
Inglab Ahmedov : 'Economic perspectives of Azerbaijan seem gloomy'

Today.Az - 25/10/2008

Day.Az interview with famous economic expert Inglab Ahmedov.

- I will start with a question, raising concerns of most people in Azerbaijan: when, do you think, will the rapid drop of world prices of oil stop and on which stage will it happen?

- This is a difficult question. It depends on most factors and, primarily, on the duration of the process of destabilization of the world financial construction. The situation is currently negative. The situation on the world hydrocarbons market reminds me of the period after 1973 and it should be said that in this sense the crisis was expected. But no one could predict such grandeur scales. There have never been such a dramatic drop in oil prices throughout the whole history.

I would like to note that several months ago oil price was \$147 per barrel on the world market. Through this period of time it has dropped by more than two times. Naturally, such a rapid drop raises concerns of oil producers, especially OPEC countries. They are concerned more than others and today they hold intensive consultations far beyond the limits of their organization.

But the lowest limit of oil price is also restricted. In 2006 experts, analyzing the budget construction of the biggest oil producer - Saudi Arabia - concluded that for this country the lowest level of oil price is \$65.

Otherwise, serious problems will emerge with the budget, which still receives about 90% from hydrocarbon export. Therefore, OPEC led by the Saudi Arabia strives to prevent the oil price drop below \$70. I think they will attain it if not now but at least some time later and the gradual elimination of the crisis in the world economy will help them in that.

- Which conclusions from the world oil price drop should the government of Azerbaijan make?

- First of all, the oil market has proved again that it is like a "naughty child". Everyone stated earlier that the times of cheap oil had passed and said that the oil prices would be either high or too high. Today I also state that cheap oil can not be expected. But the problem is what is implied under cheap oil, for after getting used to big money, it is difficult to give it up. The euphoria of high prices made some people forget that several years ago in 1998 the oil prices ranged between \$9-10. Thus, let's admit that oil historically may disappoint producers more than rejoice them with high prices.

- Is the drop in oil prices much connected with the world financial crisis?

- The connection is direct. It has been stated that oil price includes both economic and political factors, where the latter can even prevail. The recent events showed that price may be deceived by some political and speculative insinuation, but it is impossible to mislead it completely. The law of correspondence between demand and proposal, which is the main law of the market and any normal economy, can not be annulled. It will exist as long as there is humanity.

- Will it be possible to curb the world financial crisis and how much will

Russia, the United States and the leading European states lose and which conclusions will they make?

- The incredible activeness of the leaders of the leading world states, the planned series of summits demonstrate how serious the scales of the crisis are. The stake is the threat of the completion of the supporting constructions of economic facility, including private property and competition. It is now difficult to calculate the depth of the state interference with the economy and the implications of these steps. Measures, taken by the government, are not ordinary. Even if the situation stabilizes, no one knows how the state intends to get rid of the non-liquid assets.

Anyway, this is a case when they say: idleness is like death. I think though paradoxical, the United States will overcome this crisis faster and easier than others, though it was this country which led the world to this web. But the world seems to have got used to the fact that when the United States sneezes, others have flue. Europe and Southeastern Asia, mostly connected with the US market, will overcome the crisis in a longer period of time and have great losses. China's losses may also be colossal. Russia will lose more than others, both directly (low hydrocarbon prices) and indirectly.

- Are statements of Azerbaijani officials that the world financial crisis will not affect Azerbaijan true?

- The global financial crisis will not bypass us. Its implications will be felt more if it lasts longer.

I would like to remind that oil price is set on the level of \$80 in the 2009 budget. This is the most pessimistic script. At the same time the 2009 budget, considering inflation and other factors, does not fix any special growth, which means that if oil prices are on the proposed level in average, we will not see the previous fantastic growth of budget spendings on all articles.

- Which economic perspectives will Azerbaijan have?

- I have said once that Azerbaijan's economic perspectives seem gloomy to me personally. Through the past period this doubts have not melted away. But let's hope for better. Crisis can be used for economy's benefit. Finally, it will make the powers hold structural institutional reforms, which are urgent for the country.
