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CSIS Caspian Energy Project Meeting

Ladies and Gentlemen:

I am very much honored to have the opportunity to speak to such prominent scholars and professionals at this decisive historic moment of our nation. Your very presence here, your interest in Azerbaijan and the Caspian Sea region, makes us believe that you share our aspirations and gives us hope that you will support the people of Azerbaijan in their just struggle. We want our nation to become a true member of the family of highly developed civil democratic states and I am here today to state that we have the potential. We are firmly committed and have an untamable desire to end the oppressive totalitarian regime and to build a democracy exemplary for our turbulent region and for the wider Muslim world.

Ladies and Gentleman, the recent events in Iraq have changed the world's political and economic picture and has brought a new dimension into the war against terrorism. The world is entering a new era where the decisive stance of the US led coalition against tyranny has brought concern and fear into the hearts of dictators and their collaborators. This has given hope to the determination of oppressed people for freedom. The people of Azerbaijan have also been inspired in their struggle against the regime and have strengthened their resistance against the dictatorship.

Unfortunately, some people in other countries question the justification of the war in Iraq, stressing that the weapons of mass destructions have yet to be found. I would like to tell them that the greatest weapon of mass destruction was Saddam Hussein and the regime itself. Any other weapons that may be found in Iraq will only be of a secondary nature. While the positive effects of bringing down one of the cruelest dictatorships the world has ever known will reach far beyond the region and far beyond our life spans, its most immediate and direct effects are of paramount importance, such as:

- The presence of the United States in Iraq, along with delivering a strong blow to the centers of terrorism in the Middle East, indicates an upcoming acceleration towards resolution of the half-century-old Israeli- Palestinian conflict;
- The presence of the United States in Iraq indicates the end to instability and unpredictability of the world's energy supply, which is vital to the world economy

The hopefully rapid development of the oil sector in Iraq will increase competition among oil producing countries, which is beneficial for the overall economy. The events in Iraq, as opposed to five years ago, have lessened the importance of Caspian and Azeri oil production and reserves. Azerbaijani oil is not as competitive as Iraqi Oil:

- First, the cost of oil production in Azerbaijan is high;
- Secondly, the cost of transportation of the Azeri oil is quite high;
- Thirdly, the previous forecasts on oil reserves of the Azerbaijani sector of Caspian Sea have not materialized.
- Finally, there have been no new major discoveries of oil deposits in Azeri sector of Caspian Sea, and following the war in Iraq the desire for exploration has lessened.

Keeping in mind Russian aspirations to increase its annual crude oil output in upcoming years by one hundred million tons, the commerciality of the cornerstone Azerbaijani energy policy, namely the Baku-Tbilisi-Ceyhan (BTC) project, is questionable in its current version. At the same time, the saturation of the Turkish gas market presents a major problem for announced plans of Azerbaijan to sell Shah-Deniz gas to Turkey.

While the presence of oil provides us with starting capital for the development of the economy, the mentioned factors prevent Azerbaijan from becoming an oil rich state. We, the people of Azerbaijan, should never base our prosperity and happiness on the presence of oil derricks. There need be a different solution. I know the solution, and except for Mr. Aliyev and those who benefit from his corrupt policies and bribery, the people of Azerbaijan agree with me. The solution is called a democracy. Its triumph in Azerbaijan depends on the people of Azerbaijan. However, it also depends your support: - the US Government and the American people.

The main purpose of my speech in here is to ask for your help in this matter. We are ready to create a truly independent executive, legislative and judicial branch of the government, which would express the will of the people of Azerbaijan. We are ready to make Constitutional changes, which would balance the power between the president and the parliament. We are ready to start the implementation of a very concrete program, which will create a large middle class. We will respect the freedom and inviolability of property rights and pay special attention to the development of small and mid-size businesses. We will reduce the risk for foreign investments to practically zero. And we will root out the cancer of corruption. It is not a secret that in order to absorb any sizable revenues from a single sector, the institutional framework has to be mature, legal system be functional and financial and budget management be transparent. The autocratic regime in Azerbaijan, with security agencies as its only social base, has used the minimal oil revenues to preserve the status quo, and has placed Azerbaijan at the bottom of the poorest countries in Europe, and at the top of the corruption lists of international transparency watchdogs.

It is impossible to explain Azerbaijani oil through economic reasons. A country, which does not even produce 0.5 percent of the world's oil, could not have become the object of so much speculation. Unfortunately, we have to admit that the speculation corresponded to the interest of just one person. Mr. Heydar Aliyev used the situation to advance his and his family's personal agenda. Many, without paying attention to the real numbers, became convinced that Azerbaijan is playing one of the most important roles in global oil. Mr. Aliyev is the only person who could guarantee the interests of the West on this matter, thus the only viable candidate of the west for

Azerbaijan's leadership. By exploiting his "support" for the East-West energy corridor, he dodged foreign criticism for his internal policies. The dictator, through political and economic oppression, was able to force more than three million Azerbaijanis to leave their country and misappropriated billions of dollars.

Since the very beginning of talks on BTC pipeline, I have been saying that in order to make the project economically viable we have to attract Russian and perhaps Kazakh oil. I believe that today's situation proves my point. Instead of competing with Moscow on oil and gas transportation, Baku should seek to be a bridge; solidifying energy cooperation between Moscow, Washington and Ankara. After all both the US and Turkey are closely cooperating with Russia on energy. I also believe that Shah-Deniz gas should be used to produce electricity for Azerbaijan, Georgia, South Russia, Eastern Turkey and Armenia - after the resolution of Nagorni-Karabakh problem. This will promote the economical cooperation and integration in the region. It is very unfortunate that Mr. Aliyev's divisional policies have prevented the implementation of these real projects in the past and present a danger to their future. We are losing momentum everyday that passes by.

The current regime has also portrayed itself as the guarantor of stability in the country. An unpopular regime is not capable of producing a sustainable political stability, but can produce an appearance of it. In fact it produces a stable dictatorship. The stability of Mr. Aliyev resembles a weak improvisation of the stability of Saddam Hussein before his fall. While this seeming stability has been based on fear and violation of human rights, the opposition to the regime in Azerbaijan was always visible and vocal. In order not to risk subjecting people to any more hardships than they have already endured and not to bring the society into further internal confrontations, the opposition has never resorted to forceful measures.

However, the suppressed emotions of the people are about to burst as Azerbaijan approaches its presidential elections. As we all witnessed in the case of Iraq, dictatorships tend to leave a power vacuum after they collapse, with horrific consequences on the people. Similarly, in Azerbaijan, we are facing this same risk, and we need to assure that there will be a peaceful and systematic transition to a democracy. A long suffering nation and a vulnerable region as a whole cannot afford another radical and sudden shift. Due to my wide support amongst diverse layers of society, including professionals, representatives of private sector, and the local and national government employees, I believe that my presence in the country and participation in the elections will help to provide this peaceful transition. I would like to announce before this audience one more time that this summer I will be going back to Azerbaijan, I will participate in the presidential elections and, God willing, I will be victorious.

The countries of the Caspian basin have enough oil reserves. Unfortunately, the regimes do not put the reserves to the service of the people or the world economy. History proves that dictatorial regimes do not boast lasting friendly relations, so the development of sound oil policy demands the establishment of democracies in the region. Azerbaijan has an opportunity and is ready to become a testing ground to help spread democracy to the whole region: to the borders of China, throughout the Caucasus and perhaps even to the Persian Gulf. We are ready to become a true assistant and ally of the United States in this matter. We have to always remember that democracies do not breed terrorism. Only after the destruction of the last outposts of

dictatorships will we be able to get rid of the very roots of terrorism. Today, empowered by the beautiful words of President Roosevelt, that "The only thing we have to fear is fear itself", we, the people of Azerbaijan, are preparing for the last struggle against the regime of the dictatorship, and we believe, that the United States with all its might and international respect will support the choice of the people and support democracy.

I thank you very much for your attention.