to pull out of Myanmar, or else “de-Americanise”⁴.

By being associated with controversial commercial operations, the oil companies are risking gradually acquiring a bad reputation in Western public opinion, and at worst ending up heavily stigmatised. On the other hand, there are oil companies, such as Shell, that claim that a positive image in public opinion can have beneficial consequences for revenues. Ethical policies enhance profitability. This being so, many Western oil companies are making whole-hearted efforts to be active partners in democratic development, establishment of the rule of law and respect for human rights in the oil-producing, undemocratic states where they pump their oil. Shell is a pioneer of the “new thinking” with its slogan “Business and Values”; the company has been a catalyst for discussion of ethical issues related to business operations. Many oil companies have now published regulations and norms for how they propose to implement the ethical aspects of business

² Westgaard, Geir, *Securing a License to Operate in Zones of Conflict*, unpublished manuscript, 15 pages, Statoil, Norway (2001).

³ *Ibid*, 2001.

⁴ Ottaway, Marina, ‘Reluctant Missionaries’, *Foreign Policy*, p. 44–54 (July/August 2001).

practice. For its part, Statoil is proud of its commitment to “transparency and revenue management”, its “dialogue with stakeholders”, its support for Kofi Annan’s “Global Compact” and its cooperation agreements with the UNHCR, the Norwegian Refugee Council and the Red Cross⁵.

However, it is one thing to draw up guidelines and quite another to put them into practice. There are also voices in the oil industry saying that the high-minded ethical values flaunted by many companies may boomerang, because they are impossible to live up to. And it is quite impossible for an oil company to live up to the standards unilaterally declared by some NGOs, since these are against the extraction of oil on principle.

The oil companies are swimming in muddy waters. There is acute doubt whether their attempt to present themselves as champions of human rights and developers of democracy is wise. The question is whether this industry has the expertise to work in the field of democracy and human rights. An oil company is, after all, not a political reform association but a corporation formed for the purpose of finding, extracting and distributing petroleum. Companies are staffed by engineers and accountants, they lack the qualifications, knowledge and the policy instruments necessary to promote political and moral values in societies whose regimes do not want them. Cleaning up their own act – that is, refraining from direct abuses – is one thing, but reforming an entire country from the outside is quite another⁶. This argument is increasingly listened to.

Another objection to the oil industry becoming involved in this field derives from the “missionary” form of human rights politics. This is seen as a typical example of American and Northern European self-righteousness and “moral imperialism”. As Ottaway sardonically remarks, all that is missing is the pith helmets. Finally, the whole enterprise leads to a frenzy of buck-passing: Western governments cannot force unpleasant regimes to reform, so they pretend that the oil companies can do so. And in the same way, the oil companies take one look at the problem and try to saddle other bodies with the job – the World Bank, for instance. They are rather good at creating elaborate and impressive-looking structures of supervision and consultation that leave someone else holding the baby⁷.

That it is unethical to impose “Western values” on people is the “cultural-relativist” position on human rights and democracy. It is maintained that the Western form of democracy is a product of historical and social contexts that cannot automatically be transferred to other cultures. It is therefore absurd to

⁵ Westgaard, Geir, *Securing a License to Operate in Zones of Conflict*, unpublished manuscript, 15 pages, Statoil, Norway (2001).

⁶ Ottaway, Marina, *loc. cit.*

⁷ *Ibid.*

talk about “universal” human rights. Such an argument is congruent with what in international politics is called the “realist school”⁸. Here the unrestricted sovereignty of the national state over its own territory is the prime imperative, since realists consider it to be a stabilising principle for the international system, while consciousness-raising on human rights leads to instability. In opposition to the realist and relativist schools, the “cosmopolitan school” emphasises the global promotion of democratic development and human rights⁹. This school is primarily concerned with justice for the individual irrespective of national boundaries, and demands that the oil companies get involved in this field. The oil industry would have much preferred that the norms of the international system be dictated by the “realist school”, but the cosmopolitan view is in the ascendancy¹⁰ and this means that the oil industry must live with hostile protests and actions provoked by its lack of commitment to human rights and democracy.

The object of this article is to discuss the role of the Western oil industry in Azerbaijan and Iran in the development of democratisation and human rights, but since these virtues are inversely correlated with corruption, it is natural to raise the corruption issue too. The Western oil industry’s attitude to this serious phenomenon is therefore a key topic.

There is little doubt that the only hope of eradicating the culture of corruption lies in strengthening civil society and democracy. It is therefore encouraging to note that there is a very active political opposition in both countries advocating precisely this. The fact that members of the national assembly and political parties are prepared to criticise openly and work systematically for democratic development in both countries – in the full knowledge that this may lead to reprisals against both themselves and their families – demands our respect and admiration.

It is a major challenge to the Western oil industry to stimulate the forces opposing autocracy and the culture of corruption. Passive behaviour will undeniably land them in ethical dilemmas, they will risk becoming indirect supporters of a power elite that has neither the power nor the will to stewardship of ‘the people’s gold’.

The Azerbaijani regime is clearly autocratic¹¹ while the Iranian government contains totalitarian, autocratic and democratic elements¹². This

⁸ Dagi, Ihsan, ‘Human Rights, Foreign Policy and the Question of Intervention’, *Perceptions*, p. 105–120 (June/August 2001).

⁹ Albert, Mathias, ‘Complex Governance and Morality in World Society’, *Global Society*, Vol. 13, No. 1: 77–93 (1999).

¹⁰ Kardas, Sabas ‘Humanitarian Intervention: The Evolution of the Idea and Practise’, *Perceptions* p. 120–137 (June/August 2001).

¹¹ Mamed-Zadeh, Ilham, ‘Authoritarian Regime in Azerbaijan and its Transformation Potential’, *Central Asia and the Caucasus*, No. 3 (9), p. 106–114 (2001) et Kamrava, Mehran,

regime is unique and cannot be classified by one or the other simple label. Both countries are “Shi’a Muslim”, though Azerbaijan has a substantial Sunni minority; moreover, Iran is a deeply religious society while Azerbaijan is deeply secular.

The analysis is based on in-depth interviews with leading oppositional elites in both countries. We have acquired good insight into the role of the oil industry in these countries, or, more precisely, the elites’ perception of the oil industry. Some people may react to allegations about the Western oil industry that seem unfair or even downright untrue. True or untrue – the oil industry would do well to listen to what is said, because perceptions are also facts, being part of the political reality to which the oil industry must relate¹³.

Sample and Sampling Method

The survey data are from fieldwork carried out in Azerbaijan in September–October 1999 and Iran in April 2000. We conducted interviews with members of the Azerbaijani and Iranian political elites that presently belong to the political opposition (see list of interviewees in Appendix I and II).

Let us first make clear that the survey does not rest on a sample in the statistical sense. Political science knows no inter-subjective definition of ‘elite’ subject to any kind of consensus, and so the statistical universe cannot be defined as ‘members of the elite’¹⁴. This in turn means that it is not possible to extract a representative sample in the statistical sense, and for our purposes that would not even be desirable.

We have made an arbitrary selection of political elites that represent policies and political ideologies in competition with the establishment, and which may become important for future political development. This is not a question of ‘snapshots’ of political attitudes like in opinion polls; our selection of respondents includes a dynamic aspect, that is, it tries to look forwards.

As we mentioned, the interviews are ‘in-depth’ ones and lasted on average one and a half hours. A few questions had closed reply categories, but most were open. This methodology involves a time-consuming subsequent coding

‘Statebuilding in Azerbaijan: The Search for Consolidation’, *Middle East Journal*, Vol. 55, No. 2: 217–236 (2001).

¹² Chehabi, H.E., ‘The Political Regime of the Islamic Republic of Iran in Comparative Perspective’, *Government and Opposition*, Vol. 36, No. 1 (Winter 2001).

¹³ Heradstveit, Daniel, ‘Political rhetoric.’ In Raino Malnes and Arild Underdal (eds.) *Rationality and Institutions*, 75–102. Oslo: Scandinavian University Press, 1992.

¹⁴ Heradstveit, Daniel, *The Arab–Israeli Conflict. Psychological Obstacles to Peace*. Oslo: Universitetsforlaget, 1981, second edition.

of the replies, but was necessary, as for obvious reasons we did not know the reply universe. The questionnaire was nevertheless standardised, that is, all the interviewees were asked the same questions in both countries.

What do we mean by ‘the Opposition’ in Iran?

Before we embark on the analysis, it is necessary to define what we mean by ‘the political opposition’ in Iran. This country is a strange case, in that the political opposition occupies positions of power. This may seem like a contradiction in terms, but Iran is a hybrid of democratic and theocratic institutions, in which the latter have the upper hand. Uniquely, the ultimate authority is neither the President, nor the Prime Minister, but the supreme religious leader.

For the purposes of this analysis, therefore, we are defining the ‘Iranian political opposition’ entirely without reference to the formal relationship to the theoretical structure of government, but in ideological terms. *The ‘political opposition’ is deemed to be those forces that support reforms tending to strengthen democratic processes and institutions, and thereby weakening the autocratic politics of the velayat-e faqih.* The principle of *velayat-e faqih* is ‘the rule of the learned’, or theocracy. This doctrine is based on a characteristic doctrine of Twelver Shi’i Islam, that the last Imam did not die but went into ‘occultation’. Like the Messiah for a Jew, Christ for a Christian and the Mahdi for some Sunni Muslims, one day the Hidden Imam will return to inaugurate the perfect society. Khomeini converted this essentially mystical doctrine into actual political authority, whereby the legislative, executive and judicial powers were vested in the experts in *shari’a* – of whom he was naturally the foremost.

Although he is of the established clergy, was part of the Revolution, does not polemicise against *velayat-e faqih*, and accepts Ayatollah Khamenei’s supremacy, President Khatami derives his legitimacy from popular election and is the primus motor of the reform process that, if it is allowed to continue, will neutralise the theocracy. The ultimate paradox of our method is therefore that we count the Head of State as part of the political opposition – although he is not on our list of interviewees.

Limitation of the Data

We have limited our survey to the political opposition in both countries and must therefore assume that the statements made in our interviews reflect a political strategy. The fact that we were foreigners helped to soften this aspect, because conversations with foreigners emphasise the informative

(perception-reflexive) at the expense of the agitation and demagogy (instrumental) that dominate the domestic power struggle. However, what is said in oral interviews may easily fail to match the facts. Our survey makes no attempt to measure the ‘truth quotient’. On the contrary, our aim is to chart not facts but perceptions.

ANALYSIS

The Respondents’ Perceptions

Democracy and Human Rights in Azerbaijan

Table 1 : <i>Western oil companies’ impact on democracy and human rights in Azerbaijan*</i>	
No impact	6
Negative impact	10
Positive impact	2
Both positive and negative	2
N (number of respondents) = 20	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

A major line of argumentation is that the oil industry is exclusively concerned about money and for that reason does nothing to promote democracy and human rights.

It is also claimed that the oil companies suffer from double standards: in their own countries they are for human rights, but in Azerbaijan they are indifferent. This creates the impression that the Azerbaijanis do not have the same human value as the inhabitants of the oil companies’ home countries. The respondents are also very concerned by what they see as discrimination in matters of pay. The assertion that Western oil companies discriminate against Azerbaijanis by paying them much lower wages than Western workers recurs with a high frequency.

These three lines of argument are heard from both those in the sample who consider that the oil industry has no effect on work for human rights and those who maintain the attitudes and policies of the oil industry are a downright hindrance to work for democracy and human rights. In other words, the majority are negative to the oil industry’s role in this area. In Azerbaijan, they say, the oil industry prefers dictatorship to democracy. It is a serious matter that so many think that the oil industry is not neutral, but, on the contrary, that its policies strengthen and uphold the dictatorship.

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It is pointed out that the opposition in the country is the side that feels most strongly affiliated to the West, but that there are signs that this sympathy may rapidly flip over to an anti-Western attitude. The argumentation is supported by the fact that the interviewees have the impression that Western oil companies seem to shun all cooperation with the opposition out of fear of reprisals from President Aliev. It is asserted that Western oil companies are refusing to employ Azerbaijani oil workers who have a problematic relationship with the regime.

The opposition suspects Western oil companies of a political assessment of the country's stability that makes them feel well-served by a strong dictator and a weak opposition. It is added that sooner or later the opposition will come to power, and then the contracts of the oil companies that have been particularly supportive of Aliev will be in the danger zone. In fact, the companies that have gone furthest in propping up the dictatorship will be punished. It is claimed that the political parties in opposition have a file on each single oil company, in which they record everything it does in Azerbaijan. This being so, thinking only of money is dangerous short-termism for the oil companies, for the chances of Azerbaijan one day having a government of present-day oppositionals are great, and so in its own interests the industry should take a longer view.

The disappointment that interviewees feel over what they see as the cowardice of the Western oil companies is not lessened by the fact that Azerbaijan can boast of a democratic tradition that sets it apart from other Muslim states in the region. It was emphasised that Azerbaijan was the first country in the Muslim world to introduce democracy (the republic of 1918–20) and that the country was further ahead on the democratic road than Turkey. There can be no doubt today that Azerbaijan has advanced further in democratic thinking and development than the other Muslim states in the region such as Kazakhstan, Turkmenistan and Uzbekistan. For this reason the indifference of Western oil companies to the promotion of human rights in Azerbaijan is of particular gravity, for democracy and human rights ought to have good chances here.

Among those who think that the oil industry plays a positive role, or has an effect that is both positive and negative, the main argument is that the oil industry is the driving force behind the Western orientation Azerbaijan has chosen after the fall of the Soviet Union. Azerbaijanis enjoy close contact with democratic Western cultures in which human rights are a core element. That the Azerbaijanis can observe the Western standards of living they covet is an incentive to strive for ethical ideals, for they perceive that human rights are respected in prosperous countries. Azerbaijani political culture therefore

puts much greater emphasis on democratic ideals than would have been the case without any representation of Western industry on the social scene.

Some say straight out that the presence of the Western oil industry has improved the human rights situation. This statement is justified with reference to the greater international familiarity with and attention to Azerbaijan, which makes it more difficult for the regime to tyrannise over the individual citizen.

Nevertheless, the interviewees did not judge everyone alike, they claimed to distinguish between nations and companies. A consistent feature was to distinguish between the USA and Europe. The USA had displayed great enthusiasm for getting Azerbaijanis to the US, giving them an education and schooling them in human rights. Irrespective of whether they were affiliated with oil companies, embassies or NGOs, Americans were regarded as much more active in human rights questions than the Europeans, their institutions and companies. The American Embassy is the only one to show any concern for violations of human rights; but where the State Department speaks out, the European foreign ministries keep silence.

Democracy and Human Rights in Iran

No impact	2
Positive impact	4
Both positive and negative	0
Negative impact	8
N (number of respondents) = 14	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

The respondents presented Iran as a society in transformation. The current struggle between the national-democratic forces and the upholders of the religious dictatorship means that Iran in effect has two competing governments, the 'open' and the 'hidden'. In the 'open government' Khatami is in charge; it is with representatives of this government that foreigners have dealings, especially oil companies negotiating contracts. The 'hidden' government under Khamenei rests on the institutional power structure as enshrined in the revolutionary constitution. The political conflicts in Iranian society take the form of 'competition' between these two governments.

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Iran has undergone profound structural and political changes, so that the present situation is quite different from 1979. It is true that the theocracy is still formally in power, and in real terms partially so; but it is under challenge. If Khamenei pulls out all the stops in his opposition to the democratic movement, it will destabilise the country and lead to chaos, but that will not stop the forces for change. The most Khamenei can do is postpone and slow the trend.

The driving forces in all the change most often mentioned are the educational explosion, greater equality of opportunity for women and press freedom. These three factors together have created a qualitatively new society with a very different public space. Public debate has cleared the way for innovative thinking and reinterpretation of the role of Islam in the current political system. Critical debate and pluralistic thinking are the solvent of the mind-set of totalitarianism. The respondents also thought that increasing industrialisation and urbanisation helped to create a larger middle class and thereby the preconditions for a more modern and pluralistic outlook. Traditionally the Iranian middle class has been oriented towards democracy and pluralism, and all the revolutionary propaganda has not much changed this. In this way the middle class is a natural enemy of the dictatorship. The interviewees claimed that the Qur'an cannot provide answers to everything, such as the problems of the modern economy.

A surprising number mentioned international influence as an important factor in stimulating change. Globalisation was a word we heard often, usually in the sense that globalisation forces democratic development and respect for human rights.

The fact that President Khatami has formulated an ideology that justifies change within the framework of Islam was emphasised as important, as was his decision to proceed by only moderate measures, avoiding drastic confrontations that can only lead to bloodshed. Khatami's popular legitimacy has strengthened the principle of free elections and thus given the people greater power at the expense of the clergy. Political legitimacy in modern Iran is created by both religious learning and the will of the people.

However, the respondents added that Khatami has not yet passed the test as the great reformer. Success or failure will depend entirely on his ability to deploy the new Majlis as an instrument of change. It was also mentioned that, in reality, many of the deputies with whom the Western media associate the president have their enthusiasm for civil society and democracy well under control. They use the concepts without really understanding, or much caring, what they actually mean.

Here it was emphasised that Western oil companies, in order to safeguard their economic privileges, used actively to oppose democracy and human

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rights. The greatest symbol of this murky past is the overthrow of Mossadeq in 1953, see below. When some Western oil companies talk about democracy and human rights, therefore, it is because they are forced to do so – this is not a change of heart, not an ethical standpoint, but merely lip service. They are happy to build a hospital here and organise a human-rights conference there, but there is nothing serious about this. One respondent said it sounded like a joke when the oil companies claimed to support democracy and human rights. Another commented: ‘Your description of the oil companies’ new thinking isn’t true. There has been no change. We have heard some talk about a new ethics, but we haven’t seen any of it. Countries like Saudi Arabia, Kuwait and the UAE demonstrate that the Western oil companies are operating in the way they always have. The policies of the British and American companies have undergone minimal change. And it is disgusting to see that the money from the oil industry is spent largely on weapons even today. The companies must contribute to channelling the revenues into more positive projects such as bringing water to a region. There are, it is true, signs that the oil companies are no longer as willing to support the dictatorship, but the change, of course, can only be seen with a microscope.’ The oil companies trim to the prevailing winds, it is said: the globalisation agenda has its ethical items and the companies cannot simply ignore this, but whether anything will come of it is an open question.

As the table shows, the respondents were not unanimous. Some thought that Western oil investment in Iran could indirectly promote democracy. Western investment – meaning mostly oil investment – is essential to improving the economy, which would in turn would create better conditions for democracy and human rights.

Cultural	2
Structural	2
The Islamic Revolution of 1979	7
Foreign interference	8
N (number of statements) = 19	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

Cultural and Structural Arguments

Some of the explanations of the current despotism emphasised Iranian culture. It was said that Iran had always had an autocratic government. This negative tradition is visible in current political culture, in that people do not

see the need for an alternative. It is not to be wondered at that such a culture is readily adapted to autocracy. Profound cultural changes are therefore necessary before Iran can become a democracy.

Structural arguments are also deployed, for example, the complete dependence on a single external resource (oil) makes it easier for an autocrat to maintain his despotism. The first striking feature of the results generated by this question is the dearth of structural explanations provided by the respondents. However, this does accord with the predictions of social psychology's cognitive attribution models, whereby the roles of persons are magnified and structural causal variables minimised – especially where this offers a chance to 'blame' external agents.

The Yoke of the Islamic Revolution

The lack of democracy was attributed to a greater degree to the ideological legacy of the Revolution, namely a glorification of religious dictatorship. Many of the interviewees explained this in terms of the revolution they themselves had helped to create being 'hijacked' both politically and religiously and ending up at a quite different destination. They had advocated the modernisation of Iran, and the 'destructive' aspect of the Revolution, the overthrow of the Shah, was a success, but then it lacked a 'constructive' aspect; there was no vision of what was to be done after the departure of the Shah. In this ideological vacuum, the revolution was taken over by the clergy and the *bazaaris* and a new ideology was created, this time hostile to democratic development.

Meddling by the Oil Companies

The second striking result generated by this question is the category 'Foreign interference'. This should be noted by the oil industry, because it means much the same as 'Western oil company interference'. In other words, when the political opposition is asked to explain the reasons for the religious dictatorship in Iran, the single biggest cause cited is foreign meddling, and when we look at the arguments in greater detail, we find the Western oil industry to be the arch-villain. The events of 1953, when Prime Minister Mossadeq, regarded as the foremost exponent of freedom and democracy in Iranian history, was overthrown in a *coup d'état* carried out by the Shah and orchestrated by the CIA, made an indelible impression.

The Iranian perception is that Pahlavi could never have taken power without the aid of the CIA, and that the reason for the coup was the American wish to continue controlling Iranian oil. In 1951 Mossadeq

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nationalised the considerable British oil interests. The idea that Iran could control its own oil resources in this way was anathema to Western oil companies and Western governments, which regarded it as a serious contravention of the principles of 'world order' and global trade. Such a theory was hardly weakened by the fact that the USA was represented in the international consortium formed after the coup to make contracts with the new regime. The West did not care that the coup also strangled Iranian democracy in its cradle; better to get one's oil from a tame dictatorship than have to bargain for it with a rambunctious democracy.

The dramatic overthrow of Iran's first democratic leader has defined Iran's attitude to Western oil companies ever since. It is therefore no coincidence that when the American ambassador in the spring of 2000 made a *démarche* for reconciliation between the two countries, he apologised for the USA's actions in 1953. Our interviewees describe the coup as merely the tip of the iceberg of Western interference in Iran since the discovery of the oil. BP, which before Mossadeq nationalised the oil industry had (as Anglo-Iranian Oil) a virtual monopoly, was described in particularly virulent terms. This monopoly was used, in alliance with the Shah, to safeguard its own interests at the expense of democratic institutions. When Mossadeq formulated his slogan, 'We must cut off the foreign hand', it was BP he had in mind. Our interviewees maintained that BP had operated in classical colonialist style by:

1. Meddling in domestic policy
2. Appointing its own candidates to lead the Iranian oil administration
3. Exploiting its position to influence parliamentary elections
4. Paying for positive media articles about BP
5. Operating with fake invoices to avoid paying the Iranian government its dues
6. Promoting corruption within the Iranian government
7. Preventing Iran influencing the pricing of oil. What Iran received was minimal.

Corruption in Azerbaijan

The main argument is that collaboration with a corrupt regime is itself corrupting. As an illustration of this, frequent mention was made of the bonus money that the companies pay when contracts are signed. It was claimed that this money never appears in the accounts; in other words, it disappears, clearly into the dictator's own pockets. In this context it is stressed that the oil companies have no moral right to deny that they share

responsibility. President Aliev and the oil companies have acted in concert, and so both are guilty. It is interesting to note that the opposition is here asserting the same ethical principle as Transparency International: ‘The donor is as guilty as the recipient. They are in collusion.’ Corruptly disappearing bonus money is the assertion that recurs most often in discussions of corruption.

It is a common perception that the Western oil industry is aggravating rather than ameliorating the culture of corruption, and that the danger of future oil revenues disappearing into the pockets of a corrupt clique is acute. It is worth noting that the interviewees are much more pessimistic about an improvement in the culture of corruption than about human rights and democracy. The majority blame the oil industry for the steadily increasing corruption. Only one single person in the sample thought that the Western oil industry was counteracting corruption, and even *he* made reservations, saying that the Western oil industry is serving the corruption culture by supporting the dictator Aliev. However, this respondent maintained that the Western oil industry was not itself corrupt; on the contrary, its business practice in Azerbaijan showed that it was possible to make money honestly, and so in the long run the oil industry can be an ideal.

Table 4 : <i>Western oil companies' effect on corruption in Azerbaijan*</i>	
No effect	3
Increases corruption	16
Decreases corruption	0
Both increases and decreases corruption	1
N (number of respondents) = 20	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

Many others in the sample were also willing to moderate the accusations against the Western oil industry’s activities in Azerbaijan. They would not go so far as to say that the companies *want* to be corrupt, but that when they operate in a country like Azerbaijan, they cannot avoid being caught in the net. The way they see it, there is a difference between the oil contracts made at government level, which are not corrupt, and contracts for services in the Azerbaijani infrastructure – as soon as the companies enter this arena, they tumble into the culture of corruption and become a part of it. Some would claim that this happens against the companies’ own wishes, but that they are powerless.

The impression we are left with is that the opposition, which sees corruption as the biggest obstacle to positive development, thinks that the oil

industry is blundering about in the dark on this question. They may have a different banner, but they're marching in the same parade. Moreover, the perception is that the Western oil industry is capable of playing a much more active role in combating corruption than it actually does.

One respondent said: 'A few years ago someone wrote in an article that the question was whether Azerbaijan would become another Norway or another Nigeria. It looks like the answer is Nigeria – dictatorship, police state, unemployment and corruption. Ordinary people haven't seen a cent of the contracts with the oil companies, and no one knows where the money has gone. Western oil companies must help stop Azerbaijan turning into a Nigeria – and they can, if they have the courage to speak out and speak up.' Other respondents didn't like the comparison with Nigeria. We are not like the Nigerians, they said, we are much more advanced, and we won't take the same road. There were some similarities, it was true, but differences as well: for example a free press, active political parties and in future there would be free and fair elections. One of the interviewees was even more optimistic, and that was why he was staying in the country; for, as he said, one day Aliev would no longer be in power.

Corruption in Iran

No impact	3
Reduce corruption	3
Both reduce and increase	0
Increase corruption	8
N (number of respondents) = 14	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

The most striking thing here is that corruption caused by foreign investment in the oil sector is not seen as a major problem. It was claimed that compared with other countries – and particularly the neighbours in the Persian Gulf – Iran is not very corrupt. Moreover, it is argued that in addition to an ongoing public debate on corruption, there is effective surveillance, and corrupt individuals risk losing their jobs. The respondents reminded us that the Islamic Revolution was an ethical and cultural affair, not just an economic one. This is not to say that the problem does not exist, on the contrary it was said that the culture of corruption is in the process of spreading, even if those on the top are not normally corrupt. The Revolution's ethical programme has not yet been victorious; the continued

existence of the culture of bribery is a defeat for the revolutionary goals of Islamism.

The respondents had, however, no illusions about the oil industry. They reminded us that this industry by and large operates in countries where regimes and cultures alike are permeated by corruption. To win contracts it is practically essential for the Western oil companies to participate in the culture of corruption and become a part of it. A company that becomes involved in Iran risks this, and it is up to the company itself whether it wants to run this risk. But it was also said that investments by the Western oil companies could reduce corruption: such investments would stimulate the development of private companies independent of the public sector. It was clear from this that the respondents regard the private sector as less corrupt than the public; although this naturally does not apply to those companies that are currently private in name, but which in reality are part of the long arm of the State.

The sharpest distinction drawn by the interviewees, however, was that between American and other oil companies; American companies were praised as the standard-bearers of ethical values. European companies, on the other hand, were lumped with the Arab and Japanese, where there is little reluctance to become drawn into the culture of corruption. The big contract with Total was frequently cited as an example of what *not* to do when signing oil deals; there were persistent rumours of corruption, and if true, it means that the little clique that made the contract on the Iranian side will be getting very rich. There was no question here of public access to information, whereas American companies make it very clear to their Iranian partners that transparency is a condition of the contract. It is claimed that the USA's clear line is accepted in Iran.

The responses sometimes appeared contradictory. The interviewees spoke of the absence of corruption at the top, but at the same time, when harping on the contract with Total, they complained of corruption in high places.

The Respondents' Recommendations

Democracy-building, human rights and corruption are political minefields in which the oil industry can, even with the best of intentions, put its feet wrong. Nevertheless, it is essential that the Western oil industry take a proactive line in these areas. Its historical record leaves much to be desired and so it has a small margin of error; if, therefore, it wishes to enjoy a positive image in Western civil society and public opinion, it must clearly demonstrate a change of heart.

Local elites meet foreign corporations

This report is meant as a contribution to the debate over how the oil industry can optimally combine an ethical policy with good business in Azerbaijan. We asked the interviewees what the Western oil industry **ought** to be doing. Because the respondents belong to the political opposition, many of the answers may be tactically slanted. Others may be unrealistic, seen from the oil companies' point of view. This does not detract from the relevance of what is being said by Azerbaijan's main oppositional politicians, for it touches on vital aspects of the companies' ethical responsibility.

The Azerbaijani respondents

'Don't be fooled by President Heidar Aliev'

A recurrent perception in the responses is that Western oil companies, and the West in general, fail to see what Aliev is really about. Like other dictators, they say, Aliev is a consummate opportunist, enabling him to conceal the true face of his dictatorship. He fooled Brezhnev, and now he is fooling the West too. In the Soviet period, Russian leaders would visit Baku for talks in the same way as Western leaders do now. Then, he talked Communism to his guests, and now he talks democracy, equally without any benefit to the Azerbaijanis. All he is really interested in is himself and his own family. When he introduces Western laws and institutions, this is mere window-dressing to buy goodwill in Western countries. He is now tightening the reins, and the contours of a personal dictatorship are getting ever clearer. An oft-mentioned example of this is his 1998 law on press freedom; what actually happened is that censorship is stronger than ever, media people are imprisoned, and not only they, but also their families, are subjected to arbitrary violence. Aliev has thus combined the worst of all possible worlds – Communist dictatorship plus crony capitalism with no social conscience.

The interviewees emphasised that Azerbaijan is a Muslim country and that Aliev's technique for holding power is therefore based on clan thinking. He is worried about what will happen to his family the day he dies or steps down. There are a lot of Azerbaijanis waiting for this very day for their revenge.

Aliev does not rule by the will of the people, and this is why he is seeking support both from bigger states and from the oil industry, claim the respondents. The interviewees are of the opinion that when Western oil companies maintain that they are not mixing business and politics, this is untrue, for it is thanks to the oil contracts that Aliev is still in power. On

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ethical grounds the oil companies cannot continue to remain indifferent to this situation.

It was also said that in a corrupt society like the Azerbaijani one, oil creates difficulties for the people and the country. There is a big black economy, it is well-known that Aliev's family is involved in oil sales on the black market. As long as the Aliev's family is on top, however, it will be impossible to do anything about it. The respondents therefore find it morally abhorrent that Western oil companies have such a lukewarm attitude to the whole problem.

'Don't act as if the oil is Aliev's to give away'

The artillery barrage from the respondents is targeted not only at Aliev, but also at Western oil companies. Only a tiny minority of the Azerbaijani population is prepared to praise the industry. Even if the companies pay lip service to democracy-building, respect for human rights and the struggle against corruption, they are indirectly and directly upholding the dictatorship.

When Western oil companies come to Azerbaijan it is in order to earn as much money as possible, and to do that, you have to be on good terms with Aliev. Public relations are an optional extra. Several respondents regard the companies' wish to earn money – even a *lot* of money – as legitimate in itself, but demand that they do so in accordance with ethical guidelines.

The interviewees raise the question of lack of transparency and maintain that foreign oil investors are shocked at how much the regime can keep secret. Refusal to publish can only serve as evidence of corruption. SOCAR (State Oil Company of the Azerbaijan Republic), the Azerbaijani state oil company, spends money as it sees fit and no one gets to see its books. When buying equipment, it operates with prices four or five times above the real price, and the difference goes into private pockets. This secrecy is the very bedrock of the culture of corruption, and it is downright depressing that the Western oil companies are nurturing it. When Western investors know perfectly well that all the oil revenues go into the pockets of a small clique at the top and do nothing about it, they are responsible for the phenomenon. Azerbaijan currently produces 10 million tonnes of oil: the population is convinced that Aliev skims most of this, and if the country produced twice as much, all that would happen is that he would skim twice as much.

The respondents point out that it is not Aliev who owns the oil, but the people. The Western companies seem to think that the oil is Aliev's alone to give away, and that they need to do business with him and consider his interests alone.

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'Think in the long term – Aliev will not live forever'

Western oil companies have only been in the country for five years, and so they are under the illusion that stability is due entirely to Aliev himself. For this reason they want to keep in with him, fearing otherwise to lose their position. The interviewees regard this as short-term thinking. The idea that 30–40 years ahead it will be just as important for Western oil companies to have a stable society should induce them to rethink their policy and start forging other alliances. Investors should remember the role played by the Western oil companies under the Shah of Iran, and the tears in which that policy ended. Something similar is happening in Algeria and Libya, but the oil companies never seem to learn. Even if no violent revolution or Islamic state is provoked, at the very least a new government would look very carefully at the record of the oil companies and their support for the dictatorship, and not hesitate to cancel all existing contracts. Russia and Iran would be glad to take the Western companies' place.

The respondents maintained that dictatorship is not the same thing as, or any guarantee of, stability, and that stable and secure social conditions can only be created in democracies. Aliev's 'stability' is purchased at the expense of human rights and democracy and the struggle against the spectre of corruption. Without saying a word in public, the Western oil companies make profitable deals with a president they know is against human rights. When this president, unlike those in many other parts of the world, is allowed to get away with it, the interviewees think they have the Western oil companies to thank.

The respondents maintain that Western oil companies have on occasion gone much further in their adulation of Aliev than normal commercial considerations would dictate. There are funny stories about this: once the president of AIOC (Azerbaijan International Operating Company), Terry Adams, presented a statue of the president and praised Aliev in such fulsome terms that even Aliev himself thought he had gone too far and asked him to tone it down a bit! Chevron has admitted that in Angola the Western oil companies glorified the dictator in order to make him do what they wanted. The same sycophancy is seen in Azerbaijan, and makes people see corrupt interests.

In short, everything the Western companies do seems calculated to convince the Azerbaijanis that a good relationship with Aliev personally is more important than democracy. If the West continues this unconditional and uncritical support for Aliev, say the respondents, democracy will be a lost cause in Azerbaijan. Instead, the West and its oil industry must make it clear that they do not accept dictatorships.

'If Aliev pushes, call his bluff'

The respondents think they have detected a greater distance between the opposition and the oil companies after Aliev came to power. This confirms what reliable sources confirm, namely that the president has told the representatives of the oil companies that they ought not to talk to the political opposition.

The interviewees describe how Aliev pressurises Western oil companies that have close contact with the opposition. However, their experience of 30 years of Aliev is that when he is pressured back, he yields. On several occasions the first American ambassador leant on Aliev, and won – no one is doing this now. Western oil companies should therefore present a united front, but they never have: instead, they have walked on eggs around the dictator. The interviewees are forced to conclude that the Western oil companies want him to stay in power indefinitely, and are therefore not interested in strengthening the democratic opposition; and that behind the companies are Western governments thinking along the same lines. The companies should be aware that even if Aliev loses an election, there will be no question of his stepping down; Azerbaijani elections are mere window-dressing, and international observers have yet to see how bad they are. Democratic elections would be respected only after very strong pressure from the international community.

Western oil companies are afraid that if they don't do as the president wants, he will strike back and damage them in some way. However, the respondents maintain, as long as the companies have not obtained any unfair privileges, he can't do anything to them. In fact, the reason why Aliev gives special rights to foreign investors is to put pressure on them later. If the oil companies yield to such pressure, it proves that they have something on their conscience; contrariwise, if their hearts are pure they have nothing to fear.

In the respondents' opinion, the oil companies' terror that Aliev may make it difficult for them to implement all their signed contracts and prevent them obtaining new ones is ungrounded. For example, it is feared that if Statoil decided to pressurise Aliev to be more transparent and democratic, it could be asked to leave the country. However, the oil contracts are approved by parliament and are thus the law of the land, Aliev can't break them. The only time the companies have anything to fear is when the time comes to make *new* contracts. It is true that there is a danger that more cynical countries like Japan could exploit this situation by stepping in to replace companies that have fallen out with Aliev. If the Western countries are ethically responsible, however, they should take this calculated risk, all the more so if they present a common front. As for Russia, it's out of the game. To begin with, the

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companies were dependent on Aliev, but now he is dependent on them. If the Western oil companies and their countries' embassies speak out in public about Aliev's massive daily contraventions, then Aliev will give way. He is not an unreconstructed Stalinist like Karimov in Uzbekistan.

If, therefore, Western oil companies were to replot their course, cultivate the opposition, start protesting against violations of human rights and launch a campaign for democracy, Aliev would be unable to do anything. Unlike other Muslim countries, Azerbaijan has a strong and articulate opposition that would then support the oil companies. Moreover, democracy is the winning side globally. The oil companies, backed by the USA, have all the power they need to start emphasising ethics in business.

Even though there was a great degree of consensus on the above, some respondents took a different line as regards Western oil companies' room for manoeuvre vis-à-vis Aliev. One respondent put it this way: 'It is difficult to say how Aliev will react if Western companies had contacts with and supported the opposition. No one knows what's going on in his head. He might yield and accept it, but it is more probable that he would ask the companies to leave the country, which would be a great loss to Azerbaijan. Aliev is a dangerous person.'

'Talk to the opposition'

The interviewees pointed out that when Western oil companies failed to see that it was in their interest to fight for democracy and human rights and work against corruption, this was because these are areas dealt with primarily by local representatives of the companies. However, the local managers of the Western oil companies in Azerbaijan have very short time horizons – five years, for example, before someone else takes over – and so their line of least resistance is to keep in with Aliev. Short-termism will always lead to alliance with the sitting government, however dictatorial it may be. If the companies start thinking in the longer term, this will automatically lead to a greater emphasis on the moral aspects of their commercial operations. New management methods will reward good business ethics, and perhaps even penalise those companies that have gone out of their way to run the dictatorship's errands. It is vital, therefore, that someone at the top works out a human rights policy and forces it through.

The respondents who thought that the Western oil companies were doing nothing to promote democracy in Azerbaijan said that the right thing to do would be to press their respective governments to pay more attention to supporting democratic forces in the country. The best in this area, they said, are the Americans. They get involved, and the Europeans should do the

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same. The respondents would like to see the oil companies, via their governments, supporting their demands for free and fair elections, the core of the democratic cause in Azerbaijan. If the leaders are unaccountable to the people, they won't do anything for them. As it is now, the only time Parliament has any influence is when Aliev has not made up his own mind. At all other times, the deputies follow blindly, and thanks to comprehensive election fraud Aliev has always had full control. Should he lose a free and fair election, he could lose his grip on Parliament, it was said.

A similar perception, shared by many of the interviewees, is that the oil companies have not up to now had any positive effect on human rights either. Without human rights, there can be no democracy. The US State Department has commented on violations of human rights, but we hear nothing from the oil companies. Not all the interviewees, however, shared this view. There were several who were glad to see that the Western oil companies are now – in contrast to what went before – showing a sense of moral responsibility with regard to democracy and human rights. Ethical thinking in this context is practically unknown to Azerbaijanis and so it is important to show the way. All support from outside was welcome. The oil companies can put pressure on the regime through the latter's signature of the international human rights conventions; the companies could monitor the protection of human rights and file periodical reports. These should be prepared by a new apparatus established to keep track of what is going on in Azerbaijani society, independently of the government.

The respondents maintained that if the oil companies resumed the dialogue with the opposition, both sides would benefit; the companies would then have access to better information about Azerbaijan, especially information that Aliev tries to hide. The opposition should be invited to visit the companies' home countries and put its case. As it is now, the oil companies seem to be treating the opposition – who after all are those who support democracy and strong ties with the West – as if they have the plague.

'Support the free press'

The respondents asked why Western oil companies are not supporting the free press. They find it startling that the companies advertise exclusively in organs controlled by Aliev. The opposition paper Azadliq had to close for lack of advertising revenue. The oil industry's press policy is seen as a sign of partisanship. The only multinational that does not follow this sycophantic line is Coca-Cola, they advertise in all the newspapers. As well as oppositional newspapers, the interviewees consistently said that it was important that Western oil companies supported lawyers specialising in the

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media and free speech, so that they can afford to stay in operation and plead cases. They ought to support the press club in which the opposition holds press conferences open to all papers, and support the newspaper's library service. The same applies to television companies; some of the apparently 'private' channels are secretly controlled by Aliev, but Western investors could help the Azerbaijanis to found a new television channel that really is independent.

'Help to develop civil society'

Other contributions to the development of a civil society are within the power of the oil companies, for example financial support to NGOs engaged in human rights. This is actually quite legal even under Aliev's rule. While a few of the interviewees thought that Western investors would never accept a programme for human rights and maintained that 'we don't really want them to, they are here to do business', the others saw it as essential that the Western oil companies make a serious effort to school Azerbaijanis in democracy and human rights. They should support seminars teaching these subjects, seminars aimed at teachers, the young people in refugee camps and police cadets. Important generally was support for science and culture, student exchanges, technology transfers and development of local oil expertise.

Another important measure was to support trade unions and stop signing contracts that explicitly restricted labour rights. Yet other areas were minority groups, health care and women in the oil industry. Courses could be held for the deputies of the national assembly; these never meet the ordinary people, they have no notion of responsibility to constituents, and never speak about human rights.

If the West is serious about creating stability in the region – what has been called the Silk Road Project – its task may be summarised in two words: support democracy!

'Open the books'

The interviewees have expectations of the oil, which they thought ought to create a basis for prosperity and give them political advantages. Western oil companies, professional in their operations and business relations, bring money to the country. On the other hand, it was said, you must not imagine that Azerbaijan is Kuwait – and it never will be. If we are to get rich, a lot of hard work is needed. We won't become an oil nation in the traditional sense; oil will become a smaller but important part of our economy, it ought not to

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be the engine of economic development. The fact that oil has caused only trouble is connected to the fact that the country lacks petroleum legislation and strategy.

After five years, people are asking whether the money spent on SOCAR has been worth it, or whether it has all ended up in foreign bank accounts. We don't know where the money from the early oil went, and it seems as if corruption is deterring further investment. We expected that when the big fish (the oil companies) came, the small fish would follow, but that has not happened, everything seems to have seized up. For this reason the Western oil companies must start publishing the figures of what they transfer to SOCAR. As long as SOCAR is not a public company, it can be secretive, and the corruption problem will never be solved. It must be pressured to publish its transactions. The Western companies must tell us how much they are paying for various services, for example for data from the Geological Institute. The same goes for the bonuses they pay for contracts. In the same way, the planned Azerbaijani Petroleum Fund must be controlled by democratic institutions, or else it will be just another weapon in the arsenal of the corrupt regime. Western oil companies must make sure that the intentions of the Fund are kept in mind and followed up. If they are, this will lead to more open politics and less corruption. In a word, all payments must be public. The Western oil companies could start doing this tomorrow, but they are afraid of Aliev's reaction.

'Publish the plans'

If investors start demanding access to accounts, contracts and asset flows on the Azerbaijani side, and themselves allow public inspection, this will go a long way to eliminating corruption. They should also publish all their plans and projects, not in the state-controlled press, but in their own publications, which they could then circulate to the opposition. That will stop politicians saying afterwards that 'they didn't know'. Conferences for the opposition where the companies talk about their plans will also be useful.

'Stop paying bribes'

The respondents emphasised that the oil companies must stop sucking up to Aliev and instead tell him loud and clear that there must be an end to his crookery. Economic aid must be given not to the government but to private companies and institutions. Western oil companies must stop allying themselves with Aliev, must stop paying bribes, must talk openly about corruption, and blow the whistle on the money that Aliev is pocketing.

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The respondents called for joint conferences with the opposition and NGOs to which independent experts on corruption are invited. There could be ‘think tanks’ for corruption and economic development – for example, a corruption conference was recently held by the American Chamber of Commerce and Bagirov (see Appendix I); the contributions will be published and distributed.

‘Support us in Nagorno-Karabakh’

The interviewees argued that oil and politics must not be seen as two separate spheres, because that would push the struggle for Nagorno-Karabakh into the background. They thought that young people would not fight for Nagorno-Karabakh because they think that it would prevent them enjoying the good life that they expect if oil production proceeds in peace and quiet.

The respondents maintain that Aliev’s promises that the oil companies would support Azerbaijan over Nagorno-Karabakh have not been fulfilled. On the contrary, it is asserted, the oil companies are exploiting the difficult situation. First Russia kept the conflict going to oppress us, and now the West is doing the same. Neither the USA nor NATO has supported us. The situation is now reminiscent of the cold war, with Russia on the one side and America on the other. Not even Norway, which lacks the same geopolitical interests as the Powers, can see the conflict objectively. Nagorno-Karabakh can become the next Kosovo.

The disappointment over the Western attitudes to Nagorno-Karabakh can cause future governments to give the oil contracts to the Japanese and Chinese instead. For Azerbaijan, giving the contracts to Western companies was a political choice, but the West saw it as a market response and took it for granted.

The odd thing is that Armenia is now using the oil argument to maintain the hopeless situation in Nagorno-Karabakh: the Armenians are saying that the oil will make the Azerbaijanis more powerful, and so they themselves need Western support to compensate. As the respondents see it, the West cares about the Armenians but not about the Azerbaijanis. There is a double standard, which is not compatible with human rights thinking; the same rules should apply to all irrespective of ethnicity. Western oil companies should put pressure on their governments, and support us in Nagorno-Karabakh and against Russia. If they do that, we will love them.

The Iranian respondents - Democracy

Table 6 : <i>What should the companies do (or not do) to promote democracy and human rights in Iran?*</i>	
No special contact with opposition	5
Support education	7
Help get the Iranian economy going	11
No interference in Iran's domestic affairs	29
N (number of statements) = 52	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

The most striking aspect of the results is that the respondents talk much more about what the oil companies should avoid doing than what they ought to do. Their arguments are based on what they see as the companies' historically poor record in Iran. Thanks to their previous direct meddling in Iranian politics, the companies have no credibility. Campaigns, conferences and demonstrations for democracy and human rights that have the oil companies behind them will be negatively perceived and seen as interference in Iran's internal affairs. Were an oil company to protest against some breach of human rights in Iran, we were told, it would simply be asked to leave the country.

Poor reputation is only one reason why Western oil companies ought not to try to promote democracy and human rights in a direct manner. Another is that this would be counter-productive, weakening the forces in Iran themselves working for democracy and human rights. Were both the Iranian opposition and the oil companies to make a common protest against human-rights violations, this would be a gift to the conservatives, who would then accuse the opposition of collaborating with the country's enemies. It follows from this that it would be extremely undesirable for the oil companies to cultivate the political opposition; this would be the kiss of death for the reformers.

For these two weighty reasons, the oil companies should never make public comments about democracy and human rights, this would hurt both themselves and the reformist movement. If they ever raise questions of human rights, this must be done discreetly and unofficially. Perhaps it will do no harm, there might indeed be a positive response. It was emphasised that the oil companies could only operate in both the Iranian minefields – corruption and democracy/human rights – in a very indirect manner.

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The best indirect approach was to invest in Iran. Were the economy to pick up, it would strengthen the Iranian middle class, which has always been the biggest advocate of human rights and democracy. A gradual improvement of the economy would also expand contact with the West and open the door to globalisation, which some of the respondents thought would be conducive to democracy and human rights. Support for education was the best weapon against corruption. In the interviewees' opinion, such support – awarding of scholarships, publication subsidies and so forth – would not be perceived as 'interference in Iran's internal affairs' in the same way, but would be seen positively by everyone.

Corruption

The oil companies must avoid being corrupt themselves	3
The oil companies must combat Iranian corruption indirectly, through education	4
The oil companies must deliberately strengthen the Iranian private sector	5
The oil companies must themselves find out which Iranians are corrupt	5
Both government and oil companies must practice transparency	19
Other statements	7
N (number of statements) = 43	
*Since we have a non-random sample and a relatively low N, no significance tests are reported, nor are percentages given.	

From this table it can be seen that the respondents' main concern is the lack of transparency of the oil industry. They complain that no other industry, domestically or globally, is so unwilling to provide information as the oil industry. Moreover, corrupt despotisms in the countries where the oil industry operates also have an interest in keeping oil matters secret, which makes for a natural alliance, and such a climate in turn fosters the culture of corruption. The recently signed contract with Total was seen as an example of these negative trends in both Total itself and in the Iranian government. They told us that Total has no contact with the Iranian civil society, the company insulates itself completely, and it is impossible to extract information about the company's operations. There was no public debate about the Total contract, which was made between a narrow clique of bureaucrats in the Energy Ministry and a few top politicians including the president. The way in which this was done was subsequently heavily criticised and it was stated that in future the Iranian civil society would demand much more transparency. Some found it reprehensible that the

contract was made with ulterior political motives, it was not the market alone that decided.

It was also emphasised that attempts by the oil industry to tackle the corruption problem by propaganda and pressure, such as sponsoring seminars in Iran, will be counter-productive. One interviewee stated that if the oil companies tried to administer anti-corruption pills to the government, the latter would just spit them out again. All attempts at direct influence will be seen as meddling in domestic Iranian affairs, and this will make life more difficult for the forces within Iran actively working against corruption. The oil companies must instead work indirectly, for example encourage privatisation by placing their orders with private companies.

The theme most frequently taken up by the respondents was support for education. There was great faith that education would make people less corrupt. People in cultures with lower levels of education do not perceive corruption in the same way. One interviewee said that in France, for example, if a minister earned 20,000 dollars in an irregular manner he would be sacked on the spot, but that in Iran this would hardly be seen as a problem. Another respondent said that an indirect way of combating corruption was giving student grants.

It was also stated that if the Western oil industry is to operate effectively as regards Iranian corruption, the companies must stand together and agree on a joint strategy; but there was little faith that this would happen. Western companies' activities in the Persian Gulf clearly show that most companies have no scruples about making corrupt contracts.

Conclusion

In the 1980s the Western oil industry was concerned to create liberal market conditions worldwide. In the following decade it became equally concerned to become, if not exactly a *primus motor*, then at least something other than an obstacle to democratic development and human rights. This is a political minefield in autocratic states, a category into which most of the oil producers unfortunately fall, and so it is hardly surprising that the industry was blundering about in the dark. The road from well-formulated ethical codes to practice is a long one and the danger of getting lost is acute.

This comparative study has comprehensively demonstrated that promotion of democracy requires intimate knowledge of local conditions. Our findings show very clearly that what is an accepted approach in Azerbaijan is not necessarily equally acceptable in Iran. In fact, the situation is worse, as what can work in one country may be counterproductive in another. This demonstrates the necessity of knowledge and insight into local conditions

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before the oil companies even think about getting involved in this difficult field. The oil companies' involvement must be adjusted to local conditions on a case-by-case basis.

Western oil companies are well acquainted with their own shareholders and civil society in Western countries, and here the message about the "new" ethical awareness or social responsibility is well-communicated – naturally with a view to preventing hostile actions against the companies. But it is in the countries from which they pump the oil that ethical awareness and social responsibility will be tested.

When during our fieldwork in Azerbaijan in September-October 1999 we held introductory briefings about the oil companies' "new ethical policy", we discovered to our surprise that this was news to the respondents, even at the highest level (see interview list). Even so, some had seen Shell's slogan "Business and Values" in international journals. We were also surprised how well the message was received. However, when we moved from Azerbaijan to Iran the applause was replaced by scepticism.

The paradox is that our findings from Azerbaijan suggest that the oil companies are given greater freedom of action for the practice of human rights policy in states that previously belonged to the Soviet sphere of influence than in the states that during the Cold War were in the Western camp. This is hardly calculated to strengthen faith in Western policy in Muslim states where the oil flows.

The oil companies are boasting of their ethical values against a dismal historical backcloth. Our data clearly show that the Western oil industry does not enjoy confidence, and this is primarily, although not exclusively, due to historical events. The companies have displayed great political cunning and understanding of oil-rich dictatorships when they have drawn up their contracts. In 1953 the Western oil industry showed great skill in helping the dictatorship to crush Iranian democracy – an event that demonstrably laid the foundation for the Islamic Revolution of 1979. So now that some of these companies have begun to take an interest in the possibility of democratic development and a fairer distribution of the oil revenues in the lands where they pump the oil, we owe them a serious hearing, but we also owe the host countries a serious understanding of past sins.

The question is whether the industry is willing to invest so much of its political skill in restoring democracy. And if the oil companies in Azerbaijan continue to be passive spectators of the disappearance of the country's oil revenues into the pockets of corrupt autocrats, in the long run this can lay the groundwork for re-Islamicisation of the country and political extremism.

In Iran, "Western morality" means double standards and cultural arrogance. It is claimed that the West should put its own house in order first.

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Iran sees Western human-rights policy through ideological glasses, not as an expression of universal norms. Does this mean that Western oil companies in Iran should use the philosophy of the “realist school” in international politics as a guideline for its own ethical policy? In our opinion, no. Cultural relativism and cosmopolitanism are usually discussed as two opposite poles, but this type of discussion conceals the fact that there is a third alternative. Namely that both the cosmopolitan values related to democratisation and human rights and respect for local culture and history must be safeguarded.

The political climate in Azerbaijan means that the oil companies can present their messages and principles as regards democracy, corruption and human rights quite freely in the public space. It is quite different in Iran. Attempting to do the same there will only damage the cause advocated. This does not necessarily mean that Western oil companies should reduce their ambitions to promote democracy and human rights in Iran. That their room for manoeuvre is smaller is not to say that measures are less effective; for the oil companies to fall back on a policy of so-called “neutrality” is illusory in the extreme and morally obnoxious.

The crucial question for the Western oil industry is to what degree it really wants to take the steps that in both countries will promote the democratic forces and weaken the authoritarian. This belongs in the realm of the possible, but the industry must make more effort than it does today. The historical record of the oil companies in this field is a tragic one and the interviewees have good reason for their very unflattering portraits of the Western oil industry.

On one important point there was a consensus between the interviewees in Azerbaijan and Iran: the oil companies’ long tradition of secrecy must go. The political opposition in both countries unanimously demands greater transparency.

Appendix I

List of Interviewees in Azerbaijan

Politicians

1. **Isa Qambar**, Chairman of the Musavat Party, Former Speaker of Parliament, Right-wing politician, espouses some liberal and some nationalistic ideas. Historian, former Research Fellow at the Institute of Oriental Studies. Ethnic origin: Azerbaijani Turk
2. **Abulfaz Elchibey** (died in 2001), Chairman of the Popular Front of Azerbaijan. Former President. Calls himself a right-wing politician, Turkic nationalist. Historian (Oriental Studies), former Senior Research Fellow at the Institute of Manuscripts, Academy of Science. Ethnic origin: Azerbaijani Turk
3. **Ali Kerimov**, First Deputy Chairman of the Popular Front. Right-wing politician, espouses some liberal and some nationalistic ideas. Leader of informal 'Yurd' organisation, Member of Parliament. Education: Law. Ethnic origin: Azerbaijani Turk
4. **Muzaffar Djabrayil-zadeh**, Chairman of the Islam Party (pro-Iranian, in favour of Islamic Republic)
5. **Leyla Yunusova**, Chairman of the Peace and Democracy Institute. One of the founders of the Popular Front, former Chief of National Army Information Service (in Elchibey's time). Ethnic origin: Azerbaijani Turk
6. **Ilyas Ismailov**, Co-Chairman of the Democratic Party (shares this position with Rasul Quliyev, now in asylum in the USA). Calls himself a democrat and an adherent of 'common sense'. Vague political views. Former Prosecutor-General (during the later Soviet years) and former Minister of Justice (in Elchibey's time). Education: Law. Ethnic origin: Azerbaijani Turk
7. **Zardusht Alizadeh**, Co-Chairman of the Social Democratic Party (shares this position with his brother Araz Alizadeh). One of the founders of the Popular Front Movement, later founded the SDP. Education: Oriental Studies. Advocates good relations with Iran and Russia. Against Pan-Turkism, in favour of Mutallibov. Ethnic origin: unknown, calls himself an Azerbaijani
8. **Nazim Imanov**, Deputy Chairman of the National Independence Party, Member of Parliament, Doctor of Economics. Right-wing politician, liberal-minded, in favour of free market model. Ethnic origin: Azerbaijani Turk
9. **Dr Firidun Jalilov**, Speaker of the Assembly, National Independence Party, former Minister of Education (in Elchibey's time). Strong Turkic nationalist. Ethnic origin: Azerbaijani Turk
10. **Tahir Kerimli**, Chairman of the Vahdat (Unity) Party, former Chief Justice (in Elchibey's time). Education: Law. Calls himself a democrat, not in favour of Pan-Turkism. Ethnic origin: Azerbaijani Turk

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11. **Etibar Mamedov**, Chairman of the National Independence Party, Member of Parliament. Historian. Right-wing politician, strong nationalist, in favour of ‘order and stability’. Ethnic origin: Azerbaijani Turk
12. **Sabit Bagirov**, President of the Far Centre research institution. One of the founders of the Popular Front, former Chairman of the State Oil Company (in Elchibey’s time). Member of the Musavat Party. Economist, liberal-minded. In favour of the Baku-Iran-Turkey pipeline. Ethnic origin: Azerbaijani Turk
13. **Panah Husseynof**, Chairman of the People’s Party, former Prime Minister (in Elchibey’s time), one of the Founders of the Popular Front. Historian. Espouses liberal, nationalistic, social-democratic and populist ideas. Ethnic origin: Azerbaijani Turk
14. **Ramiz Axmedov**, Chairman of the Azerbaijan Communist Party, philologist, journalist, First Secretary of the Communist Party in the Gabala and Evlakh regions under the USSR. Former Editor-in-Chief of the Communist Newspaper (main governmental paper in the former USSR). Pro-Russian and anti-Western. Has good links with the Russian Communist Party. Ethnic origin: unknown

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15. **Dr Hasan Guliyev**, Chief Analyst, Turan Information Agency, Doctor of Philosophy, liberal-minded. Ethnic origin: Azerbaijani Turk
16. **Rauf Arifoglu**, Editor in Chief of the most popular newspaper in Azerbaijan, Turkic nationalist. Ethnic origin: Azerbaijani Turk
17. **Hadji Azer Samedov**, Chairman of the Independent ‘Islam Ittihad’ religious community. Moderate Shi’i Islamist, in favour of good Azerbaijani–Iranian relations. Ethnic origin: Azerbaijani Turk
18. **Rauf Talishinski**, Editor in Chief of ‘Zerkalo’, the most popular Russian-language newspaper in Azerbaijan. Liberal-minded. Ethnic origin: unknown
19. **Vagif Sefikhanov**, Professor at Baku State University, CEO of RISK Computer Software Company. Liberal-minded. Ethnic Origin: Azerbaijani Turk
20. **Hikmet Hadji-zadeh**, Vice-President of the Far Centre research institution, Member of the Board and Head of the Analytical Department of the Musavat Party. Liberal-minded. Ethnic origin: Azerbaijani Turk

Appendix II – List of Interviewees in Iran

1. **Dr Shahriar Rohani**, Political activist and adviser to President Seyyed Mohammad Khatami. Served as the spokesman for the committee that, after the Islamic Revolution, took over all Iran’s diplomatic and consular functions in the US, including at the UN. Rohani held this position for about 13 months, after which he moved back home to become the editor in chief of *Keyhan* (Universe). At the time of the Revolution, *Keyhan* was the most popular daily with a circulation of about 400,000, which is still a record. Just before

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the Islamic Revolution, the paper was bought by a revolutionary businessman, and it became a supporter of the revolution and the Freedom Movement (*Nehzate Azadi*). The Freedom Movement was a party founded after Mohammad Mossadeq's fall in 1953 by Mehdi Bazargan and other veteran members of the National Front (*Jebheie Mellie*), Mossadeq's party. After the Revolution, disagreements with the clergy pushed them into opposition, where they still are, 20 years later.

2. **Dr Hamid Zaheri**, An oil expert. General Manager for International Affairs of the National Petrochemical Company (*Sherkate Mellie Petroshimi*). OPEC spokesman from 1974 to 1983.

3. **Dr Alireza Tabibian**, Associate Professor at Tehran University and member of 'The Institute for Research in Development and Planning', a semi-governmental organisation. The architect of the second five-year economic plan under Ali Akbar Hashemi Bahremani (better known as Rafsanjani).

4. **Dr Morteza Mardiha**, An intellectual and writer. Political journalist on the daily *Asre Azadegan* (The Time of Liberals). This paper, which was shut down by the conservatives in April 2000, was the successor of two dailies shut down one after the other, *Jame-e* (Society) and *Neshat* (Happiness). All three dailies, with the same editorial board, advocated the establishment and development of public, non-governmental media as the forth pillar of democratic society. Dr Mardiha is known for a pragmatic rather than an idealistic approach.

5. **Dr Abdelkarim Soroush**, Formerly a Professor of Philosophy at Tehran University, and a member of the Iranian Philosophical Society (*Anjomane Hekmat va Falsafeie Iran*). Regarded by many as the leading intellectual and theorist of the reformist movement. He is now suspended from his professorship. His doctrine of compatibility between democracy and Islam, and his intellectual struggle against vulgar/ritualistic interpretations of the Muslim religion, have made him the bugbear of the conservative clergy.

Time Magazine has offered the following description of him: 'Abdelkarim Soroush, the 52-year-old philosopher who has emerged, reluctantly, as the Islamic republic's most dangerous dissident. Soroush poses such a challenge to Iran's powerful religious establishment that his situation is unlikely to be eased by the recent election as President of Mohammed Khatami, who promised more openness and freedom. Soroush's sin, in the eyes of the mullahs, is to question the central tenet of the late Ayatollah Khomeini's notion of Islamic government: that Iran's holy men have a God-given right to rule. That appears to go too far even for Khatami.' (*Time*, June 23, 1997, Vol. 149, No. 25.) Though he is not himself a politician, his writings are inevitably interpreted in a highly political way in Iran.

6. **Dr Alireza Rajaiee**, Newly elected member for the 6th parliament. In a very controversial decision the Council of Guardians (*Shoraie Negahban*) declared his election invalid. Head of the political writers of the pro-democracy daily *Asre Azadegan*. Although not officially a member of any party, his candidacy for parliament was supported by a wide range of pro-democracy groups including student organisations.

7. **Mr Mohammad Torkaman**, A political historian, writer and journalist interested particularly in oil-related events. Pro democracy and human rights. Close to the Freedom Movement.

8. **Mr Ali Akbar Moeenfar**, Former oil minister during the Bazargan government, now an oil consultant. A political activist since Mossadeq's time as a member of the National Front. After the fall of Mossadeq he joined the Freedom Movement, of which he is currently one of the leaders. He also joined the Islamic Society of Engineers (*Anjomane Eslamie Mohandesin*). He was elected from Tehran to the first post-revolutionary parliament, where he became a member of the group opposing clerical rule.

9. **Dr Ghassem Salehkhoo**, International financial consultant, pro democracy and human rights. Iran's ambassador to Japan, Tunisia, Algeria, Morocco and Afghanistan and its representative to the IMF.

10. **Dr Morteza Nasiri**, Lawyer, expert on international contract law, now with an office in both Tehran and the USA, politically close to the Freedom Movement. He has represented some Iranian national companies such as IranKhodro (the biggest automobile factory in Iran) as well as private industries in international contexts. Acted as an adviser to the Bazargan government.

11. **Dr Mohsen Sazegara**, Consultant to the President. Political activist and writer (journalist). One of the founders of the Revolutionary Guards (*Sepahe Pasdaran*), now a radical reformist. A member of the committee established by Khomeini during his exile in France. It is interesting to note that almost all the members of that committee are now either executed, like Sadegh Ghotbzadeh (the former minister of foreign affairs), or exiled, like Abolhassan Banisadr (the former president, now living in Paris), or belonging to the present opposition in Iran (Sazegara himself). The function of the Paris-based committee was to translate Khomeini's speeches and thoughts for Western media and the world. In addition the committee designed many revolutionary policies and approaches. Dr Sazegara was later one of the founders of the now closed daily *Jame-e* (Society) and is still very active in pro-democracy activities like managing meetings and writing critical articles in the daily press.

12. **Dr Parviz Varjavand**, Leader of the National Front and minister of culture in the Bazargan government. The party was founded by Dr Mossadeq, who was famous for his struggle with the oil companies, particularly BP, as an umbrella organisation for all modernisers. He is also a political writer and professor at universities such as Islamic Azad University.

13. **Dr Hossein Zaiem**, Oil industry management and marketing expert, member of the National Front. The main item on the agenda was to nationalise Iran's oil industry. The National Front's days of glory ended with the coup of 1953, and it now lives mostly on its history and its heroes.

14. **Dr Mohammad Hosein Bani-Asadi**, Engineer. Consultant at Iran Industrial Foundation Co. Member of the central committee of the Freedom Movement. The Freedom Movement is the only overt opposition group in Iran that dates back to Khomeini's day. The Movement was against the continuation of the war with Iraq and the totalitarianism of the clergy (*Rohaniiat*). (*Rohaniiat* is used as the proper name for the conservative body of clergy belonging to the establishment as opposed to *Rohaniioon* which has the same dictionary meaning as *Rohaniiat* but in political usage stands for the more reformist part of that establishment. Khatami, for example, belongs to the *Rohaniioon* but Rafsanjani to the *Rohaniiat*.) Dr Bani-Asadi is the son-in-law of ex-prime minister Bazargan and was his special adviser. He is also the founder of the *Bassij* militia, founded at the beginning of the Revolution.

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