

Economic Bulletin

September – November 2010

RUSSIA, AZERBAIJAN SIGNED A DEAL ON INCREASED GAS SUPPLIES

September. Russian gas company Gazprom and Azerbaijan's state oil and gas company SOCAR signed a deal to increase supplies of Azerbaijani gas to Russia in 2011-2012 during the Russian president's visit to Baku. Gazprom CEO Alexei Miller said in mid-June that Gazprom is prepared to "buy as much gas as Azerbaijan is ready to deliver."

Deliveries of Azerbaijani gas began on January 1 after Azerbaijan's SOCAR signed a contract with Russia's Gazprom in October 2009 to deliver 500 million cubic meters of gas annually up to 2015, with the option of renewing the contract in the future. Later the companies agreed to double gas deliveries to Russia, bringing the total amount of gas delivery from Azerbaijan to 1 billion cubic meters. The companies will again double that amount to 2 billion cubic meters in 2011.

AZERBAIJANI SOCAR AND AUSTRIAN OMV START NEGOTIATING ON GAS FOR NABUCCO

September. Austria's OMV AG, one of the participants in the Nabucco pipeline project, is negotiating with SOCAR to supply gas to the pipeline, State Secretary of the Ministry of Finance of Austria Reinhold Lopatka said. Austria displays a great interest in Azerbaijan as a supplier of gas for the Nabucco pipeline, said Lopatka, adding that SOCAR and OMV have already begun negotiations.

The Nabucco gas pipeline is worth 7.9 billion euro. Participants are the Austrian OMV, Hungarian MOL, Bulgarian Bulgargaz, Romanian Transgaz, Turkish Botas and German RWE. Each participant has an equal 16.67-percent share. Construction is planned to launch in 2011, with first supplies commencing in 2014. Its maximum capacity will hit 31 billion cubic meters per year. The Nabucco Gas Pipeline International will invest 30 percent of the project's total cost. The remaining 70 percent will be paid by loans.

AZERBAIJAN 'KEY' COUNTRY IN ALL ENERGY PROJECTS IN REGION

September. Azerbaijan is a key country in all energy projects carried out and to be realized in the region, professor of the US University of Montana, Thomas Goltz told Turkish minister of energy and natural resources Taner Yildiz.

At the meeting, that took place in Ankara, Goltz noted Turkey was also an important corridor in transportation of the Caspian Sea's energy resources. Touching upon Turkey's energy strategy, Goltz said the Baku-Tbilisi-Ceyhan pipeline was the first step for the recognition of official Ankara as an energy corridor in the world. He added, that at present, Turkey continues efforts towards construction of another energy project - the Nabucco gas pipeline.

WHAT'S AZERBAIJAN'S RANK IN GLOBAL COMPETITIVENESS REPORT?

September. Azerbaijan ranked 57th in the overall ranking in the Global Competitiveness Report 2010-2011 released by the World Economic Forum. Although, the country fell six places from 51st position in 2009-2010 report, it is still above other CIS countries.

Azerbaijan kept its dynamics of development and competitiveness as it rescored 4.3 on the Global competitiveness index, the same as in the previous report. The index captures the microeconomic and macroeconomic foundations of national competitiveness.

The fall in the ranking is associated with increasing the number of countries from 133 to 139 and recovery in some crisis-hit countries. Switzerland, Sweden, Singapore, USA and Germany are five top performers in the ranking.

TOP TEN COUNTRIES INVESTING IN AZERBAIJAN DETERMINED

September. Great Britain leads the list of the foreign investors in Azerbaijan. According to the State Statistical Committee of Azerbaijan, Great Britain invested AZN 505 038.8 thousand in Azerbaijan's economy during the same time, up 30.8% compared with a year ago.

The second place was taken by USA, and U.S. investment in Azerbaijan increased by 71.3% to AZN 223 960.6 thousand. Japan ranked third. Japanese investors invested AZN 117 157.8 thousand, Norwegian investors invested AZN 72 643.6 thousand and Turkish invested AZN 63 801.3 thousand in Azerbaijan's economy, during the same period.

It must be noted that foreign investments in Azerbaijan economy accounted AZN 1 103.1 mln in January-July, 2010, up 31.5% from the year earlier.

EUROPEAN UNION PROMOTES PROGRESS ON AZERBAIJAN'S ACCESSION TO WTO

October. The EU Delegation to Azerbaijan, in cooperation with the Azerbaijani National Committee for European Integration (ANCEI), organised a well-attended conference on "Accession of Azerbaijan to the WTO: International experiences" in Baku. The conference was

opened by Deputy Foreign Minister Mahmud Mammad-Guliyev as Chief Negotiator on WTO, and was attended by trade experts, economists, business and civil society representatives. The event allowed participants to take stock of the negotiations and to debate on the challenges and opportunities for Azerbaijan.

"The cumulative benefits of the legislative, policy and institutional changes brought about by WTO membership are immense. Reforms required under the accession process provide the country with tremendous economic opportunities, in line with the efforts of modernisation and diversification of Azerbaijan" said Ambassador Roland Kobia, the Head of the EU Delegation.

The European Union attaches great importance to Azerbaijan's efforts to become a WTO member. The WTO is a multilateral trading system that opens worldwide markets for goods and services to its members, leading to greater trade, more jobs, cheaper and better quality products and sustainable economic growth.

The Eastern Partnership Programme launched by the EU and the six partner countries including Azerbaijan in 2009 creates new perspectives for the economic integration of Azerbaijan into the EU, in particular through the conclusion of the new Association Agreements and Deep and Comprehensive Free Trade Agreements. However, a new trade agreement with the EU can only be adopted following Azerbaijan accession to WTO. The EU is ready to provide all the necessary support to the country in its efforts toward that end.

MINISTER: AZERBAIJAN IS THE LEADER IN PER CAPITA FOREIGN INVESTMENT

November. About \$90 billion were invested in the Azerbaijani economy since the country's independence thanks to the creation of a favourable investment climate, Azerbaijani Economic Development Minister Shahin Mustafayev said at the opening of the Azerbaijani National Exhibition in Tashkent. Half of this figure accounts for foreign investment, he said.

"Azerbaijan is one of the leading countries in the CIS and Eastern Europe in terms of foreign investments per capita and today the country is actively investing overseas," Mustafayev said.

He noted that the global financial crisis had a minimal impact on the economy. GDP growth was 9.3% in Azerbaijan in 2009.