

Economic Bulletin

July 2010

U.S. SPECIAL ENVOY: AZERBAIJAN HAS ALWAYS BEEN VERY RELIABLE TRANSIT COUNTRY

July 1. Azerbaijan has always been very reliable transit country, U.S. Special Envoy for Eurasian Energy Richard Morningstar said on July 28 in Astana. Regarding assistance in continuation of Kazakh oil's transportation from Tengiz field via the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, Morningstar stressed that Chevron hasn't appealed regarding assistance in the resumption of transit of the Tengiz oil via the BTC. "The U.S. has always supported the Baku-Tbilisi-Ceyhan oil pipeline and I was very actively involved in this process in the years in government service. And we [the U.S.] supported the possibility of transporting the Kazakh oil via the BTC, but also supported the project of expansion of the Caspian Pipeline Consortium (CPC) and Trans-Caspian Kazakh Oil Transport System to export new amounts of oil from the Caspian region," Morningstar said.

Since early 2010, TengizChevrOil has stopped shipping oil from the Kazakh oil field Tengiz via the Baku-Tbilisi-Ceyhan oil pipeline due to tariff increase. Amounts previously supplied via the pipeline, are now transported by rail from Baku to the Georgian Black Sea ports of Batumi and Kulevi.

SOCAR WINS SAP CIS QUALITY AWARD

July 3. The State Oil Company of Azerbaijan Republic has become a SAP CIS Quality Award 2010 Gold winner for its achievement in the successful software implementations. The awarding ceremony took place on June 2 at the SAP's headquarters.

SOCAR implements the long-term strategic transformation program. The program aims at switching to the International Financial Reporting Standards and modernizing the company's management system in line with world's best practices. SOCAR chose the SAP software in order to acquire information about the situation in the company's enterprises so that the company could make prompt decisions. SAP is a German software development and consulting corporation, which provides enterprise software applications and support to businesses of all sizes globally. The SAP Quality Awards celebrate customers that use SAP Quality Principles to effectively manage software implementations marked by multifaceted technical and business process requirements, excel in execution and deliver significant benefits, and achieve fast, low-cost implementations to accommodate today's demands for rapid realization of return on investment.

AZERBAIJAN ENTREPRENEURS CONFEDERATION JOINS INTERNATIONAL ORGANIZATION OF EMPLOYERS

July 4. The National Confederation of Entrepreneurs' (Employers) Organizations (ASK) became a full member of the International Organization of Employers. The membership application was unanimously accepted in June at the session of the IOE General Council. IOE Secretary General Antonio Penalosa sent a letter of congratulation to ASK thanking for promoting business in Azerbaijan.

AZERBAIJANI PRESIDENT RECEIVED BP EXECUTIVE DIRECTOR

July 6. Azerbaijani President Ilham Aliyev received BP executive director Tony Hayward. The President stressed the successful long-term cooperation between BP and Azerbaijan. He expressed confidence that this partnership will expand more in future. Tony Hayward stressed the successful cooperation between the Azerbaijani government, BP and SOCAR.

BP head once again noted the importance of oil and gas projects "Azeri-Chirag-Guneshli" and Shah Deniz, as well as Baku-Tbilisi-Ceyhan pipelines and South Caucasus gas pipeline for Azerbaijan, the region and the global energy market. It was stressed that the full development of Shah Deniz field is one of the important projects for Azerbaijan and BP.

AZPPROMO ELECTED AS MEMBER OF WAIPA STEERING COMMITTEE

July 6. Azerbaijan Export and Investment Promotion Foundation (AZPROMO) joined 15th World Investment Conference 2010 of the World Association of Investment Promotion Agencies (WAIPA) held in Buenos Aires, Argentine, with a presentation on Azerbaijan's business climate and investment opportunities. WIC 2010 focused on the challenges raised by the current economic recovery, particularly the development of investments that can make growth sustainable.

During the conference AZRPOMO was elected as one of the 11 regional offices of WAIPA for South Caucasus and Central Asia. AZPROMO's presence in the WAIPA's Steering Committee will open a range of opportunities for sharing the information on the successful reforms undertaken in Azerbaijan and targeted to the improvement of investment climate, facilitate the cooperation ties between AZPROMO and World Investment Promotion Agencies as well as strengthen the spectrum of its activities in the region. Important to mention, Azerbaijan represented by AZPROMO is the only CIS country elected for WAIPA Steering Committee.

SOCAR, BP SIGN AGREEMENT

July 7. The State Oil Company of the Azerbaijan Republic (SOCAR) and BP signed a document called Heads of Agreement (HOA) which defines the basic commercial principles for a PSA for the Shafag and Asiman offshore blocks. The Agreement follows the signing in London on July 13, 2009 of the memorandum of understanding between SOCAR and BP to jointly explore and develop the Shafag and Asiman structures in the Azerbaijan sector of the Caspian Sea.

OVER 3 MLN TONS OF AZERBAIJANI OIL EXPORTED TO WORLD MARKETS

July 13. About 3,280,000 tons of Azerbaijani oil was exported to the world markets via Ceyhan port. From the beginning of 2010, this figure reached 18,300,000 tons. After the Baku-Tbilisi-Ceyhan main export pipeline was put to an operation, 122,900,000 tons of oil was exported to the world markets.

INTERNATIONAL CONFERENCE ON ALTERNATIVE AND RENEWABLE ENERGY HELD IN BAKU

July 14. An international conference under the theme "Opportunities and prospects for use of alternative and renewable energy sources in Azerbaijan" held in Baku. The event was co-organized by the United States Agency for International Development (USAID), Azerbaijan National Academy of Sciences (ANAS) and Azerbaijani Ministry of Industry and Energy.

PRESIDENT: AZERBAIJAN'S CURRENCY RESERVES REACHED \$24.7bn

July 14. Azerbaijan's currency reserves have increased from 20 to 24.7 billion US dollars in the first six months of the year, said the President of Azerbaijan in his remarks at a Cabinet meeting aimed to discuss the outcomes of the socio-economic development in the first half of 2010. President also praised the country's economic development, mentioning a 3.7-percent growth in the first half of the year.

SOCAR PRESIDENT MET DEUTSCHE BANK OFFICIAL

July 15. President of Azerbaijan's State Oil Company, SOCAR met a delegation led by Yurjen Fitschen, member of Board and Observation Council of German Deutsche Bank. He praised the current level of cooperation between SOCAR and Deutsche Bank. He said international financial institutions were interested in projects being implemented in Azerbaijan. "A \$80m loan allocated by Deutsche Bank to SOCAR in November 2009 is an evidence of this." The SOCAR President highlighted the company's development strategy, attaching special importance to the cooperation with German energy companies. In turn, Fitschen mentioned the huge potential for cooperating with SOCAR, adding Deutsche Bank intention to further continue the bilateral cooperation.

AZERBAIJAN, EU TO CONTINUE TRADE TALKS

July 16. The trade deal as part of the Azerbaijan-EU association agreement can be signed after the country joins the World Trade Organization, Deputy Foreign Minister of Azerbaijan Mahmud Mammad-Guliyev said. According to him, it can not hamper commodity turnover between Azerbaijan and EU. Azerbaijan joined the EU's Generalized System of Preferences program (GSP+) last year. Azerbaijani businessmen can partly use this program. Despite this fact, discussions will be held for the fourth group of agreement talks – in the field of trade. The main aim of GSP project is to promote development of non-oil sector in Azerbaijan and enhance country's export capacity. This program provides preferential access to the EU market to Azerbaijani businessmen in the form of reduced tariffs for their goods when entering the EU market.

TURKEY, AZERBAIJAN SIGN PROTOCOL OF INTENT ON CONSTRUCTION OF NAKHCHIVAN GAS PIPELINE

July 18. The State Oil Company of Azerbaijan (SOCAR) and Turkey's Botas company signed a protocol of intent on construction of the gas pipeline from Turkey to Azerbaijan's Nakhchivan Autonomous Republic (NAR). Under the agreement, Azerbaijani gas will be transported to Nakhchivan via Turkey's Igdır province. The working group will develop technical details of the project.

NEXT ROUND OF THE WTO ACCESSION OF AZERBAIJAN HELD

19 July. The Negotiation Team of Azerbaijan on accession to the WTO led by Ambassador Mahmud Mammad-Quliyev, Vice-Chairman of Inter-Ministerial Commission on WTO accession, Chief WTO Accession Negotiator, Deputy Minister of Foreign Affairs, visited Geneva from 19 to 23 July 2010 and had bilateral negotiations on market access in services field with several WTO members and consultations in the WTO Secretariat.

BAKU HOSTED 11TH AZERBAIJAN-GERMANY BUSINESS FORUM

July 19. Baku hosted the 11th Azerbaijan-Germany business forum organized by the Ministry of Economic Development of Azerbaijan, Azerbaijan Investments and Export Promotion Foundation

(AzPROMO) and Germany-Azerbaijan Economic Union. The event brought together officials and about 50 businessmen representing the spheres like agriculture, food industry, alternative energy, finance, oil-gas and machine-building fields. Officials from the Government of Azerbaijan and Germany made speeches on prospects of the economic relations between the two countries.

AZERBAIJANI PRESIDENT ILHAM ALIYEV RECEIVED UNCTAD SECRETARY GENERAL SUPACHAI PANITCHPAKDI

Azerbaijani President Ilham Aliyev received Secretary General of the United Nations Conference on Trade and Development (UNCTAD) Supachai Panitchpakdi. Panitchpakdi thanked the Head of State for the created condition in holding the next XIX regular regional courses on Europe organized by the UNCTAD and Azerbaijan Diplomatic Academy.

Panitchpakdi congratulated the Head of State with the achieved successes. President Ilham Aliyev noted the importance of the Baku XIX regular regional courses on Europe stressed the event would have effective results.

SOCAR, ENI DISCUSS FUTURE COOPERATION

July 21. SOCAR top managers met Chief Executive Officer of the Italy's ENI oil company Paolo Scaroni. The parts mentioned SOCAR-Eni business ties have been intensified in recent years, underlined Saipem's, subsidiary of Eni, successful operations in Azerbaijan. Cooperation between the two companies was discussed during Eni Vice-President Daniele de Giovanni's Baku trip earlier. SOCAR representatives expressed their confidence the present meeting would give a kick-start to company-to-company ties. The ENI delegation was briefed about pipeline network and diversified energy supplies. The sides discussed cooperation between both companies in oil and gas operations in the Caspian.

BOEING, AZERBAIJAN AIRLINES ANNOUNCE PLANE SUBSTITUTION AGREEMENT

July 22. Boeing and Azerbaijan Airlines signed an agreement to substitute two Next-Generation 737 airplanes for one 767-300ER (extended range) and two 767 Freighters, a new model type for the Baku, Azerbaijan-based airline. The substitution has been updated on Boeing's Orders and Deliveries website. "With our centralized geographic location, Azerbaijan is becoming a busy hub in the region between east and west and north and south," said the president of Azerbaijan Airlines. "We are capitalizing on this development by expanding our long-haul passenger fleet and growing our cargo business with the proven efficiencies of the 767 Freighter." Including today's announcement, Azerbaijan Airlines has a total of eight Boeing airplanes on order: two 767-300ERs, two 767 Freighters, two Next-Generation 737s and two 787-8s. "With the economic recovery gaining momentum at various speeds around the world, our customers are making changes to their fleets to accommodate the upturn," said Marlin Dailey, vice president of Sales, Boeing Commercial Airplanes. "We have worked with Azerbaijan Airlines to make changes to its order book that meet its needs."

BAKU HOSTED 6TH MEETING OF INTERGOVERNMENTAL COMMISSION ON AZERBAIJAN-GEORGIA ECONOMIC COOPERATION

July 23. The sixth meeting of intergovernmental commission on Azerbaijan-Georgia economic cooperation was held in Baku. Prime Minister of Azerbaijan Artur Rasizade addressed the meeting highlighting relationship between the two countries. He underscored the role of the

intergovernmental commission in development of bilateral cooperation. Rasizade noted Azerbaijan-Georgia relations could be an example for other countries.

Trade turnover between the two countries made up \$ 454, 9 million last year and reached as much as \$175, 4 million during January-May this year. The Prime Minister also touched upon the economic development processes in Azerbaijan, saying despite the global financial crisis the country's economy grew by 9,3 percent. He pointed out numerous state social programs had been adopted in the country. Georgian Prime Minister Nika Gilauri praised the relationship between the two countries, expressing the confidence that Azerbaijan-Georgia political, economic and humanitarian cooperation would continue to deepen. Gilauri noted the volume of investments that Azerbaijan makes in Georgian economy increases year after year. The sides also discussed how to expand bilateral cooperation in trade, energy, transport, communication, agriculture, border and customs, protection of environment and other spheres.

Afterwards, Prime ministers Artur Rasizade and Nika Gilauri have signed a Memorandum of Understanding on increasing competitiveness of transport corridor between Azerbaijan and Georgia and the final protocol of the sixth meeting of intergovernmental commission.

SOCAR-TURCAS GETS LICENSE TO BUILD REFINERY IN TURKEY

July 24. Ankara hosted a ceremony to grant a license to SOCAR-TURCAS Joint Venture to build a new refinery in Izmir province of Turkey. The license was granted by the Turkish Energy Market Regulatory Authority (EMRA). Addressing the event SOCAR-TURCAS Executive Manager and member of Petkim Board of Directors Kenan Yavuz said the new facility will be built in the area of petrochemical complex Petkim. He noted the construction of the plant would involve about 10,000 people. He added the facility will employ about 1,000 people when it starts to operate. Turkish minister of energy and natural resources Taner Yıldız told of the relationship between Azerbaijan and Turkey. He said Azerbaijan plays an important role in energy security of Europe. Then, Yıldız presented the license to SOCAR president Rovnag Abdullayev.

EU ENERGY COMMISSIONER HIGHLIGHTS NABUCCO'S IMPORTANCE

July 28. The European Union's Commissioner for Energy has stressed the importance of the Nabucco gas project, saying realizing it is among key priorities for the organization. Gunther Oettinger spoke to an international forum in Odessa, Ukraine, on the theme "Promoting Energy Security and Investment in the Black Sea region: the Role of Multilateral Cooperation". "Nabucco delivers some of the strategic benefits that public policy demands. First of all, it tackles a public interest: the interest in energy security. In this regard, the gas markets isolation of the Central and Southern EU Member States is a concern to the Commission."

"First, we will develop the Southern corridor in a manner that will balance the interests of the producing countries, of the transit countries and of the consumer countries, bearing in mind that several countries, like Turkey, are at the same time a consumer country and a transit country." The Commissioner said in the next 20 years the dependence of the European Union on imported energy resources would increase from 50 to 70 percent, stressing the necessity of finding new diversified routes.

Oettinger emphasized Azerbaijan's role in the European energy security. "Azerbaijan is a major energy player in the region and a key partner for the European Union. I was pleased to meet President Aliyev in Baku in April. I can confirm that our co-operation is built on solid foundations,

underpinned by clear mutual interests.” “The participation of Azerbaijan in the Eastern Partnership is a historic milestone and by signing the Southern Corridor Declaration in Prague, Azerbaijan has confirmed its critical role and commitment to building bridges to the EU. We are following closely the award of gas from Shah Deniz-2. The Commission has long underlined its interest in a strategic allocation of gas from Shah Deniz-2 that allows the Southern Gas Route to develop,” he noted.

BAKU HOSTED AZERBAIJAN-TURKEY BUSINESS FORUM

July 29. Baku hosted the Azerbaijan-Turkey business forum with participation of Azerbaijan's Economic Development Minister Shahin Mustafayev and Turkish Minister of State for Foreign Trade Zafer Caglayan. Mustafayev said the visit of the Turkish delegation, including officials and more than 100 businessmen, would contribute to developing multi-faceted cooperation between the two countries. He praised the Azerbaijan-Turkey relationship, saying the two countries have signed 23 documents on economic cooperation. Touching upon the bilateral energy cooperation the minister underlined the importance of Baku-Tbilisi-Ceyhan oil and Baku-Tbilisi-Erzurum gas pipelines. He added “these pipelines play an important role in energy security of both our countries and Europe”.

Mustafayev noted the two countries had transit potential, as well. Baku-Tbilisi-Kars railway would link Turkey to Azerbaijan and Europe to Asia, he added. The minister pointed out more than thousand Turkish companies operating in various spheres of Azerbaijan's economy. Mustafayev said Azerbaijan was attractive to foreign investors due to the political stability and favorable business climate in the country. He praised Turkey's support for Nakhchivan which is under blockade by Armenia.

Zafer Caglayan, in turn, mentioned great potential to develop the economic cooperation between Azerbaijan and Turkey. He noted the two countries could increase the volume of trade turnover to \$5 billion. He pointed out that Azerbaijani businessmen invested over \$3 billion in Turkey. But this figure is expected to be increased, he added. Caglayan also said Turkish businessmen invested more than \$6 billion into economy of Azerbaijan. As part of the business forum the Azerbaijani and Turkish businessmen held bilateral meetings.