



ECONOMIC NEWS BULLETIN

EMBASSY OF THE REPUBLIC OF AZERBAIJAN

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ECONOMY

MINISTER OF ECONOMIC DEVELOPMENT: AZERBAIJAN ENETERS NEW STAGE OF SOCIO- ECONOMIC DEVELOPMENT

During 2004-2009, the amount of GDP in Azerbaijan increased by 2.8 times, and its per capita share in 2009 reached \$4,874.1, the article by the Minister of Economic Development Shahin Mustafayev, said.

"During this period, currency reserves were established, allowing to ensure the economic security of the country, and in 2009, the strategic currency reserves of Azerbaijan exceeded \$20 billion, which is six times more than the external public debt of the country and enough to finance the cost of non-oil imports during 40 months"

According to the minister, formed legal framework, which meets international standards, supported the rapid economic development, and main goals of socio-economic development were achieved through concrete programs. In general, over 100 concepts, government programs and large documents have been adopted in various fields. Established in Azerbaijan the acceptable business environment contributed to increasing amount of investments in the country's economy, which exceeded \$70 billion, half of which accounts for foreign investments.

During 2004-2009, total budgetary resources to

finance activities to strengthen the social protection of population increased 4.8 times, the average wage in the country increased three times, and income - 3.4 times and its share per capita - 3.2 times, the minimum amount of pension payments - 3.8 times, the minimum wage - 6.3 times. The level of poverty in the country over the past five years decreased by 4.1 times - from 44.7 percent to 11 percent. Over the last six years, 840,000 new jobs were created in the country.

"All these economic successes confirm the completion of the transition period and beginning of a new phase of socio-economic development in the national economy," said the minister.

ECONOMIC RESEARCH CENTER: AZERBAIJAN REGISTERED ANNUAL INFLATION OF 0.56 PERCENT IN 2009

The Economic Research Center of Azerbaijan has published statistic research data on consumer price index (CPI) for December 2009 in 11 regions of the country as part of the Budapest-based ACI Fund's institutional assistance project Alternative Calculation of Inflation Level.

According to the Centre, the research showed that Azerbaijan's CPI grew by 0.93 percent in Dec.

"For the reported period, the prices in Baku rose 1.54 percent and in regions by 0.33 percent. The

rise in prices for foods in December made up 1.72 percent (in Baku – 2.76 percent and in regions – 0.71 percent) and for non-foods 0.1 percent (in Baku – 0.27 percent and in regions – 0.06 percent). The decline of prices was observed in service sector – 0.11 percent.

According to the research, last year the country registered inflation of 0.56 percent. In 2009, price rise in Baku was 2.67 percent, while regions saw price fall of 1.5 percent.

AZERBAIJAN, SWITZERLAND TO DISCUSS PROSPECTS FOR TRADE AND ECONOMIC COOPERATION

On January 18 Bern hosted the 4th meeting of an Azerbaijan-Switzerland intergovernmental commission on trade and economic cooperation.

Azeri minister of economic development, Shahin Mustafayev, who co-chairs the commission, lead a large delegation of Azerbaijani officials for the event.

The meeting discussed accomplishments since the last gathering, and the countries share their views on exploring new prospects in order to boost the bilateral economic cooperation.

The Swiss co-chair of the joint commission is Monika Rühl Burzi from the State Secretariat for Economic Affairs.

LONDON TO HOST AZERBAIJAN-UK BUSINESS FORUM

Azerbaijan-UK Business Forum on trade and investments is to take place in London on March 8.

The International Bank of Azerbaijan (IBA) said that the event is expected to involve ministers of both the UK and Azerbaijan to deliver reports.

The business forum will be organized by Middle East Association and is a result of work of both countries' high-ranking missions over the last two years.

UK-Azerbaijan Business Council was established due to co-operation between the Association and the IBA and started its activity in Sept. 2009.

The Council sets an objective to expand business

co-operation between the two countries and deepen trade and investment ties.

FUEL AND ENERGY

AZERBAIJANI PRESIDENT ATTENDS WEF'S "GLOBAL ENERGY OUTLOOK" SESSION

Azerbaijan's President Ilham Aliyev attended the World Economic Forum's session entitled "Global Energy Outlook" on Jan. 28.

The World Economic Forum Annual Meeting has engaged leaders from all walks of life to shape the global agenda at the start of the year for the last four decades.

In response to new priorities, the organizing theme for this year's Annual Meeting is a call to action, "Improve the State of the World: Rethink, Redesign, Rebuild".

The meeting brings together nearly 2,500 participants, including government representatives of the world's top 25 economies and fast-growing small countries, including heads of state and government, ministers of finance and economy, and ministers of foreign affairs as well as governors and mayors of the world's top regions and cities.

The "Global Energy Outlook" session was opened by Daniel Yergin, Chairman of Cambridge Energy Research Associates.

President Ilham Aliyev addressed the session to highlight Azerbaijan's achievements in energy sector.

The President praised his country's role in global energy security, saying Azerbaijan implemented a number of internationally important projects thanks to "a right policy and joint efforts of partners".

"Today Azerbaijan exports its oil and gas in different directions," added the Azerbaijani leader.

The President said Azerbaijan enjoyed increasing role on the world's gas market.

"Our proven gas reserves are large enough. Currently Azerbaijan exports its gas to its neighbors, although some of them have much more gas than we do. We'll continue diversifying our gas export routes."

President Ilham Aliyev also highlighted Azerbaijan's economic achievements, saying over the last six years the country had been among the world's most rapidly developing economies.

"We conducted successful reforms to ensure that our economy develop on the basis of market economy principles. Currently the share of the private sector in the Gross Domestic Product is 85%. Azerbaijan continued to develop in 2009 despite it marked global crisis."

The President said: "Azerbaijan's GDP grew 9.3% last year, while industrial output saw a 8.6% increase. At the same time, Azerbaijan's national currency did not lose its value."

Other speakers at the session included Tony Hayward, BP CEO, Khalid Al-Falih, President of Saudi Aramco, Peter Voser, CEO of Royal Dutch Shell, Andrew Liveris, President of The Dow Chemical, and Thierry Desmarest, Chairman of Total.

AZERBAIJAN STATE OIL FUND DIVIDENDS FROM BTC EXCEED \$300 MILLION

The State Oil Fund of Azerbaijan Republic's (SOFAZ) dividends hit \$314.8 million from the Baku-Tbilisi-Ceyhan (BTC) operations by late 2009, SOFAZ CEO Shahmar Movsumov said in his article publicized in Republic newspaper. SOFAZ receives dividends from the BTC activities, as the fund fully funded the share of Azerbaijan's participation in the construction of pipeline. SOFAZ expenditures made up 297.8 million manat (\$312.6 million) within the framework of the project covering 2002-2006, Movsumov wrote in his article.

"The energy corridor connecting the Caspian and the Mediterranean Sea put a beginning for large-scale oil transports to world markets and opened wider opportunities for the development of economy," Movsumov said.

According to Movsumov, Azerbaijan has had an opportunity to implement various export strategies and the country's potential increased several times after the pipeline began to operate. Pumping capacity is 50 million tons of oil per year. Construction of the pipeline began in April 2003 and was commissioned in 2006. Total construction expenses for oil pipeline hit \$2.977 billion.

The total length of BTC is 1.768 kilometers including the 443 kilometer section running via Azerbaijan, the 249 kilometer section via Georgia and the 1.076 kilometer via Turkey.

The shareholders of BTC are BP (30.1%), AzBTC (25%), Chevron (8.90%), Statoil (8.71%), TRAO (6.53%), ENI (5%), Total (5%), Itochu (3.40%), Inpex (2.50%), ConocoPhillips (2.50%) and Hess (2.36%)

36.2 MILLION TONS OF AZERBAIJANI OIL TRANSPORTED VIA BTC IN 2009

The State Oil Company of Azerbaijan Republic (SOCAR) has renewed statistical data on Azerbaijani oil export via the major pipeline Baku-Tbilisi-Ceyhan (BTC) named after Heydar Aliyev. SOCAR said that 2.8 million tons of Azeri oil was delivered via BTC to Turkey's Ceyhan port in Dec. 2009.

"In 2009, transport of Azerbaijani oil totaled 36.2 million tons," SOCAR said. Roughly 106.5 million tons were supplied via BTC to Ceyhan port of Turkey since the pipeline was launched.

BTC transportation totaled 3.1 million tons in March, a little less than 3 million tons in April, 3.3 million tons in May, 3.3 million in June, 3.193 million tons in July, 3.28 million tons in Aug., 3.07 million tons in Sept., 3.2 million tons in Oct. and 2.9 million tons in Nov.

AZERBAIJAN LAUNCHES GAS EXPORT TO RUSSIA

Azerbaijan has launched natural gas export to Russia from 11.00am on January 1, 2010.

Officials from Azerbaijan and Russia attended the ceremony to launch export in bordering Shirvanovka village in Gusar region of Azerbaijan.

Gas will be exported via the Mozdok-Gazmammad pipeline.

Azerbaijan will pump at least 500 million cubic meters of gas a year at the initial phase, with supplies expected to increase to 1 billion cubic meters a year in near future. The probability of further increase is not ruled out either.

On Oct. 14, Rovnag Abdullayev, President of the State Oil Company of Azerbaijan (SOCAR), and Alexei Miller, chief executive of Gazprom of Russia, signed an agreement on the export of Azerbaijani gas to Russia.

PFC ENERGY: AZERBAIJAN WILL BE BEST SERVED WITH MULTIPLE GAS EXPORT OPTIONS

Azerbaijan could be a stable and dependable source of gas for Europe if price and transit issues can be solved with Turkey, according to Julia Nanay, senior director at the Global PFC Energy (Petroleum Finance Company).

Europe depends on a number of gas suppliers, not just Russia. Azerbaijan is seen as an additional supply source once the second phase of Shah Deniz began producing later this decade," Nanay said.

"Nabucco would allow Azerbaijan's gas to flow to the Central European countries that are seeking to diversify their gas sourcing," she said.

Nanay said Azerbaijani gas must be transported across Turkey to get to these countries.

Speaking about the talks on the gas price between Azerbaijan and Turkey, Nanay said that taking into account the practice in the region, Turkey and Azerbaijan must reach a mutually acceptable agreement.

Gas prices have definitely been moving higher in response to market forces, she said.

She said Azerbaijan will likely to produce enough additional gas in future to supply a new pipeline to Europe across Turkey, as well as conclude contracts with Iran and other countries.

"If the Nabucco pipeline is built, it will be able to provide Azerbaijan with options to ship its gas in several directions. If problems arise with one route, it can use another direction. Given the country's location, Azerbaijan will be best served with multiple gas export options," she said.

PFC Energy was founded in 1984. It conducts a comprehensive analysis and development of scenarios that are the foundation to develop strategies, evaluate investments and business decision-making at the global and regional levels.

AZERBAIJANI STATE OIL FUND'S REVENUES EXCEEDED \$10bn LAST YEAR

Revenues of Azerbaijan's State Oil Fund exceeded 10 billion dollars in 2009, executive director Shahmar Movsumov told at a press conference.

According to Movsumov, the fund's spending made \$6.6 billion.

The fund's executive director also highlighted Azerbaijan's economic achievements, saying the country made "good progress despite last year marked global financial and economic crisis".

TRANSPORT

AZERBAIJANI TRANSPORT MINISTER: KAZAKHSTAN, CHINA INTERESTED IN BAKU-TBILISI-KARS INTERNATIONAL RAILWAY PROJECT

According to the Minister of Transport of Azerbaijan Ziya Mammadov, now Kazakhstan is ready to transport 10 million tons of cargo per year by the railway, after the railway launched.

"This interest gives us an opportunity to predict development of the transport infrastructure and it has great promise, as the railway links Europe and Asia," he added.

Mammadov stressed that the implementation of this project goes beyond the region, bring economic benefits and provides new jobs.

The total project cost is estimated at about \$400 million. Azerbaijan has allocated a loan of \$200 million to Georgia for the construction of the project.

A new 105-kilometer-branch of railway is planned to be constructed within the Baku-Tbilisi-Kars project; 76 kilometers will stretch through Turkey and 29 kilometers through Georgia. Moreover, a 183-kilometer section of railways - Akhalkalaki-Marabda-Tbilisi - will be reconstructed in Georgia to increase capacity to up to 15 million tons of freight per year. A train transition station, changing trains from the existing tracks in Georgia to European tracks is planned to be constructed in Akhalkalaki.

TRACECA ANNOUNCES BIG PROJECTS FOR 2010

TRACECA (Transport Corridor Europe-Caucasus-Asia), international transport program has unveiled the major projects to be implemented in 2010.

The projects include construction of the new Baku-Tbilisi-Kars railway and Baku International Trade Seaport, logistics center.

The action plan also highlights air and railway security, drop in transport tariffs.

The international program will embark on two more projects in 2011. Introduction of new standards in the air and sea transport is one of these projects.

Technical projects will be followed by a number of huge investment programs.

The largest ones will be realized in Azerbaijan. The European Commission has already set aside 15 million Euros to fund these projects.

A total of 60 projects worth 160 million Euros are planned to be implemented in the TRACECA member countries.