

## ABSTRACTS

### PANEL ONE: ENERGY ISSUES

**Dr. Nazrin Mehdiyeva, 'Gas in Europe: When will there be NOT enough of it?'**

*Questions of Russia's reliability as a gas supplier to Europe have dominated headlines since the Russian-Ukrainian crisis of January 2006. The emphasis, however, is by and large misplaced, as Russia is interested in ensuring continuous and unimpeded exports of gas to Europe, not least due to the nature of contracts that govern its gas relations with European customers. By contrast, the volume of gas available for export is – and increasingly will be -- subject to several constraints of political and economic nature. Some notable examples include the Russian leadership's desire to serve its political goals by diversifying gas exports into the Asia-Pacific region, Gazprom's willingness to strengthen its positions in the LNG market, the difficulty in liberalising domestic gas prices in Russia and the consequent rapidly growing demand for gas within the country. Aware of these competing demands, Gazprom has recently revised upwards its estimates of Russian production to 2030, but how realistic are they?*

*This paper begins by analysing the pattern of production at the existing fields and prospects for a geographic shift to a new hydrocarbons region in Russia. It then examines the consequences of such a shift for EU customers as well as those transit states that have traditionally acted as gateways of Russian gas to Europe. It identifies winners and losers in the ongoing energy struggle and, it is in this context that it examines the need for alternative pipelines from southern CIS to Europe.*

*Nabucco is undeniably the most high-profile international pipeline intended to supply the EU bypassing Russia. Azerbaijan is the key state envisaged to feed this pipeline, although guarantees of supplies from Central Asia (and to a lesser extent, Iran, Egypt and Iraq) will be needed to justify its construction. The paper addresses the question of whether prevailing political and economic incentives in Azerbaijan and Turkmenistan encourage their governments to commit the bulk of their gas output to Nabucco or whether they lead them to diversify outlets for this strategic commodity.*

*In the light of the complex and unfolding geopolitical situation and hard choices that will have to be made in this gas-rich region, will the EU receive less gas than it expects? And if so, what will be the years of tight supply and high price?*

**Stella Cani, 'Resource Abundance, Oil Funds and Institutional Quality: Empirical Evidence and Policy Implications for Azerbaijan'**

*This paper presents a study of institutional quality and policy implications of natural resource abundance using the case study of Azerbaijan. Resource abundance and its policy implications have received significant amount of interest in political, institutional and economic literature. It is commonly observed that many resource-rich countries under-perform in terms of economic growth and institutional quality, and often suffer from volatile and unpredictable commodity price movements. This shifted the focus of*

*the literature towards the identification of the appropriate tools that could protect these economies and insulate them from rent-seeking, "Dutch disease" effects, and deterioration of institutions, with the latter being linked to resource dependence.*

*An outcome of these explorations has been the proposal of mineral fund establishment, as not only a tool for rendering an economy immune to commodity price shocks, but also as a tool of institutional amelioration. In many emerging and transitional economies the setting of such funds has been set as a key requirement shaping their relationships with international institutions, such as the World Bank and the IMF, as well as their relationships with international partners, especially when questions regarding the transparency and institutional impact of these funds are taken into account.*

*The present paper attempts to identify the key elements shaping institutional performance in resource rich countries and the impact of oil fund setting on institutional quality, using the data from resource rich countries and Azerbaijan as well. Empirical evidence from observation of oil rich countries suggests that the setting on an oil fund is not per se a panacea. Analysis suggests that oil funds may have a positive impact on institutional aspects like control of corruption; at the same time, they might rather negatively affect aspects regarding regulatory quality or government effectiveness. The robustness of the results is checked under alternative assumptions of the immediate and lagged effect of the oil fund setting upon the institutions. Furthermore, the degree of nationalization of the oil sector, measured by the fraction of national oil companies' involvement in its development, is introduced in order to identify whether the impact of an oil fund changes significantly in the presence of a national player, with the former remaining a determinant of institutional quality and international integration.*

*The policy implications of this study are important for Azerbaijan and similar countries, which, in an attempt to comply with the requirements posed by international institutions and to strengthen their international position embarked on the setting of such funds. Using Azerbaijan, a member of IMF recent "Santiago Principles" working group, as a case study for the analysis of policy implications, we assess the impact of the oil fund of Azerbaijan on institutional quality and formulate policy recommendations on the optimal steps regarding the institutional aspects involved and economic policy developed.*

**Teymur Huseynov, 'Central Eurasia: Energy Strategy and Security in Comparative Perspective'**

*This paper is an attempt at a comparative analysis of the link between energy strategy and security in the four Central Eurasian former Soviet states--Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan. Although the literature on the topic specifically, and the region in general has expanded considerably in recent years it has failed to address the question under consideration: "How effective have energy strategies of the Caspian Basin countries been in addressing internal and external security concerns of the region?" Further insights will be drawn from a comparison of our cases with initial energy development strategies of the oil-rich states of the Middle East. The idea of central importance for a solid analysis of this issue is that weak states, as represented by the above-mentioned four countries, usually suffer from a constant disharmony and clash between national on the one hand, and parochial interests of the ruling regime on the other. The roots of such contention, which are to be explained within a theoretical framework offered, mostly emanate from the environment of insecurity and lack of internal socio-political cohesion, the two fundamental characteristics embedded in the*

*image of a typical weak state. Therefore, in these Caspian states the existence of such a clash of interests led to a distorted and inefficient energy development strategy that pursued the survival of the regime as its ultimate and implicit goal.*

*Neither the broader literature on resource-rich developing states nor the burgeoning scholarship on the political economy of development systematically tackle the energy strategy-national security nexus directly. They leave a prior question unexplored: How and why do states choose a certain initial energy strategy over other possible options? For example, because the resource curse has been linked to state ownership, corruption and lack of democratic governance, it is important to first explore the conditions under which states retain ownership or choose to privatize their natural resource assets with a possible involvement of the multinational energy companies. Others have focused their efforts upon the analysis of economic forces that condition the emergence of a rentier state and on resultant domestic economic policies and socio-political cleavages. Moreover, several authors have assumed that the mere possession of resource wealth engenders rigid and myopic decision making. And finally, these studies tend to focus on class as the primary domestic cleavage, to the exclusion of other possible forms such as patronage networks, regional and clan allegiances and ethnic divisions that in Central Eurasia serve as the primary basis for the distribution of political power and economic rewards. These key nuances are often overlooked because they operate in a form that is much less transparent than in Western democracies where state-society relations are regulated through broad and legitimate institutional channels. The political economy of development on the other hand, focuses on political determinants of economic growth in developing countries within the constraints of the international system. Our primary focus, with due consideration of their relevance to our empirical question, is not the effects of export-led growth or international trade on domestic political and economic outcomes but rather how domestic factors affect energy strategies. These domestic factors determine the degree to and form in which an energy-rich state becomes engaged with the international community that shape its security environment.*

**Alexandros Peterson, 'The East-West Transport Corridor and Western Integration'**

*A regional dynamic is underway that ties Azerbaijan, Georgia and Turkey to Western integration. This is chiefly manifested in the development of a transport corridor that physically links these countries to Europe. For the purpose of this paper, the East-West Transport Corridor (EWTC) is defined as both a concept: a link between the Caucasus, Asia Minor and the West more broadly, and a collection of infrastructure: pipelines, roads and rail links from the Caspian Sea through Azerbaijan, Georgia and Turkey to Europe and the Mediterranean. The term Western-oriented will come to be comprised of two key elements: increased good governance and increased links with Western institutions. For historical, geopolitical and reasons of practicality, Armenia, Iran and Russia are left out of this regional dynamic. The paper employs two theories, neo-functionalism and sub-regionalism, to assist in explaining the dynamic in question. These theories are applied to examinations of three processes through which the EWTC facilitates Western integration: the implementation of the Voluntary Principles on Security and Human Rights, the role of the World Bank Group, and the role of EU mechanisms: TRACECA and INOGATE in the corridors' development.*

**PANEL TWO: ECONOMICS**

**Azer Mursagulov, 'Government Spending and Real Exchange Rate Dynamics'**

*A dynamic dependent-economy model is developed to investigate the role of government infrastructure spending and productivity in determining the path of the real exchange rate. The analysis, which employs extensive numerical simulations, shows that government expenditure directed towards infrastructure and productivity enhancement in the traded sector leads to real exchange rate appreciation, whereas if directed to the non-traded sector results in depreciation of the real exchange rate. Different sources of financing the government expenditure have also been considered, including lump-sum and distortionary taxation.*

*Welfare analysis does not yield any linear relationship between real exchange rate and welfare gains; however growth-welfare tradeoff is justified for an increase in the traded sector expenditure.*

**Islam Rizvanoglu, 'International Business Cycles: Endogenous Heterogeneity'**

*International business cycle literature finds two major discrepancies between standard representative agent models with complete markets and the data. In the models, cross-country correlations are much higher for consumption than for output, while in the data the opposite is true. We propose a stochastic growth model with partially uninsurable idiosyncratic TFP shocks, international borrowing constraints and aggregate uncertainty. That allows us to model endogenous heterogeneity matching income dispersion across countries. Calibration results show that this modification allows us to better match correlations of consumption and output across countries.*

**Elkin Nurmammadov, 'Central Banks and Growth: An Empirical Investigation'**

*This paper examines the scale effect of central bank intermediation on economic growth. Empirical analysis, using cross-sectional and panel evidence between 1960 and 1995, shows that large central banks have a significant negative effect on economic growth. I also divide the sample and find that large central banks mostly hinder growth in the developing countries while they actually enhance growth in the developed countries. Results are robust to using alternative conditioning sets, estimation procedures, and consideration of endogeneity.*

*Findings call for revising the central bank functioning toward less active role in the credit allocation as well as for the increased need for financial liberalization in developing countries.*

**Fariz Huseynov, 'Review of Stock Exchanges in CIS Countries: Future Perspectives'**

*This paper critically reviews the market structure of major stock exchanges in eight CIS countries – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Uzbekistan and Ukraine, while the main focus is on Baku Stock Exchange. Since these*

*markets are relatively similar by their size, trading volume and market design, their comparative analysis will enhance our knowledge on the development of financial sector in CIS countries. Although each of these countries own one stock exchange, these markets compete with local financial institutions, as well as with other regional markets, by providing alternative financing and investment tools. In order to attract investors and new listings, they need to provide more efficient and fair market conditions. By examining the data provided by Federation of Euro-Asian Stock Exchanges (FEAS), we observe the similarities and differences among these markets that may be improved through structural changes and significant improvements in financial development of CIS countries. Since these markets are struggling to attract new listings due to higher risk, higher information asymmetry and lower transparency, they resemble stock exchanges focusing at small and fast growing or emerging companies (SECMs) in developed countries.*

*Finance literature has observed that the analysis of these markets will enable us better understand the conditions that make financial markets successful. Therefore, we discuss what CIS equity markets can learn from the successful examples of SECMs. Recently financial markets analyzed the importance and implications of fragmentation and consolidation between financial markets. Thus we also investigate the advantages and disadvantages of potential regional consolidation among these eight stock exchanges. We expect to find that while current fragmented structure may be beneficial in the short or medium term, the stock exchanges of CIS countries will benefit from consolidation in the long term. We also discuss how these markets can build investor confidence that was damaged after the recent financial crisis. We propose that increased participation from regulatory bodies to ensure the transparent and fair markets, to provide investor protection and responsible corporate management is needed for successful development of financial markets.*

**Dr. Javid Gadirov, 'Collective Responsibility and International Criminal Law'**

*My project argues that the individual criminal responsibility 'represses' the significance and relevance of the collective complicities in the grave human rights violations, such a repression constituting the discursive and "operational" closure of the international justice regime, insulating it from the competing fragments of international law, while rationalizing and normalizing the 'radical evil' of atrocities, which allows their prosecution in the rational and liberal discourse of rule of law. Hence the international justice becomes a full-fledged international regime: a system of knowledge, norms, principles and expertise, entailing an individualistic and legalistic perspective on the human rights atrocities. Alternative to the prevailing liberal explanations of the current proliferation of the international justice regimes, this work suggests a realist, or power based explanation that refers to the political tensions unformulated and 'repressed' in the international justice regime's operation. The methodology includes discourse analysis, structural study of international legal argumentation and the international relations and international law approach. Two case studies that demonstrate this hypothesis are the Congo v. Belgium decision of the ICJ and the Rome Statute of the ICC. It is concluded that the heterogeneity of individual centered assumptions of international justice regimes to the residual state responsibility and other state-centered regimes of international law cannot be resolved through the indeterminate international legal structures, and creates a haven for power maximization tactics of actors. The attentiveness to state presence and clashes of sovereign powers involved in trials for human rights atrocities can square the international justice regimes with the residual international regimes of state responsibility, diplomatic intercourse, or international peace and security.*

**Shahid Shukurov, 'Establishing International Rule of Law: state responsibility in cases of self defense - the problem of interpretation'**

*Late uses of armed force in self-defense by dominant states against non-state actors, based on foreign soil, in some cases, without attribution of their violent attacks to other state, intensified academic discussions on legality and legitimacy of self-defense against non-state actor without attribution. The abuse of the right of self-defense to justify use of armed force to achieve own goals without due regard to common interest of the international community (as it is provided in Preamble of Un Charter) brought to collapse of the pseudo international rule of law, based on UN system. The Dissertation addresses the questions of legality and legitimacy from the perspective of the state responsibility in cases of self-defense, which is taken as a basis of the international rule of law. Thus, state Responsibility in cases of self-defense has two perspectives: responsibility for ius ad bellum and responsibility ius in bello.*

*The purpose of the dissertation is to analyze ius ad bellum, which, in its turn, can be approached from other two internal perspectives: responsibility for the violent attacks of non-state actor through attribution and responsibility for the military measures against non-state actor. The core of the analyses is focused on state responsibility for the military measures in self-defense against non-state actor without attribution.*

*The right of self-defense, as provided in Art 51 of UN Charter, is one of three exceptions to ius contra bellum, constituting core of the ius ad bellum. The state has the privilege of interpretation of situation to use Art 51 for use of armed force, which is provided in Art 51.*

*But what if state interprets the situation purposefully false to use unilateral force to achieve its own goals, without regard to common interest as provided in UN Charter? Does interpretation constitute separately wrongful act? Or is it part of the international wrongful act resulted from breach of the obligation under Art 2(4) of Charter, following false interpretation? Is there state responsibility for false interpretation? The thesis of the dissertation, in this context, is that under Art 51 of UN Charter, regulating law of the use of force in self-defense, and according to Art 21 of the International Law Commission Articles on State Responsibility state is responsible for false interpretation of the self-defense, and principle of subsidiarity is a mean to achieve balance in interpretation competences at international level. The dissertation, in this sense, analyzes "proactive state responsibility" and "reactive state responsibility" as well as sovereignty, self-defense, attribution, and, last but not least, the nature of principle of subsidiarity, on the basis of the Charter law, ICJ case law and ILC Articles as well as with regard to state practices.*

### **Rashad Ibadov, 'Religion-State Relations in Azerbaijan Republic'**

*This paper will discuss three main issues, aiming to reveal the actual picture of religion-state relations in Azerbaijan Republic both from theoretical and practical aspects.*

*In the first part of the research, the author will try to examine the theoretical aspects and requirements for as well as different classifications of religion-state relations in modern legal and political literature.*

*The second part of the research will be devoted to study historical and modern periods of secularization in Azerbaijan, which led to building of a secular government and society on Islamic heritage.*

*The third part will explore the modern religion-state relations in Azerbaijan from legal and political aspects. This part will give a special attention to Articles 7, 18, and 48 of Azerbaijan Constitution which are cornerstones on regulating religion-state relations in Azerbaijan Republic.*

**PANEL FOUR: POLITICAL SCIENCE**

**Dr. Michael Reynolds, 'Buffers, not Brethren: Young Turk Military Policy in World War One and the Myth of Panturanism'**

*This paper examines Ottoman strategic policy in the final months of World War I from the recognition in June 1918 of the independent republics of Azerbaijan, Armenia, Georgia, and the North Caucasus through the end of the war. It narrates the diplomatic and military campaign that liberated Azerbaijan and the North Caucasus from Bolshevik control and restored the independent governments of the two. Using an array of archival and primary sources, including Ottoman, Russian, and Azeri, it challenges the conventional wisdom that notions of religious and ethnic solidarity manifested in the doctrines of Panturkism, Panislamism, or Panturanism fired Ottoman ambitions to extend their empire to the Muslims lands of the former Russian empire. Instead, the paper demonstrates that a concrete geopolitical logic of establishing buffer states drove Ottoman policy. Senior Ottoman leaders were convinced that the Russia would soon recover from the revolutionary chaos of 1917-1918 and again pose an existential threat to their state. Thus they believed it imperative establish independent states in the Caucasus before the war came to an end and Russia could rejuvenate its strength.*

*Given Baku's strategic significance as the capital of Azerbaijan and a world center of oil production, the liberation of the Caspian port from Bolshevik control formed the central objective of the Ottoman campaign. Baku's importance, however, meant that it also became a major irritant in Ottoman relations with Germany and Bolshevik Russia and a concern of Britain. To carry out the invasion of Azerbaijan, the Ottoman Minister of War Enver Pasha ordered the formation of the Caucasus Army of Islam. The paper reveals that, despite its name, the Army of Islam had little to do with religion. Instead, Enver created it in order to deflect the attention of outside powers from Ottoman actions, compensate for scarce Ottoman manpower, and create a foundation for an independent Azerbaijani army. The paper similarly notes that pragmatic anti-Bolshevism informed the attitudes and relations of the Muslims of the Caucasus and Russia toward the Ottoman Empire far more than religious and ethnic solidarity or sentiment.*

**Ibrahim Ahmadov, 'Emergence of the new Political Actors in the Global Communication Space'**

*This dissertation examines the impact of the global communication media on the emergence of new political actors beyond authority of the nation-states. Proposing a completely new view of the world political system, I suggest, not to take it as international or transnational, but rather to look away from the state-centric mentality in order to build a theory of genuinely political world system. The elements of this system are not states per se, but communities.*

*Community is a type of social relations, characterized by intimate attitudes between its members, unified by a sense of solidarity, such as clans, nations, religious groups etc. Community implies homogeneity, unity and common will, as distinguished from the heterogeneous society. Thus the community is the actor, because action descends from a single undivided will. Unlike society, community does not motivate its members by means of rationality, i.e. self-seeking, but rather by irrationality, emotions and self-restraint for the sake of its absolute goal. This irrationality distinguishes the genuine*

*political system from other domains. Furthermore, communities exercise their political will by accepting attitudes toward other communities, defining them as their public friends or foes. It is neither war, nor peace per se, but rather the distinction of friends and foes, which lies in the core of political.*

*The existence of a community depends on its ideological expansion and conversion of individuals to its ideas. Therefore community exists by communication, which can be realized by various media. Almost everything can be a communication medium; the most significant ones are however the distribution media, nowadays especially the electronic ones, such as TV, radio and internet. Each political community tries to spread its ideology in the certain medium, inhabiting and monopolizing it. The current emergence of the global media is diminishing the importance of the local media, such as territory, borders and local electronic media. Some nation-states fail to prevent other political communities from expanding their soft power and distinction of friends and foes on their territories and negating their sovereignty. This asymmetrical distribution of sovereignty challenges the inferior communities to quest for global dominance.*

*The ideological community, which appears as the transnational terrorist organization, provides a legible example of this new kind of political actors. It can expand its political communicative impulses nowadays, without practicing effective territorial control. Therefore the last part of the work concerns the case study of Al Qa'idas media messages, based on the qualitative content analysis. Its aim is to identify the above-named indicators of political action in the regular media messages of Al Qa'ida.*

*The practical value of the constructed theoretical model is its potential ability to provide the policy recommendations and to suggest prognoses. On the academic scale my dissertation is questioning the rationalist approach in the modern political science, particularly the rational choice theory, which seems to be almost unchallenged until now. It is also addressing the ongoing debates regarding the impact of the globalization on the national sovereignty, the essence of modern terrorism and the new enemy image in the West.*

**Dr. Jason Strakes, 'Defending Azerbaijan's Place in the World: Elite Perceptions, System Structure and the National Security'**

*This research paper seeks to introduce a new approach to analyzing the foreign and security policies of developing and post-socialist states. Using Azerbaijan as a significant and representative case, it will identify and examine the links between the perceptions of political elites about the country's position within the structure of the international system, and their impact on the development of its high-level national security strategy. It will apply a variety of methods of data collection and analysis to test hypotheses related to interpreting leaders' views of world politics and foreign and security policy. This in turn contributes to building a theoretical framework for explaining diplomacy and foreign policy decision-making that includes variables other than solely economic or military power. The project additionally seeks to bridge the traditional divide between individual-level or decision-making and structural perspectives in international relations theory as traditionally studied and taught in the United States and Western Europe.*

*The main proposition to be tested is that the leaderships of small developing and post-socialist countries such as Azerbaijan perceive the international system as a hierarchy presided over by local, regional, and global powers, rather than as an anarchy in which all states balance against one another in order to maintain security and stability. This perception in turn impacts and shapes the development or adoption of national security agendas and paradigms from which specific foreign policies are generated.*

*This hypothesis rests upon the assumption that as a result of historical experience and geopolitical situation, Azerbaijan's leaders view international relations as operating within a series of hierarchical systems and subsystems defined by preponderant local (Azerbaijan and Iran), regional (Russian Federation) and global (United States) powers. Therefore, the perceived position of Azerbaijan within each hierarchy will differently affect the definition of alignments, postures and strategic goals. These orientations further influence the development of doctrine regarding the definition of national identity, the preservation of territorial integrity, and the existence of threats to vital national interests. The outcome of this linkage process is the manifestation of role perceptions in actual policy approaches. This framework can therefore be used to evaluate significant contemporary issue areas in Azerbaijan's foreign policy, such as close security cooperation with the U.S. in the Global War on Terror (GWOT), the improvement of diplomatic relations with Turkmenistan since 2003, the management of bilateral tensions with Armenia and Russia, and the ongoing resolution of the Nagorno-Karabakh dispute. At the same time, it is expected that differences in perceptions between individuals within foreign policy making organizations will contribute to variation in policy positions across issues and time periods.*