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### Article information:

To cite this document:

Ewan Sutherland , (2015), "Bribery and corruption in telecommunications – The Republic of Azerbaijan", info, Vol. 17 Iss 5 pp. 20 - 45

Permanent link to this document:

<http://dx.doi.org/10.1108/info-04-2015-0022>

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# Bribery and corruption in telecommunications – The Republic of Azerbaijan

Ewan Sutherland

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## Abstract

**Purpose** – *The purpose of this paper is to examine the nature and extent of corruption in the telecommunications sector in Azerbaijan and the associated issues of governance.*

**Design/methodology/approach** – *A case study examining a wide range of sources on Azerbaijan.*

**Findings** – *Unusually, perhaps uniquely, ownership of major operators has been concealed. Nonetheless, the presidential family controls one of three mobile operators and has a stake in a second.*

**Research limitations/implications** – *A law from 2012 conceals the beneficial ownership of some operators, others merely use offshore registries.*

**Originality/value** – *One of only half a dozen case studies on corruption in telecommunications. It is very unusual in the extent to which ownership of operators is hidden.*

**Keywords** *Public policy, Corruption, Regulation, Telecommunications, Caucasus*

**Paper type** *Research paper*

## Introduction

Corruption in telecommunications is a problem that has, as yet, been insufficiently studied (Blackman, 2012; Sutherland, 2012), despite recent African case studies (Sutherland, 2014a, 2015a, 2015b). Attention was drawn to Azerbaijan by its poor ranking in the Corruption Perceptions Index (CPI), accounts of the presidential family abusing liberalisation and its choice as a venue for the Internet Governance Forum (IGF) in 2012. Moreover, it is a country that has received minimal attention from telecommunications policy researchers, despite the challenges of its transition away from the Soviet system of governance and central planning.

Azerbaijan lies on the Caspian Sea, straddling the Caucasus Mountains, between Iran, Russia and Turkey, each exercising strong influences, while the first and second seek to bring it within their spheres of influence and replicate their very different systems of government. It was originally incorporated into the Russian Empire in 1813, becoming briefly independent in 1918, before being absorbed into the Union of Soviet Socialist Republics (USSR) in 1920. It became an independent state in 1991 following the collapse of the USSR, later joining the Confederation of Independent States (CIS), but not the Eurasian Economic Union, unlike neighbouring Armenia. Under the Russians and Soviets, the Caucasus had been ethnically mixed, but as the independent states emerged, there were large displacements of populations and inter-ethnic violence, including massacres of civilians, stoking up further disputes and yet more population movements. Armenia seized control of the ethnically Armenian Nagorno-Karabakh enclave, a land corridor, and several ethnically Azerbaijani regions (*oblast*), displacing hundreds of thousands of their inhabitants. Since a ceasefire in 1994, the conflict has remained “frozen” (Ambrosio, 2011; Caspersen, 2012; Muth, 2014)[1]. In addition to the remaining contiguous areas of Azerbaijan, there is the Nakhchivan enclave on the border with Iran, separated by Armenia.

Received 8 April 2015  
Revised 29 May 2015  
Accepted 11 June 2015

The authors acknowledge Khadija Ismayilova whose work for RFE/RL identified the holding companies used by the presidential family and Svetoslav Tintchev (formerly of the World Bank) for helpful discussions of corruption and the reform of telecommunication markets.

In 1994, a consortium of oil companies signed a production sharing agreement (PSA), the “Contract of the Century”, with the State Oil Company of the Azerbaijan Republic (SOCAR) to develop fields under the Caspian Sea. The substantial revenues this generated for the State Oil Fund of the Republic of Azerbaijan (SOFAZ, 2015) have increasingly been used to supplement the state budget, compensating for shortfalls in taxation (Ciarreta and Nasirov, 2012; Aslanli, 2015). Given strong and sustained economic growth, due to the export of oil, there were concerns about the “Dutch disease” (OECD, 2011), in particular, as the non-oil economy had collapsed, following the end of COMECON and Soviet planning, which had dislocated markets and supply chains[2]. The oil revenues were known to be volatile, given unstable global markets; consequently, arguments were made for diversification of the economy long before the 2008 global financial crisis and the 2014 plunge in oil prices (Arezki and Blanchard, 2014). The international financial institutions called for economic and banking reforms, and for the burdens of doing business to be eased, although with limited practical effect (IMF, 2011; World Bank, 2014a, 2014b).

Since two years after the break up of the USSR, Azerbaijan has been ruled by the Aliyev family (Bolukbasi, 2011). Heydar Aliyev had been head of the KGB and then of the Communist Party in Azerbaijan, subsequently a member of the USSR Politburo, before his retirement. He re-emerged as president of the Nakhichevan Soviet, then of the Azerbaijan Soviet, becoming President of Azerbaijan in a *coup d'état*, when:

In 1993, the task was to restore the basic functioning of government institutions in a near-failed state where the advent of market economics without institutional constraints was rapidly creating an ungovernable kleptocracy (Cornell, 2011, p. 85).

Although he stabilised the country, aided by the *nomenklatura*, it was at the cost of reversing the limited progress towards democracy, later confirmed by the succession of his son Ilham Aliyev to the presidency in 2003. This system of government is likened to a sultanistic monarchy, with the revival of “traditional” patriarchalism and patrimonialism (Guliyev, 2005; Alieva, 2014). In March 2009, voters approved constitutional amendments that included lifting the two-term limit on the presidency, enabling Ilham Aliyev to win a third term in October 2013 with 85 per cent of the vote. As before, the conduct of the election was criticised, with previous recommendations for improvements having gone unimplemented – the electoral commission being dominated by the ruling New Azerbaijan Party (YAP), rivals having had few opportunities to communicate with voters and with serious problems encountered in securing and counting the ballot papers (OSCE, 2013).

Freedom House has annually reduced its score for democracy in Azerbaijan, reaching 6 on a scale of 7 with a downward trend arrow, rating it as not free, as was its press, although the Internet was partly free (Freedom House, 2011, 2015). Not only is defamation a matter of civil law, it is also a criminal offence, a mechanism used together with extra-legal means to intimidate journalists and bloggers, leading to self-censorship (IPAG, 2010; RSF, 2015). Some broadcasters are owned directly by the government and others by cronies, all are closely controlled, to ensure that reporting is exclusively favourable to the regime. Foreign media are less easily controlled, for example:

Investigative reports published by foreign media in early 2012 revealed that President Ilham Aliyev and his immediate family control huge assets, including monopolies in the economy’s most lucrative sectors. A few months later, President Aliyev signed a series of legal amendments allowing companies’ organisational structures and ownership to remain secret (Freedom House, 2013, p. 92).

These new measures were used to obscure ownership of, for example, telecommunications operators and contractors for the venue used for the 2012 Eurovision Song Contest and the 2015 European Games[3]. These events were intended to bring favourable publicity, but invariably also attracted domestic protests and foreign criticism.

While it has been argued that access by citizens to the Internet is used to challenge authoritarian governments, the opposite appears to have been the case in the former USSR (Pearce and Kendzior, 2012; Pearce, 2014). For example, the Aliyev regime adopted “networked authoritarianism”, a control strategy with information campaigns to overwhelm, discredit and demoralise opponents. The Open Net Initiative reported selective filtering of political and social sites, but neither of conflict and security sites nor of Internet tools that might be used to evade controls (Deibert *et al.*, 2008; ONI, 2010). Rather than strict censorship, the government made examples of online dissenters, ensuring an already disillusioned public understood the futility of activism. Ordinary users reported that:

[. . .] posting “Traffic in Baku is bad” would not cause trouble, a status update such as “Traffic in Baku is bad because the traffic police are corrupt” might cause someone to mysteriously lose their job. Merely complaining is enough to feel the consequences of state monitoring (Pearce and Kendzior, 2012).

The arrest of bloggers was aimed at demoralizing frequent Internet users, while the defamation law was extended to the Internet to provide gaol sentences of up to three years. Citizens understand the risks of online political acts and, given they depend on the government directly or indirectly for employment, are reluctant to oppose the regime.

The global pattern for telecommunications has been of the expansion of regional operator groups in pursuit of licences for mobile services or the acquisition of established operators to the same end, to achieve economies of scale. While Azerbaijan is not an especially enticing location, it should have attracted operator groups from the Persian Gulf, Russia and, perhaps, Africa and India, although only one such group is present. This is despite efforts by the European Bank for Reconstruction and Development (EBRD), European Commission (EC), International Monetary Fund (IMF) and the World Bank to encourage a politico-regulatory framework that supports foreign direct investment.

This article next addresses corruption in Azerbaijan, one of the worst of the parts of the former USSR. It next considers the development of telecommunications markets, including the extensive role played by the state. The mobile market is considered separately, with the licensing of five operators. Next, the role of Aliyev family as owners of the most rapidly growing mobile operator is discussed. Finally, conclusions are drawn and issues for further research identified.

## Corruption

There are legacies of corruption from Imperial Russia and the Soviet era, when it was seen as the worst of the Socialist Soviet Republics (SSRs) (Simis, 1982; Vaksberg, 1991). These problems were greatly increased by the economic, governance and moral vacuums created by the collapse of the USSR (Andvig, 2002). Aliyev and the *nomenklatura*, which substituted for an absent capitalist class, created and controlled an autocratic and neopatrimonial state that was sustained by oil revenues (Franke *et al.*, 2009). Parliament, the press and non-governmental organisations (NGOs), which might have been hoped to hold the president to account, were weak, suppressed or co-opted by the regime, which also muddied the waters by creating and funding its own NGOs and political parties[4].

Scoring poorly in the CPI (Table I):

Azerbaijan has been accustomed to being ranked by Transparency International as one of the most corrupt countries in the world. In late 1990s, it was even ranked among the top three most corrupt nations, although in the subsequent years the ranking improved thanks to the establishment of a state commission on anti-corruption measures, and the adoption of relevant legislation that required public officials to disclose their assets on an annual basis. However, the amount of corruption in the country has not diminished, as has been clearly evident both to local people and outside investors (Rosenblum, 2011).

**Table I** Corruption perceptions index

Year	Armenia	Azerbaijan	Georgia	Iran	Russia	Turkey
2014	94	126	50	136	136	64
2013	94	127	55	144	127	53
2011	129	143	64	120	143	61
2009	120	143	66	168	146	61
2007	99	150	79	131	143	64
2005	88	137	130	88	126	65
2003	78	124	124	78	86	77
2001	–	84	–	–	79	54

Source: Transparency International

The Bertelsmann Stiftung described the system of government as “institutionalized corruption, or more accurately, neo-feudalism”. In addition to the formal structures of government:

The second, informal system features a host of actors, mostly officeholders in the government whose interests often diverge so much that they have fought proxy wars against one another and struggled over sectors of the economy. In this system, the president is the primary decision-maker, but even the president’s influence does not extend to the core interest sectors of some of the most powerful informal power brokers (BTI, 2014, p. 4).

Around the Aliyev family are other elite groups, each with its own resources, with businesses divided amongst ministers or heads of agencies, supplying their own patronage networks, which the president tries to play off one against another (Gould and Sickner, 2008; BTI, 2014, p. 21). These groups ensure favourable governmental decisions, even control of lucrative economic sectors, while disadvantaging or blocking foreign firms, with the customs committee notorious for preventing “undesirable” companies from importing or exporting specific products.

Despite the crony capitalism and neopatrimonialism, the regime has gone along with global efforts to suppress corruption, for example, signing and ratifying:

1. United Nations Convention Against Corruption (UNCAC).
2. Council of Europe:
  - Civil Law Convention on Corruption; and
  - Criminal Law Convention on Corruption.

Apparently in response to the Arab Spring and the “colour revolutions”, Ilham Aliyev announced a drive against corruption in January 2011, followed the next year by decrees creating national action plans for open government and against corruption (CCC, 2012)[5]. The latter set out measures to improve the work of the Anticorruption Department, raised to a Directorate-General, in the Prosecutor-General’s Office. Yet, there have been remarkably few prosecutions and none at a senior level. In 2012, Aliyev was made the first Organized Crime and Corruption Person of the Year (OCCRP, 2012b)[6].

Transparency International (2014) evaluated the national integrity system (NIS), describing the legal framework in detail and identifying some success in suppressing petty corruption. However, the government had failed to address the issue of grand corruption or to prosecute the “big fish”. Culturally, individuals were disinclined to name and shame those engaged in corruption.

As a signatory to the Council of Europe conventions, Azerbaijan is subject to peer review within the Group of States against Corruption (GRECO). Its review of funding for political parties was devastating, not least since the principles were difficult to apply in the absence of both a “pluralistic party landscape” and competitive election campaigning. The GRECO Evaluation Team (GET) observed that:

Although almost 15 years have passed since political party life started in Azerbaijan, it seems that parties are not established as democratic political entities in society. According to various interlocutors met by the GET, the vast majority of political parties are not active between elections. Party officials and representatives of civil society indicated that no political party except for the ruling party has significant resources [ . . . ] It would appear that in practice, the media broadcast images that reflect a single party system and there are few visual signs of lively election campaigning (GRECO, 2010, pp. 20-21).

Some recommendations from the previous review had been passed into law, although not implemented, while those regarding party funding had either been ignored or only partially legislated (GRECO, 2012). It noted the need for financial support for smaller political parties so they could comply with stricter funding rules. The report of the most recent evaluation found “little evidence of corruption being pursued with determination among the political elite and the upper echelons of the public service” (GRECO, 2015). In particular, the legal provision for the disclosure of assets by politicians and officials had never been implemented.

The OECD supports the Anti-Corruption Network for Transition Economies (ACNTE), a regional initiative to assist the former COMECON countries to exchange experiences and develop best practice (OECD, 2005). Three rounds of reporting identified many failures and potential improvements (ACNTE, 2005, 2010, 2013):

The anti-corruption policy in Azerbaijan lacks an in-depth analysis of corruption. There are no instruments to measure trends in corruption or the integrity of the Government. The Commission on Combating Corruption (CCC), designated as the focal point for developing and monitoring anti-corruption policies, is rather passive than proactive, and its capacity to be an effective anti-corruption authority do not seem to be strengthened, as recommended in the previous monitoring round (ACNTE, 2013, p. 15).

The enormous revenues that flow from the oil, admittedly now past their peak, induced the “Dutch disease”, in which a country suffers a lack of diversification and limited growth, which has been aggravated by corruption and rent-seeking (Hasanov, 2013). Given easily collected rents, there was no need to pursue economic growth or to improve governmental capacity, significantly reducing growth prospects.

Emerging economies have been encouraged by the Extractive Industries Transparency Initiative (EITI) to increase transparency as a defence against grand corruption. Azerbaijan was the first country to be fully compliant, disclosing the oil and gas monies received (EITI, 2009)[7]. However, the lack of transparency within Azerbaijan; the isolation of non-governmental participants; and the absence of electoral, judicial and parliamentary accountability meant it had negligible effect, with the regime able to direct funds as it wished (Global Witness, 2013; Öge, 2014; Sovacool and Andrews, 2015). For example, Azerbaijan has amongst the most expensive road construction projects in the world, with funds believed to be diverted to ministers via contractors (Guliyev, 2005). While the few remaining NGOs may know how much money has been received and can detect anomalies in spending, there are no mechanisms to bring spending under control or to prosecute individuals. EITI is thus a face-saving exercise, to counter some of the criticism of the harsh treatment of political dissidents in Azerbaijan.

To help stabilise the countries of the former USSR, the European Union (EU) sought to support the transformation of their political structures (Börzel and Pamuk, 2012; Simão, 2012); for example, through the EU – Azerbaijan Partnership and Cooperation Agreement and a subsequent action plan (EU, 2014). However, Azerbaijan has sought only to address energy and security issues, rejecting efforts by the EU to discuss democracy, human rights and governance. The absence of path to EU membership or of pursuing such a path, combined with conflicted interests in the EU, has meant little has been achieved.

The government adopted and selectively implemented anti-corruption policies to consolidate and strengthen the power of the regime. Despite the window-dressing of



anti-corruption laws, policies and treaties, there have been few prosecutions and little change in public opinion, with grand corruption remaining endemic. The failure of the EITI lay in the nature of the political regime, as Aliyev and his cronies have no reason to reduce corruption, given the functioning of the state and their continuation in power rely on control over the revenues siphoned from oil and government spending.

## Telecommunications in Azerbaijan

The Government of Azerbaijan is somewhat unusual, as:

Every minister has the sense of being an independent monarch, lacking responsibility or accountably to other colleagues. There is no sense that the cabinet of ministers functions as a unit.

Moreover, key cabinet members have their own private economic interest that often involves a near monopoly on a certain sector of the economy (BTI, 2014, p. 23).

The Ministry of Communications and High Technologies (MCHT) belongs to Aliyev and was his first ministerial appointment[8]:

Ilham's new minister of communications and information technologies, Ali Abbasov, replaced Nadir Ahmadov, a member of the old guard known for running one of the most inefficient, corrupt, and red tape-plagued ministries in the government (Cornell, 2011, p. 113).

The rebranding to high technology in 2014 marked the addition of space, with the inauguration of the first satellite[9].

MCHT has ownership, policy and regulatory functions. A review for EBRD in 2008 found no pretence of independence, as:

The Ministry also has sole ownership of two fixed incumbent operators and participates in the shareholding of three of the four remaining mobile operators. These operators compete against other private operators in the market (Cullen International, 2008, p. 20).

The review also noted the lack of a reference interconnection offer (RIO), no use of significant market power (SMP) or of market dominance in designing regulations, the failure to rebalance tariffs, an old-fashioned system of service-specific five-year licences and a monopoly international gateway. Almost the only acceptable performance was in mobile networks, although this has to be qualified by serious problems concerning competition and ownership.

The Ministry retains very wide responsibilities (Table II), despite repeated talks of an independent regulatory authority, which remains a distant prospect.

The multiple roles of MCHT are problematic because:

Legal, regulatory and institutional obstacles nevertheless continue to impede the development of the sector. This is partly because of the dominant role of the Ministry of Communications and Information Technologies, which is, at once, policymaker, regulator and operator in the sector. Its monopolistic practices – for example, over satellite connections – have kept costs high, and will continue to hinder the overall development of the ICT industry (EIU, 2010).

The World Bank (2003, p. 11) noted the control by MCHT, the dominance of AzerTelecom and the obligation for 50 per cent state-ownership of operators, which blocked foreign direct investment. The IMF has made repeated calls for privatisation and liberalisation of licensing, non-discriminatory interconnection and full tariff rebalancing, without which the poor quality of telecommunications services continues to inhibit the growth of other sectors.

The overall economic framework is provided by *Azerbaijan 2020: The Vision of the Future*, which contains disingenuous claims about being a democratic and politically pluralist state. It envisages becoming an information society, with a knowledge-based economy, and that:

**Table II** Distribution of regulatory functions

Ministry of communications and high technology (MCHT) Department of regulation	Cabinet of ministers		
	State commission for radio frequency (DRI, 2015)	Ministry of Economy and Industry (2015) State tariff council	State service for anti-monopoly policy and consumer rights (ASIHM)
Licensing telecommunication and express postal services, and certification of ISPs. Regulation of interconnection and universal service. Dispute resolution. Number allocation. Spectrum monitoring. Consumer protection. Formulation of proposals for public investments	Allocating and assignment frequencies for radio, television and wireless operators	Since 2002 has set tariffs for services based on MCHT proposals including fixed local, long-distance and international calls	Monitoring the market and players for violation of anti-trust law

**Note:** MCHT is represented on the other commissions and councils  
**Sources:** World Bank (2014); MCHT (2015)

In 2020, Azerbaijan will be an economically and politically developed and competitive country. Even in the most remote villages of Azerbaijan, all communications required in the daily lives of citizens (communications, Internet, banking services, public utilities [sic], roads and so on), health and education services will be provided (Aliyev, 2012, p. 9).

At the World Summit on the Information Society (WSIS), Heydar Aliyev announced that oil revenues would be invested in human capital and improvements to technological infrastructure, in particular in ICTs (UN, 2003). While the government has spent extensively on ICTs, accounting for more than half of the national market, it has done so without developing significant software or hardware businesses.

From 2002 to 2012, there was a National Information Communication Technology Strategy, implemented in a series of shorter-term measures, such as the State Programme on Development of Communications and Information Technologies 2010-2012 (MCHT, 2014a, 2014b), which aimed for:

- liberalisation of the telecommunications market and the creation of an effective regulatory mechanism;
- development of telecommunications infrastructure; and
- development and deployment of e-government and e-services.

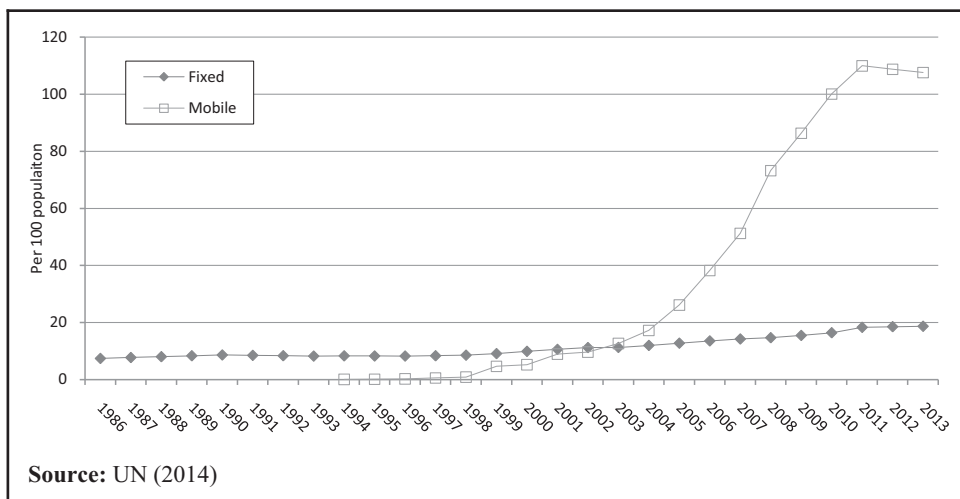
MCHT claimed, somewhat implausibly, that its e-government policies supported accountability, democracy and were “a strong vehicle for the citizens to exercise their rights of association and free speech” (Abbasov, 2005).

The legal framework comprises the Law on Communications of 1997 and the Law No. 927-IIQ on telecommunications of 2004. Despite intentions to align legislation with EU laws, there has been no progress.

MCHT aspires to achieve universal service, for example, in the 2010-2012 State Programme. The government has sought to boost availability of broadband, with USD 130 million in grants in 2013 from SOFAZ (2015), though subsequently using loans (News Az, 2015). The programme for fibre to the home (FTTH), or at least to towns and villages, is expected to run until 2017 (Valiyev, 2013).

The very limited extent of the fixed telephone network at independence was typical of the USSR (Figure 1); intentionally constrained access, mostly in Baku, with elderly electro-mechanical switches of limited capacity and governed by the requirement that the KGB be able to monitor calls. The subsequent growth of the fixed network, whilst substantial, remains a significant barrier to the deployment of broadband services. Since

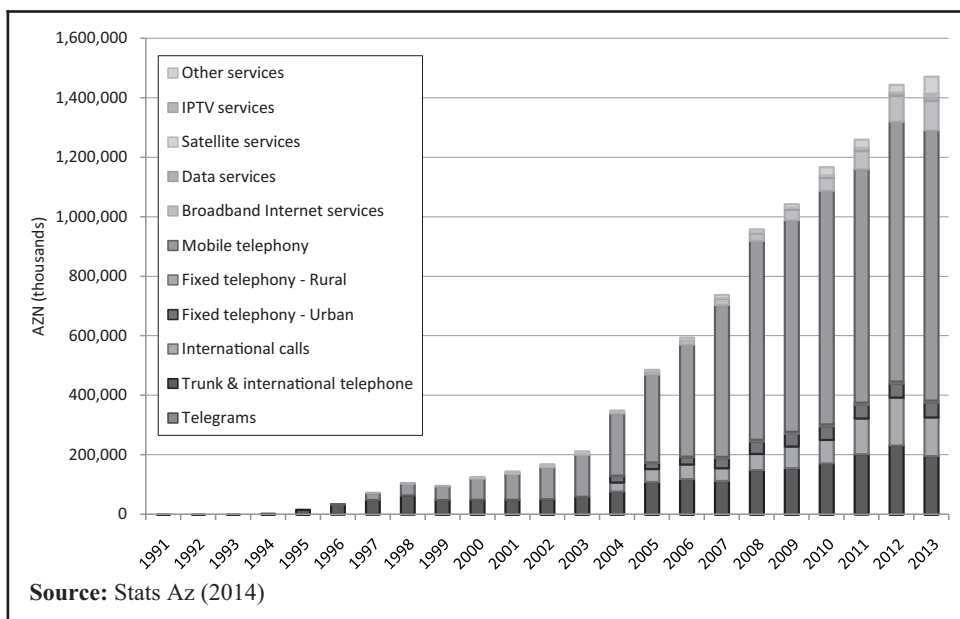


**Figure 1** The growth of telephony in Azerbaijan

2003, the fixed network has been dwarfed by the growth of mobile telephony, rising from 5 to 62 per cent of sector turnover (Figure 2), as competition, albeit quite limited, began to take effect, although with a recent downturn in customer numbers.

A programme for digital government services is part of the National Strategy for Information Society Development for 2014-2020. Its portal, launched in 2013, offers several hundred services, with the intention that all government services are available online by 2020 and that all citizens would then have access, which seems very ambitious (Elektron Hökumət, 2015).

The national competition authority is the State Service of Antimonopoly Policy (ASIHMDX, 2015), within the Ministry of Economic Development (AMSAR), responsible for implementation of the Unfair Competition Law (World Bank, 1995)[10]. However, competition policy is not enforced, despite a large number of registered monopolies.

**Figure 2** Telecommunication revenues in Azerbaijan

In Nagorno-Karabakh, telecommunications services are provided by the Armenian-licensed [Karabakh Telecom \(2015\)](#), which trades as K-Telecom for fixed and MTS-Vivacell for mobile[11]. Its fixed wire service covers about 95 per cent of regional centres and most of the capital Stepanakert, while its wireless service covers 95 per cent of the villages, with a 3G service since 2013. In 2007, MTS (Russia) acquired 80 per cent of the stock from the Fattouch Group for USD 430 million. Licensing and regulation by the Armenian Ministry is an arrangement of doubtful legality in Azerbaijan territory that is occupied illegally.

The development of telecommunications in Azerbaijan has followed an unusual path, with a ministry that is active in the market, in addition to formulating policies and “regulating” the sector, presenting serious obstacles to its commercial development. These constraints appear necessary to ensure control by the Aliyev family, especially in the lucrative mobile market. The government has developed framework policies, but has proved ineffective in their implementation and does not bother with oversight or reviews.

### Fixed operators

The Soviet-era direct state provider of telecommunications was split in 1994 to create Aztelecom and Baktelecom ([Table III](#)). The government proposed the privatisation of Aztelekom in 2007 and again in 2009, then, in 2014, indicated the two would be merged and privatised, although without any meaningful progress ([Telegeography, 2014](#)). The Nakhchivan Autonomous Republic had its own Communications Department, of which the network provider became Nextel (or Nakhtel). The territories occupied by Armenia are served by a private monopoly provider.

Competition in the fixed sector was introduced in 1996 through AzEuroTel, an improbable 50:50 joint venture between MCHT and the Russian Lukoil (Лукойл), a major oil producer, at the time when the latter acquired a stake in the Shakh Deniz gas project[12]. In May 2011, MCHT acquired, at no cost, the shares held by Lukoil Europe Ltd. – although this firm had been dissolved in 2008 – making it wholly owned by the state[13].

There is considerable variation in the availability of telephone lines within Azerbaijan ([Figure 3](#)), with the zero values representing regions occupied by Armenia. The highest levels are in Baku and the nearby Absheron Peninsula.

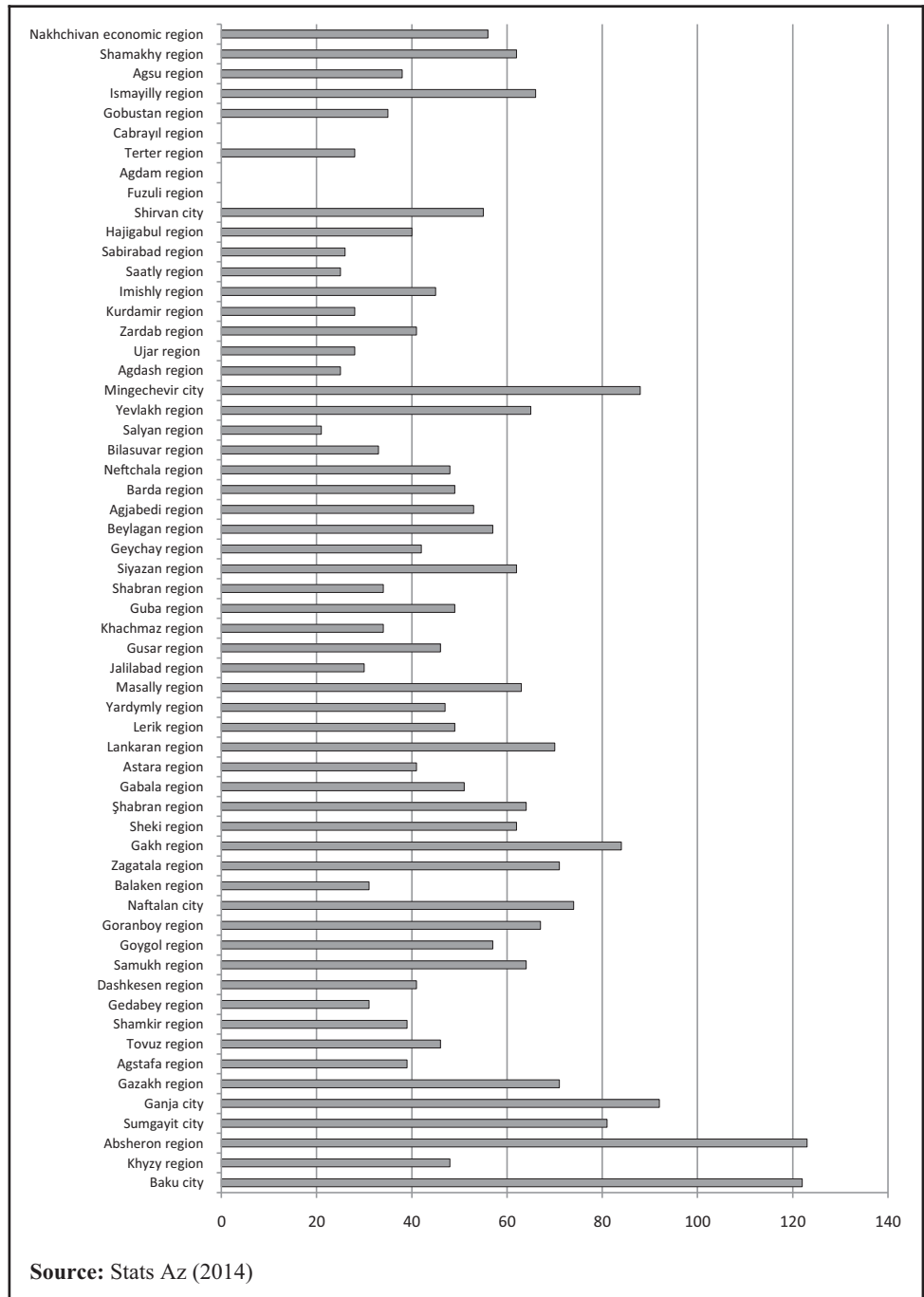
Competition in the provision of fixed Internet services is limited, despite the profusion of Internet Service Providers (ISPs), most of which are quite small and often local ([Figures 4 and 5](#)). More than half of the market is held by state-owned firms:

**Table III** Fixed telecommunications operators

<i>Operator</i>	<i>Services</i>	<i>Coverage</i>	<i>Ownership</i>
AzEuroTel	PSTN and fixed wireless	Whole territory except Nakhchivan	State
Aztelekom Production Association	PSTN	Whole territory except Baku and the Nakhchivan	State
Baku Telephone Communications Production Association (BTCPA or BTRIB)	PSTN	Binagedi, Garadag, Sabayil, Sabunchu, Surakhani, Narimanov, Nasimi, Nizami, Khazar, Khatai and Yasamal districts of Baku city	State
Nakhtel (a.k.a. Nextel) Karabakh Telecom	PSTN and fixed wireless (CDMA) Fixed and mobile	Nakhchivan Nagorno-Karabakh and other areas occupied by Armenian forces	State Fattouch Group & MTS

Source: MCHT (2014c)

**Figure 3** Number of telephone lines per 100 households in 2013

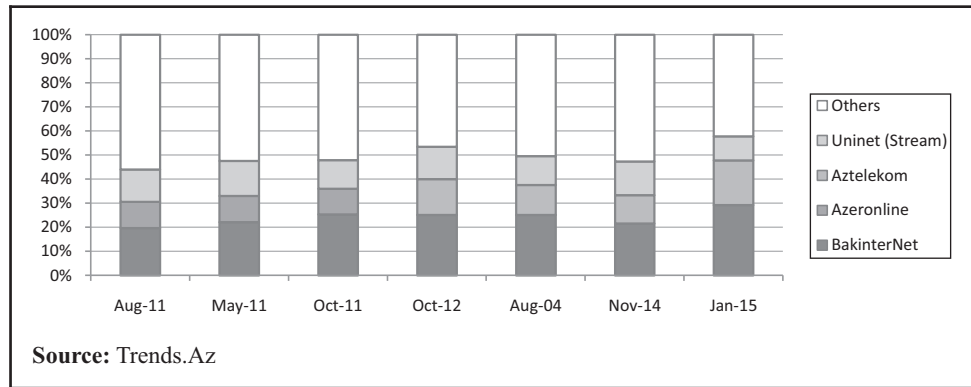


Source: Stats Az (2014)

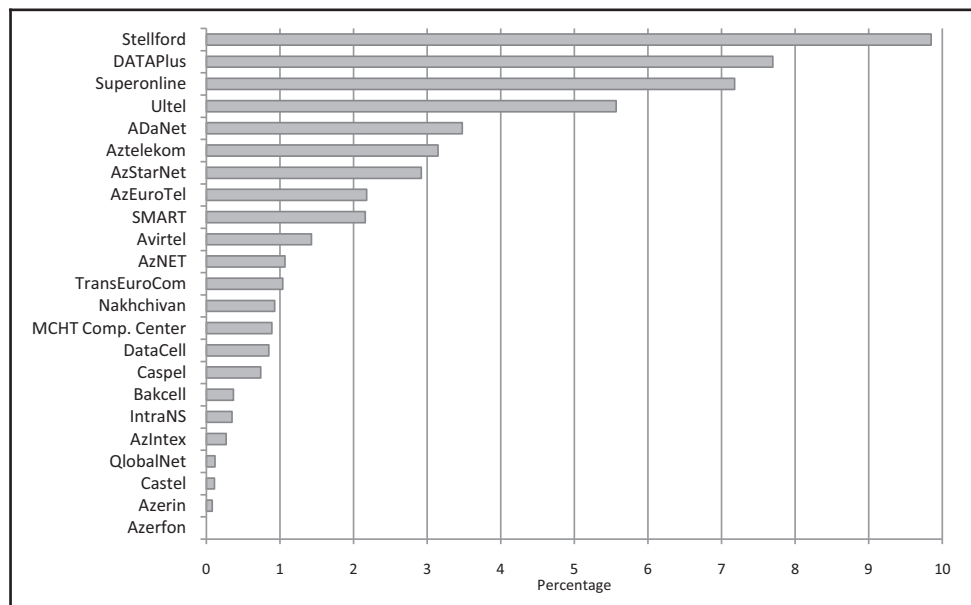
As of 2013 the broadband market leader was Bakinter.NET[14], with a share of 23 per cent, while the country's second-largest ISP, Aztelekom (also known as Aztelekomnet), had increased its market share to 16 per cent. Bakinternet and Aztelekom, as well as the smaller ISP Azdatakom, are government-owned. Other major broadband ISPs include Uninet with 12 per cent and Azeronline, with 10 per cent (Ruddy and Ozdemir, 2014, p. 57).

There has been limited interest from alternative providers in serving rural and remote areas because of the difficulties in constructing infrastructure and the absence, through regulatory failure, of wholesale access offers from the state-owned operators.

**Figure 4** International Internet traffic



**Figure 5** Breakdown of “others” in Figure 4 in May 2011



Most of the limited number of broadband Internet connections use ADSL (Table IV), there being only very limited cable television network provision, with some use of fixed wireless, but a growing interest in FTTH. Delta Telecom also offers a WiMAX service.

Four small operators currently provide CDMA services (Table V).

Begun in 1994, the negotiations with ex-pats in the USA to create Caspian American Telecommunications, Inc. (CATEL) took until 1997, emerging as a 50:50 joint venture between MCHT and Omni Metromedia Caspian Ltd (OMCL), with finance from AIG Capital

**Table IV** Growth of data and broadband services in Azerbaijan

Technology	2009	2010	2011	2012	2013
ADSL & HDSL	19,767	54,407	108,859	228,499	397,233
ISDN	460	385	1,803	1,441	4,240
CDMA (fixed wireless)	40,708	52,749	37,359	39,483	41,051

Source: Stats Az (2014)

**Table V** CDMA operators in Azerbaijan

<i>AzTelekom</i>	<i>State-owned</i>
Aztrank	Privately owned. Established in 1996 providing trunk communications, then from 2005 a cdma2000 wireless service
Baku Telephone Communications	State-owned
Caspian American Telecom LLC (Catel)	First CDMA operator. Ceased operations in 2011
Naxtel	State-owned in Nakchivan
Ultel	Owned by Netas (Turkey). Closed CDMA service in 2015, migrating customers to ADSL and FTTH

Partners, Metromedia International Group Inc (MIG) and WorldTel[15]. CATEL was awarded a 20-year licence to provide local, long-distance and international telephony, as well as Internet and data transmission services, in the expectation it would supplement the existing fixed networks use of wireless local loops. An additional licence in 2006 made it the third mobile operator, allowing a full cellular service on its existing CDMA network. In January 2008, the government sold its stock to the other investors for USD 6 million (Telegeography, 2008). CATEL ceased operations on 1 April 2011, attributed in the press to a hardware problem that, improbably, lasted for months. An alternative explanation is that CATEL had failed to monitor telephone calls by opposition activists organising protests (Azadliq, 2011)[16]. The absence of service pushed customers to other networks, with the inevitable loss of revenues for CATEL and credibility with its distribution network, while Azercell brought legal action over AZN405,237 in outstanding interconnection payments[17]. CATEL never recovered.

Delta Telecom Ltd. (2014), previously AzerSat, has undisclosed and unidentified owners, although apparently not the government. For some years, it has claimed to supply “all of the ISP’s in Azerbaijan”, in the absence of an Internet eXchange Point (IXP)[18]. It is the exclusive distributor for Eutelsat, of particular importance given the topography of the country, and demand from exploration and production sites of the oil industry. It is also the local partner in the Europe – Persia Express Gateway (EPEG, 2014), which links Germany to Oman, with connections to undersea cables[19]. The only other licensed international operator is AzerTelecom, 95 per owned by Azerfon (see below), which has a domestic fibre network radiating out from Baku along major highways, plus three links to Russia, to Rostelecom, Synterra (MegaFon) and TransTeleKom (TTK).

The location of Azerbaijan should make it a regional hub for north – south and east – west telecommunications traffic, although political difficulties mean this has proved impossible to realise, despite substantial Asia – Europe transit traffic (Ruddy and Ozdemir, 2014). The Trans-Asia Europe (TAE) network is, despite its name, a patchwork of the national backbones of dominant telecommunication operators, rather than a regional network. Some capacity was created by the laying of optical-fibre cables along the Baku – Tbilisi – Ceyhan pipeline and the railway network of the Caucasian countries. Azerbaijan took the promotion of the Trans-Eurasian Information Superhighway (TASIM) to the UN General Assembly for three supportive resolutions (UN, 2013), although with little commercial progress. There are problems of limited domestic demand, as the market is controlled by AzerTelecom and Delta, while Nakhchivan has its own terrestrial link to Baku via Iran, as well as satellite connections.

A report for USAID noted that the government controlled the value chain for broadband Internet access (Chemonics International, 2009):

1. Delta Telecom controlled international terrestrial and satellite gateways;
2. AzDataCom controlled[20]:

- national backbone network; and
  - interconnection of ISPs.
3. ISPs use DSL and leased lines from the two state-owned operators; and
  4. mobile network operators.

MCHT had and still holds substantial stakes in operators and exercises control over ISPs.

Control by the government is systemic, with some limited competition in access, but considerably less than the profusion of names seems intended to suggest. The international gateways have been secured by the regime, facilitating censorship and access for the security services. Ownership is obscured to conceal rent seeking. There have been no analyses of competition or attempts to alleviate market bottlenecks; indeed the small providers have been passed off as providing competition, when they are dependent on wholesalers controlled by MCHT.

### Mobile operators

As with other emerging economies, Azerbaijan was apparently persuaded to adopt global best practice in telecommunications policy, notably issuing licences to mobile network operators (Table VI). The first was to Bakcell in 1994, for a first-generation ETACS service, followed in 1996 by a GSM licence for Azercell. After a period of exclusivity, to allow Azercell to build up its business, Bakcell was granted its own GSM licence. In 2009, a third operator, Azerfon, was granted the first 3G licence, again with a period of exclusivity, until 2011, when Azercell and Bakcell were granted their licences. Azercell subsequently obtained two years of exclusive 4G service. None of the licences was subject to competitive tendering or bidding, nor were the periods of exclusivity justified by any published analyses.

Bakcell was established in March 1994, a 50:50 joint venture between MCHT and Elgadcom (later the Fore Group) through GTIB 1996 Ltd. In November 1999, Motorola provided USD 30 million as vendor financing, taking one-third of the shares (Figure 6), while GTIB increased its holding in Bakcell to 75 per cent[21]. Then, in December 2003, MCHT sold its remaining 25 per cent holding to GTIB for USD 5.5 million, completing the privatisation of Bakcell (Azerbaijan Business Centre, 2011)[22]. Motorola appears to have sold its interest in the BVI firm to the Fore Group around the same time. In 2005, the Fore Group sold Bakcell for about USD 100 million to an unidentified purchaser, since when its ownership has been unknown, concealed behind its registration in the British Virgin Islands (BVI)[23].

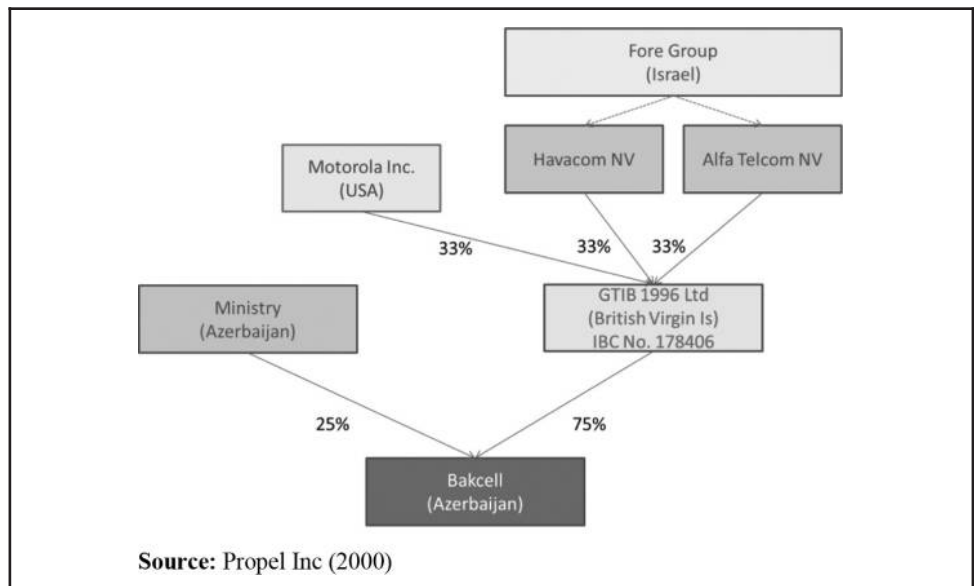
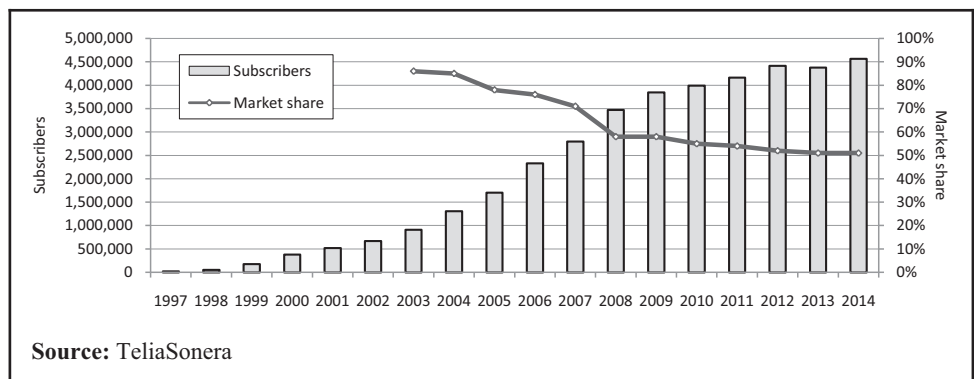
Azercell was established in January 1996 as a joint venture of MCHT (51 per cent) and Turkcell (49 per cent), launching the first postpaid GSM service that year, followed, in 1998, by a prepaid service. Azercell grew rapidly to become the largest operator (Figure 7),

**Table VI** The three mobile operators in Azerbaijan

Operator	GSM	3G	4G	Ownership
Azercell	Licensed 1996. Covers 99.8% pop. & 80% territory	Licensed November 2011 All major cities	Licensed May 2012. Baku, Seaside National Park, Absheron Peninsula	Private 100%
Azerfon (t/a Nar Mobile)	Licensed 2006. 80% territory	Licensed December 2009 Main towns and cities	Licensed February 2015 <sup>a</sup> Launched in Baku	Private 90% and MCHT 10% (see Figure 8)
Bakcell	Licensed 1998. 99% population, 93% territory	Licensed November 2011 80% population, 55% territory & Baku	Licensed 2013 Launched in Baku	Private 100% (see Figure 6)

**Note:** <sup>a</sup>Azerfon ran a trial 4G network for the Eurovision Song Contest in 2012



**Figure 6** Ownership of Bakcell from 2000 to 2003**Figure 7** Market share and subscribers of Azercell

although its market share gradually declined, following the launch of GSM services by Bakcell and Azerfon.

The ownership of Azercell is complicated and has been the subject of investigative journalism (Ismayilova, 2014a, 2014b, 2014c; Patrucic *et al.*, 2015). Shortly after it was originally formed, Turkcell sold part of its stake to the Cenay Group (2015), through a joint holding company called Azertel[24]. In December 1999, MCHT transferred 18 per cent of its holding to Azertel, apparently to cover the cost of investments needed for network construction. Turkcell later transferred its holding into Fintur Holdings[25], a joint venture with Telia and later TeliaSonera. Cenay is a privately owned Turkish engineering company, founded, in 1977, by Cengiz Güldamlasi and Aytaç Güldamla, which had close connections to Heydar Aliev.

In 2007, MCHT sold its 35.7 per cent of the shares notionally to Azertel, making the operator wholly privately owned, although, in reality, they were acquired by Cenay Iletisim, with its holding in Azertel rising from 13 to 42.2 per cent. However, the transaction was more complicated, first TeliaSonera had to waive its rights to buy the shares, and Cenay split its 13 per cent in two, half held by a new firm, Cenay Insaat. FA Invest Malta Limited, bought the 6.5 per cent of Azertel shares held by Cenay Insaat, which has been shown to be linked

to the Aliyev family (Ismayilova, 2014, 2014b, 2014c)[26]. The price paid was reportedly USD 6.5 million, against a market value of USD 30-40 million. The larger transaction was even more complex, with the MCHT stake estimated to be worth about USD 750 million, but it received only USD 180 million. This sum was paid not by Cenay, but lent by TeliaSonera, repaid from dividends due on the shareholding and with half of the money allegedly going not to MCHT but to unidentified holders of privatisation vouchers, originating from the Bourke scandal (see below).

The ownership of Turkcell has been the subject of international arbitration and litigation in a surprising number of jurisdictions, the details of which need not be set out here[27]. Suffice to note that TeliaSonera is partly owned by the governments of Finland and Sweden, that its subsidiary Sonera Holdings BV held 47 per cent of Turkcell Holding, the remainder being held by Cukorova, which TeliaSonera had offered to buy.

In 2009, the first and initially exclusive 3G licence was issued to a new operator, Azerfon, for a remarkably small sum of AZN11,000 (USD 13,600) (Wireless Federation, 2009). Understandably:

The largest mobile operator, Azercell, has questioned the decision to grant a 3G licence exclusively to Azerfon. Azercell has requested a licence from the ministry on several occasions, arguing that its network infrastructure for launching 3G services has been ready for two years. It has been claimed that the ministry's decision was designed to increase the competitiveness of Azerfon against Azercell and Bakcell, which are better established (EIU, 2011).

Azercell and Bakcell were belatedly awarded 3G licences in November 2011 (Telegeography, 2011). Azerfon signed a marketing agreement with Vodafone, without the latter taking any equity, allowing it to use its brand and to resell the Vodafone international mobile roaming service (Telegeography, 2009). It was quickly rebranded as Nar Mobile.

The reporting by MCHT is remarkably casual, with little effort to indicate its holdings in the various operators, while the State Statistical Committee is content merely to report customer numbers and aggregated revenues, ignoring market shares and ownership (Stats Az, 2014), making it extremely difficult to take a view of the competitiveness and market shares. Given the number of exotic and opaque holding companies, it is even more difficult to be confident that further shares are not held by the Aliyev family or other elite groups.

### The first family

Heydar Aliyev joined the People's Commissariat for Internal Affairs (NKVD) rather than the Red Army at the outbreak of Great Patriotic War, allegedly with a falsified medical certificate (Vaksberg, 1991). He rose through its ranks and those of the Committee for State Security (KGB) to become its head in the Azerbaijan SSR, then First Secretary of the Central Committee of the Azerbaijan Communist Party in 1969; in 1982, he became a candidate member of USSR Politburo and a full member under Andropov. He was dismissed by Gorbachev, returning to Nakhchivan, becoming President of its Soviet, then of the Azerbaijan Soviet, from which position he seized power in 1993, becoming President of Azerbaijan in the vacuum created by the defeat of its armed forces by Armenia:

Despite employing a vocabulary of democracy, Aliyev secured his powerbase by establishing a neopatrimonial regime that relied on clan and elite linkages, and returning to an autocratic style of government, which as a corollary, ended the democratic momentum built up between 1991 and 1993 (Lussac, 2011, p. 12).

While dying in a hospital in the USA, he nominated his son as the New Azerbaijan Party (YAP) candidate in the presidential election, ensuring dynastic succession (Radnitz, 2012). Inevitably, this raises the question of whether a family member will succeed the son.

Ilham Aliyev married Mehriban Pashayeva, having three children: Leyla, Arzu and Heydar. They have been alleged to be involved in a wide range of commercial deals and holdings[28], with his wife and daughter, Arzu, apparently owning the Silk Way Group,

which comprises two dozen aviation-related businesses, the Sheraton franchise in Baku and a bank (Asadzade and Ismayilova, 2010; Candea, 2013; Ismayilova, 2014, 2014b, 2014c; SW, 2015). Silk Way absorbed a number of businesses from the state airline Azal, without any public tenders for their privatisation.

Frederic Bourke was sentenced to a year in gaol in the USA, following conviction for conspiracy to violate the Foreign Corrupt Practices Act (FCPA) and the Travel Act, for his part of a scheme to bribe senior government officials in Azerbaijan, including the Aliyev family, offering them several hundred million dollars of stock, cash, other gifts and medical treatments in connection with the purchase of vouchers and options during the abortive privatisation of the SOCAR in the late 1990s (*US v. Kozeny, Pinkerton & Bourke* [2008], [2011]; *Bourke v. US* [2013]). His co-defendant, Viktor Kožený, who admitted paying the bribes, could not be extradited from the Bahamas, as the charges were not criminal offences there (*Government of the USA, Superintendent of Her Majesty's Prison & Attorney-General v. Victor Kozeny* [2010]; *The Superintendent of Her Majesty's Foxhill Prison & another v. Viktor Kozeny* [2012]). Aliyev denied any involvement, claiming it was the work of his officials.

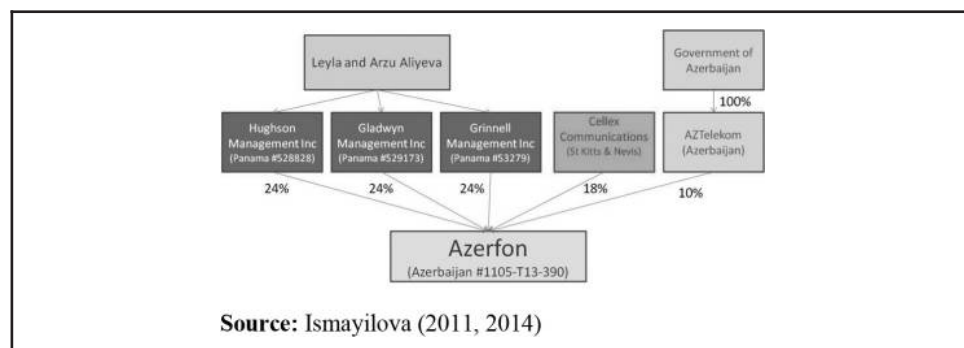
The ownership of Azerfon by the Aliyev family was identified by Ismayilova (2011), an investigative journalist (Figure 8). The three Panamanian firms each had two Aliyeva daughters as president and treasurer, confirming the ownership, while Comset Management Ltd. was company secretary. Additionally, they own 6.5 per cent of Azercell, acquired when it received its 3G licence (see above).

The response of the government to the statement that the Aliyev family owned a mobile operator was to tap the phones of the journalist, to conceal a camera in her bedroom and to publish an intimate video in attempted intimidation (Amnesty International, 2012b). Nonetheless, she repeated her allegations in April 2012 in Washington DC and in evidence to the US Commission on Security and Cooperation in Europe (2014)[29]. Ismayilova was remanded in custody in December 2014, initially for two months, later extended to more than six months (Freedom House, 2014; HETQ, 2015). She is charged with the following violations of the criminal code:

- Article 125 Incitement to suicide;
- Article 179.3.2 Embezzlement;
- Article 192.2.2 Illegal entrepreneurship;
- Article 213.1 Tax evasion; and
- Article 308.2 Abuse of power.

In a trial, held in camera, she was found guilty of criminal libel and fined AZN 2,500 (RFE/RL, 2015; Knezevic, 2015). The police also sealed the Radio Free Europe office in December.

**Figure 8** Ownership of Azerfon



Ismayilova has received freedom of speech awards including the Swedish National Press Club (2012), Gerd Bucerius Free Press of Eastern Europe Award (2012), International Women's Media Foundation Courage Award (2012), Global Shining Light Award (2013) and Barbara Goldsmith Freedom to Write Award (2015) from the PEN American Center, awarded "an imprisoned writer persecuted for exercising her right to free expression".

Azerfon had originally been created around 2005, with the ownership structure something like the following (PPIAF, 2007; Telegeography, 2007):

- Siemens (30 per cent);
- Estel/Extel and Celex/Selex (30 per cent each)[30]; and
- state-owned AzTelekom (10 per cent).

Siemens reported that it owned 30 per cent of Azerfon (Siemens, 2005, 2006; UNCTAD, 2011). Then, on 1 April 2007, all of its communications businesses were transferred to Nokia Siemens Network (NSN), after which there is no trace of the holding in Azerfon. Nokia reports only "significant" subsidiaries, omitting others, but states it did not acquire any holding in Azerfon. Siemens/NSN built the initial Azerfon network as a turnkey project.

Despite the efforts to conceal the ownership by the Aliyev family, it is clear that liberalisation has, as in Morocco, Syria and Tunisia, been abused by the "first family" for its enrichment. It is possible that other holdings in the telecommunications sector also belong to the family.

### Internet Governance Forum

The IGF is a multistakeholder body operating under resolutions of the United Nations General Assembly and the authority of its Secretary-General. Officially, it does very little, lacking legal authority or a treaty, rather it talks about issues, with "delegates" representing whomsoever they say they represent, without any need for credentials or declarations of interest (Sutherland, 2014b). Its funding is equally opaque.

To avoid a fee for its annual conference, supposedly to make the event accessible and democratic, the IGF hawks itself around governments willing to pick up the substantial tab. The result has been an unsavoury selection, including:

- Sharm El Sheik and the Mubarak Government in Egypt;
- Nairobi and the Kibaki Government in Kenya; and
- Baku and the Aliyev regime in Azerbaijan.

In 2015, it is to meet in Brazil, a country where corruption is engulfing the government, threatening impeachment of its president.

The choice of Baku for the 2012 IGF, on the theme of Internet governance for sustainable human, economic and social development, was made despite its lack of good Internet governance (e.g. no Internet eXchange Point [IXP]) and its systematic repression of free speech on the Internet. Moreover:

In contrast to the spirit of the IGF but in keeping with the regime's past actions, authorities endeavored to prevent domestic groups dedicated to freedom of expression from participating in the forum or distributing reports about online restrictions (Freedom House, 2013, p. 100).

Amnesty International (2012b) noted the irony of Azerbaijan hosting the IGF, given that:

The government is already able to monitor and intercept all internet communication carried through Azerbaijani providers without acquiring a warrant or notifying the individual or provider.

The Ministry of National Security had equipment in all the networks to allow it to monitor communications, while legislation had been drafted to bring television and radio on the Internet under domestic controls[31]. Although Azerbaijan was a signatory to the European

Convention on Human Rights, Amnesty explained the systematic violation of Articles 10, 17 and 19.

Similar points were made by Kroes (2012) for the European Commission, who complained of the “many arbitrary restrictions on the media” and the criminalisation of free speech effectively criminalised, with spying on activists and the violation of the privacy of journalists. She drew attention to Eynulla Fatullayev, winner of the World Press Freedom Prize (UNESCO, 2012), who had been imprisoned for his defence of freedom of expression. These concerns were reiterated at the end of the IGF (EC, 2012), which the government dismissed, claiming:

[...] she came with a special mission. This mission is to spread false, biased and wrong information through the interview (Today.Az, 2012).

Given the nature of the Aliyev regime, it seems improbable that a proportion of the money “spent” on the IGF by the government and others would not have been siphoned off corruptly.

The year 2012 not only brought the IGF to Baku but also the Eurovision Song Contest. Amnesty (2012a) had complained of the campaign by the Aliyev regime ahead of the Eurovision Song Contest, repressing its opponents, with increased violence, pursuing journalists and having made criminal offences of peaceful protests. Human Rights Watch (2012) made a series of similar complaints.

The Aliyev regime uses international events to draw attention to Azerbaijan and to Baku, with no compunction in suppressing human rights to avoid protests. The IGF provided less publicity than the Eurovision Song Contest, but bolstered its standing as a putative regional hub for the Internet and telecommunications, with its new satellite and the EPEG and TASIM terrestrial connections. The IGF was tarnished by its association with an opaque and repressive regime that shares no values with the supporters of a free and open Internet.

## Conclusion

The case study of Azerbaijan adds to the body of knowledge about corruption in the telecommunications sector, in particular by extending it beyond Africa and by addressing the concealment of beneficial ownership. It is unsurprising that countries created in the fission of the USSR should have serious problems with corruption, cronyism and neopatrimonialism, given the abrupt ending of the planned economy system and the vacuums created by the lack of alternative economic, moral and political traditions. In most cases what emerged was little more than a relabelling of Soviet *nomenklatura* and machinery of government, descending into oligarchy, kleptocracy and state capture.

Although corruption was evident in Azerbaijan, it had not been linked to developments and bottlenecks in telecommunication markets. Indeed recent reports by UNESCAP (Ruddy and Ozdemir, 2014) and the World Bank (2014a, 2014b) were content to ignore problems arising from the statutory concealment of beneficial ownership, and the use of opaque offshore registries, despite evidence they affected market conditions. The purported privatisation of Azercell and Bakcell and the introduction of a third mobile operator were presented as instances of good practice on a liberalisation path. In reality, 6.5 per cent of Azercell is apparently owned by the Aliyev family along with two-thirds of Azerfon, while the ownership of Bakcell and Delta Telecom remain concealed. Family ownership is an entirely plausible explanation for the periods of exclusivity granted to operators, allowing them to develop their market positions and thus boost rent seeking. State capture allowed the wealth of the ruling family to be enlarged, at the expense of individual citizens and under a smokescreen of competition, something the United Nations and World Bank need to recognise, including any complicity.

Aliyev as the “Sultan of Azerbaijan” dominates the economy and society. He and his family have taken control of the commanding heights of the information economy, with strategic

stakes in major operators, while his government controls the monopoly provider of wholesale access to the Internet and dominates the market for local access. Where “privatisation” has occurred, it has been to some superficially surprising investors, intentionally shrouded in the mysteries of holding companies in the Caribbean, Central America and Malta. It seems quite conceivable that this is all just a charade to cover transfers to the Aliyev family. The ownership of operators in Azerbaijan is peculiarly and, perhaps, uniquely, opaque, thanks, in part, to a law adopted by the Aliyev regime concealing beneficial ownership.

The use of the BVI with its opaque register of companies raises a question for the UK Government, as it retains a constitutional obligation to ensure good governance in British Overseas Territories. With the UK not only having a public register but also having provided access as open data, it is time that it enforced similar measures on the British Overseas Territories. That companies registered in the BVI can be passed off as “British” does the UK reputational damage.

The system of controls over use of the Internet, the “third generation repression”, reinforces the Aliyev regime by raising the stakes for those who might oppose it. The sophisticated targeting of individuals, their isolation and criminalisation discourages others, extending into the twenty-first century the methods of the Imperial Russian *Cheka*. It is aided in doing this by control over network operators exercised by the state and the ruling family, whose strategy is to suppress moves that favour democracy and, in particular, the approaches deployed in the various “colour” revolutions and the “Arab Spring” (Finkel and Brudny, 2012).

Despite its United Nations imprimatur, the Internet Governance Forum ignores the UN Convention Against Corruption (UNCAC), accepting support from corrupt governments to host its annual conferences. Perhaps some future IGF will create a “dynamic coalition” against corruption and the selection of future venues will focus on governments not obviously seeking to whitewash their corrupt regimes and less adept at controlling use of the Internet, blocking and censoring NGOs, their political opponents and citizens. In the interim, the IGF must publish accounts and declarations of interests of participants.

It is important to recognise the difficult and often dangerous work of journalists in exposing corruption in general and, in particular, in Azerbaijan. RSF regularly reports the murder, assault and imprisonment of journalists working to expose corrupt political “leaders” and officials. Azerbaijan has an unenviable reputation as a repressive state, one in which the opposition is barely permitted to organise or to be heard, while journalists are arbitrarily imprisoned, beaten and sometime killed. The Aliyev regime has sought to suppress accounts of the family interest in telecommunication and continues to persecute Khadija Ismayilova, who is presently detained in Baku awaiting trial, with little hope of a fair hearing, only of a long gaol sentence.

TeliaSonera is the sole multi-national operator group present in Azerbaijan, when it would be expected that groups from Russia (e.g. MTS) and the Persian Gulf (e.g. Etisalat) would also hold licences[32]. Vodafone was briefly present by a marketing agreement, lending its name to an operator owned by the Aliyev family. The most obvious obstacle to market entry is the political environment and the need to take the Aliyev family as a partner. Instead, Aliyev interests have had leading manufacturers build networks, which they are able to run by copying commercial models developed elsewhere, blocking the entry of the major groups.

Further cases studies in corruption in telecommunications continue to be required. In particular, it would be useful to have further examples from Asia, Europe and Latin America to achieve some measure of geographic balance and help to complete the picture. Ideally, the ownership of the operators needs to be identified, for which further analysis is needed to justify the necessary legislative measures. Further work is needed on other sectors in Azerbaijan and in other countries that emerged from the USSR (e.g. Belarus). The issue of



the provision of telecommunications in occupied territories and frozen conflicts requires analysis, as the individuals living there need such services. The now partly historic story of vendor financing of operators deserves investigation.

## Notes

1. Azerbaijan has greatly increased its military spending, suggesting it would be capable of retaking the enclave, if Russia was not backing Armenia.
2. The Council Mutual Economic Assistance (COMECON) was the economic arm of the Warsaw Pact.
3. The next addition will be a F1 Grand Prix circuit.
4. The government ignored calls from the Parliamentary Assembly of the Council of Europe to review legislation restricting the freedom of NGOs to criticise the regime (CoE, 2013).
5. See the many recommendations in the monitoring report (ERC, 2013).
6. The winner in 2014 was Vladimir V Putin.
7. The UK was a major force in the creation of EITI, with BP the major oil firm in Azerbaijan (Gulbrandsen and Moe, 2007).
8. Information technology was added to the Ministry of Communications in 2004.
9. AzerSat-1 was launched by Ariane and is operated by Azercosmos.
10. Decree of the President of the Azerbaijan Republic On Ensuring the activity of the State Service for Antimonopoly Policy and Protection of Consumers' Rights under the Ministry of Economic Development of the Azerbaijan Republic No. 203, 25 December 2009.
11. This service was launched in 2005 by the Fattouch Investment Group, based in Lebanon, through International Cell Holding Ltd.
12. Azerbaijan Reg. No. 9900059321. It received domestic licence No. 2 in 1996, followed by an international licence in 1999.
13. UK company registration No. 02941981. LUKoil Europe Ltd. was incorporated on 20 June 1994 and dissolved on 27 August 2008.
14. Owned by BTRIB.
15. In 1998, Omni Communications Inc. formed a joint venture with Metromedia International Group, a media and communications company registered in New Jersey. OMCL was registered in the Bahamas.
16. This was allegedly one reason for the dismissal of Ali Nagiyev as Deputy National Security Minister, whose son was a director of CATEL.
17. In 2009, MCHT had reduced the interconnection rate from AZN 0.05 to 0.02 per minute.
18. Delta Telecom provides universal communication services based on licence Nos 001573 and 065554 from the Ministry of Communications and Information Technologies. It has IP peering with TeliaSonera (Sweden), Hurricane Electric (USA), TransTeleKom (Russia), NTT America (USA) and Level 3 (USA).
19. The partners in EPEG are: Cable & Wireless Worldwide, Omantel, Rostelecom and Iranian Ministry of ICT.
20. The state-owned AzDatacom network is part of the e-governance initiative by MCHT, supported by the UNDP, providing infrastructure for data transmission to almost all regions. It was launched in 2004 and four stages: Baku, Sumgait and Absheron; Baku-Ganja; Yevlakh-Shirvan; and Baku-Astara and surrounding regions.
21. "GTIB 1996, Ltd., or GTIB, a holding company which purchases cellular infrastructure and handsets and sells this equipment to Bakcell and provides management services to Bakcell for a fee" (Propel Inc, 2000).
22. GTIB is sometimes referred to as being an Israeli firm, having been a subsidiary of Fore Group Management and Investments Ltd.
23. Despite receiving this substantial sum, the Fore Group went bankrupt. It had entered the Indian telecommunications market, investing in Tower Vision India Ltd., together with Morgan Stanley and Quadrangle, both from the USA. This failed to achieve the necessary scale in the highly competitive tower management business.
24. Azertel Telekomünikasyon Yatirim Dis, Ticaret AS (Turkey Reg. No. 346411/0).

25. The Netherlands Reg. No. 000018769950.
26. Reg. No. C 54240. Owned by the Trident Trust Co. of Malta (Reg. No. C 51249). The directors of FA Invest being Trident Trust and Stella International Services of Panama (Reg. No. 15054).
27. See *Cukurova Holding AS v. Sonera Holding BV (BVI)* [2014] UKPC 15 (13 May 2014).
28. e.g., The Aliyev children are the registered owners of property costing USD 75 million in Dubai (Higgins, 2010).
29. At the Terrorism, Transnational Crime and Corruption Center at George Mason University.
30. These firms are described as “UK” investors, though it is unclear whether they were registered in the UK or in one or more of the British Overseas Territories, presumably being holding companies owned by Azerbaijani investors.
31. In 2009, the regime had blocked the retransmission on FM bands of foreign radio channels such as the BBC and Voice of America.
32. It has already lost senior executives over its troubled dealing in Uzbekistan (Mannheimer, 2013) and the matter is being investigated by the Swedish authorities.

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