

OUTH OF THE BORDER

Aliyev Immortalizes His Father — and Himself

By Matthew Collin

A swarm of election officials descended upon us as soon as we arrived at polling booths in Baku. These fidgety young men in shiny suits and long, pointy noses of the sort considered chic by apparatchiks in the former Soviet Union. They were closely trailed by a cloud of pungent aftershave.

Our presence — or more specifically, the presence of our camera — obviously making them uneasy. I hovered nervously around us as we tried to interview people who were casting their votes in last week's referendum on whether to abolish Azerbaijan's two-term presidential term and consolidate the power of the country's strongman leader, President Ilham Aliyev.

Their conspicuous eavesdropping made it unlikely that anyone would talk to us honestly in a country where people already seem to be afraid of talking to television reporters. But they shouldn't have worried. Everyone we spoke to repeated the same line as if they had stayed in the night before memorizing it. Aliyev is our hope for the future, he declared; all we must do is trust in him and he'll do the right thing for us — the sort of opinions that would cause any petty authoritarian to glow with satisfaction. I asked an Azerbaijani colleague if it made her feel pleased to hear her compatriots

expressing this kind of cringing obeisance. She simply sighed, nodded and looked away despondently.

These are not good times for journalists in Azerbaijan. The referendum also approved new restrictions on the media, including an ominous-sounding ban on "showing disrespect" to "state symbols." This is already a country where reporters have been jailed, Azeri-language broadcasts by companies like the BBC and Radio Liberty have been prohibited, and dissenting voices have been marginalized.

The headlines on many of Azerbaijan's television news programs tell their own story. Day after day, they begin with a suitably respectful report on a presidential meeting, visit or statement. For example, this is a summary from Lider TV the week before the referendum:

- News story 1: Aliyev and his wife have visited the national museum of Azeri literature.
- News story 2: Aliyev has visited the cultural center of the National Security Ministry.
- News story 3: Aliyev has commemorated the unveiling of a statue to his late father, former Azeri President Heidar Aliyev.

The referendum has ensured that Azeris can expect more of the same — for a long time to come.

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Putin's Economy of People

By Brook Horowitz

Despite the rapid emergence of small businesses since 1991, there are still too many obstacles for the entrepreneur in Russia: The bureaucracy around setting up and registering a company, the bribery required for obtaining approval from various government agencies, and the unpredictability of the overzealous tax police make market entry and ongoing operations costly. Moreover, loans are difficult to come by, and finance or business training for newcomers is not readily available. For the small entrepreneur in a world overshadowed by big business and big bureaucracy, the risks are high and the incentives low.

While the government has expressed its support for small business, in reality the attention has been on the bastions of Russian industry — mainly oil, gas, metals and defense. As a result, we have seen little of the much-discussed diversification of the economy.

The crisis is prompting a reassessment of the role of small business as part of the solution to a potentially explosive situation. Deputy Economic Development Minister Andrei Sharov has promised 10.5 billion rubles (\$314 million) of federal funds for the development of small enterprise and a three-fold increase to 30 billion rubles (\$898 million) in government support of small business loans.

Local authorities are making their own contribution to the effort. Regional funds for small business support are being set up to provide seed funding, and employment centers are to offer advice to people who have recently lost their jobs. It is a good start, but with the government's small business program aim-

ing to create up to 400,000 new jobs in 2009, this will not be enough to stem the rising tide of unemployment, which is expected to reach 9 million by the end of this year.

Large, unprofitable corporations are also part of the overall problem. As beneficiaries of bailouts from the government, many of the strategic industries have been able to continue to employ their workers, at least temporarily. The government should not continue subsidizing unprofitable businesses unless it is prepared to return to the old Soviet business model. They will have

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to restructure sooner or later, and this will necessarily entail downsizing.

The question is how to do this without provoking social upheaval and destroying the already fragile social cohesion in the regions. U.S.-style mass layoffs are not an option — particularly because Russians are less able to relocate to new cities for employment opportunities.

Experience in other countries has shown that local partnerships in stimulating small business development can alleviate the immediate short-term effects of recession. For example, the French Suburbs' project was initiated following the riots of November 2005. It offers microcredits to unemployed people to set up their own businesses, and

mentoring is provided by BNP Paribas.

In Russia, there are some modest examples of such approaches. A number of business-led initiatives, managed by the International Business Leaders Forum, are stimulating entrepreneurialism and employability in the regions. For example, Royal Bank of Scotland and Oxfam are piloting a microfinance and mentoring scheme for young entrepreneurs in Kaluga. In 12 cities, local companies and nongovernmental organizations are working together to help develop youth employability schemes. At a national level, a financial literacy program called Azbuka Finansov — led by Citi and Visa with the involvement of the Finance Ministry, the World Bank and the State Duma — is encouraging banks to educate their customers, corporate volunteers to teach in schools and colleges and young entrepreneurs to obtain advice through an online help desk.

During his speech at the January World Economic Forum in Davos, Prime Minister Vladimir Putin said, "The 21st-century economy is an economy of people, not of factories." By scaling up the efforts to stimulate an entrepreneurial and diversified business environment, the Russian government, the local administrations on the ground and the major corporations can share the short-term costs of weathering the current financial storms and reap the long-term benefits of transforming Russia into an advanced and diverse economy of the 21st century.

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