



ECONOMIC NEWS BULLETIN

EMBASSY OF THE REPUBLIC OF AZERBAIJAN

Hügelgasse 2, A-1130 Vienna, Austria
Tel.: + 43 (1) 4031322, Fax: + 43 (1) 4031323
Email: vienna@mission.mfa.gov.az
Website: www.azembassy.at

**No 94, 2010
April**

**IN THIS ISSUE:
MACROECONOMY
INTERNATIONAL COOPERATION
FUEL & ENERGY**

MACROECONOMY

AZERBAIJAN'S ECONOMY CONTINUES TO DEVELOP SUCCESSFULLY

President of Azerbaijan Mr. Ilham Aliyev presided over a Cabinet meeting on the outcomes of the socio-economic development in the first quarter of 2010 on April 15. "The Azerbaijan's economy continued to develop successfully this year. All our socio-economic indicators are at a high level. The year 2009 entered history books as the crisis year but our economy grew by almost 10 percent this year," the Azerbaijani leader said at the meeting.

Noting high economic growth in the Republic the President said: "Azerbaijan achieved accomplishments since our economy grew 2.8-fold in 2004-2009. The additional economic progress achieved this year once more shows that political, economic and social reforms implemented by us bring its results." "Our economy grew by 5.4-fold and industrial production by 5.6 percent. Given population income increase – rise in the amount of deposits in banks by 30 percent is the best indicator of this – we will see that keeping inflation low does not have a negative impact on the people's welfare".

Speaking of the State Investment program, the head of state said that there are neither financial nor technical problems in developing investment projects. As the country's technical opportunities grow the investment projects are successfully

realized. The investment programs will be certainly implemented and of course at high level, President Aliyev emphasized.

The President especially noted the successful development of IT in the country: "Recently the World Economic Forum, an authoritative world organization, has awarded Azerbaijan the first place in the CIS space for development of the information-communication technology."

WORLD BANK: AZERBAIJAN ACHIEVES SIGNIFICANT RESULTS IN REDUCING POVERTY

On 8th of April World Bank (WB) has presented its report that analyzes the improvement of living conditions in Azerbaijan. The document reflects the bank's activity on assessing the level of poverty in the country. "We intended to analyze the economic growth of Azerbaijan and to identify how this was reflected in the improvement of the country's living standards," WB Baku office head Gregory Jedzejczak said. He said the report has been submitted to the government.

"The main goal that we pursued was the proper planning of the future of the country's economy," he said. "The result showed that there is a need to direct the proceeds from the oil sector to diversification of the economy and start investing in human capital development." According to him, human capital development in the country implies

an increase in the proportion of highly qualified people, which requires investment in education.

WB chief economist Lire Ersado said that in 2001-2008 the country experienced a significant decline in poverty - roughly, from 50 to 13%. "In 2006, Azerbaijan launched a program of targeted social assistance, which showed very good results, even compared to developed countries," Ersado added. According to him, about 2.5 million people in the country moved from poverty into the category of the population with average incomes, which is a very serious and a good result.

DIRECT INVESTMENTS IN AZERBAIJANI OIL SECTOR TOTAL \$726 MILLION

From January to March 2010, investments in Azerbaijani oil sector totaled only 35.5% of all capital investments in country's economics against 27% in 2009 and 30.9% in 2008. In March, the figure was 37.6% of all investments.

The Azerbaijan State Statistics Committee (ASSC) informed that in January to March, 2010, AZN 580.8 million was invested in oil sector (\$726 million on average rate of AZN 0.8 to the US dollar), and AZN 1.056 bn - in non-oil sector.

In January to March, investments in oil sector increased by 43.8%, and in non-oil sector - reduced by 8.7%. In March, the share of investments in oil sector increased to 37.6% of all investments for the past month (AZN 560.1 million), while the share of investments in non-oil sector reduced to 62.4%.

In January to March, overall investments in extracting sector totaled AZN 577.9 million that is by 45.4% more versus in January to March, 2009. At the same time, total investments in industrial sector made AZN 727.3 million with growth by 29%, but only AZN 32.1 million was invested in processing industry (-24.5%).

INTERNATIONAL COOPERATION

AZERBAIJAN-SERBIA COMMERCE AND ECONOMIC CHAMBER ESTABLISHED IN BELGRADE

The decision was made at the constitutional meeting of the Chamber; the Azerbaijani Embassy in Romania said. The activity of the new body will cover the Balkans and the Caspian region.

The Chamber will work to develop trade and economic ties between the two countries, promote investments, create partnerships between business people of both countries, study the economic potential of countries and participate in various projects.

Co-Chairmen of the House were Jamila Javanshir from the Azerbaijani side and Tihomir Nenadich from Serbia.

BAKU HOSTS AZERBAIJAN-RUSSIA BUSINESS FORUM

Azerbaijani and Russian business people have come together in Baku for a joint forum aimed at exploring prospects for boosting cooperation in a wide range of fields.

The Russian delegation has included nearly 130 businessmen from the fields of industry, energy, agriculture, tourism, education and construction, while Azerbaijan has been represented by government officials and representatives of nearly 80 companies.

The business forum has been co-organized by the Azerbaijani Ministry of Economic Development, Azerbaijan Export & Investment Promotion Foundation and Stavropol Governorate.

Speaking to the forum, Azerbaijani deputy Prime Minister Ali Hasanov praised the Azerbaijan-Russia relations, which he described as "developing at a very rapid pace".

"Strategic cooperation between our countries shows itself the most in bilateral trade and economic cooperation. Last year trade between our countries was 1.816 billion US dollars, and this makes 60 percent of the total volume of Azerbaijan's trade with CIS countries."

Hasanov expressed confidence the forum would "contribute to boosting cooperation between Azerbaijan and Stavropol".

Governor of Stavropol Valery Gaevsky said he met with the Azerbaijani leader prior to the forum, adding "Mr. Aliyev is very well familiar with the natural and economic potential of Stavropol".

"During our talk Mr. President stressed the importance of developing overall cooperation between Azerbaijan and Stavropol."

On trade relations between the country and the region, Gaevsky said it made 123 million US dollars last year.

"There is enormous potential to increase the figure in particular in the fields of industry, energy, construction, tourism and education. I believe today's business forum will play a key role in this regard."

Azeri deputy economic development minister Niyazi Safarov said there was "favorable" business climate in Azerbaijan, noting it helped the country expand its relations with economic and trade partners.

The forum featured an exchange of information on Azerbaijan's and Stavropol's potential in a number of fields, including industry, energy, communication, transportation, food industry, agriculture and trade

EU ENERGY COMMISSIONER: AZERBAIJAN HAS THE KEY ROLE IN NABUCCO PROJECT

The European Union hopes, that by the end of this year a decision will be made on the construction of the Nabucco gas pipeline, EU Energy commissioner Günther Oettinger said in Baku after a meeting with the Minister of Industry and Energy of Azerbaijan Natic Aliyev.

According to Oettinger, a key role in providing gas to the Nabucco pipeline is given to Azerbaijan, which can provide significant part of the pipeline.

Turkmenistan is considered as a second gas supplier for the Nabucco pipeline. According to Oettinger, during his meeting with the leadership of Turkmenistan, Ashgabat expressed willingness to provide the missing volumes for the pipeline.

"Neither Iran nor Iraq are considered as the third and fourth gas suppliers for Nabucco at the moment, because Iran is now importing gas itself, and in my opinion, in the near future Iran will not be able to act as an exporter," said the Commissioner.

Also one of the reasons that these countries are not considered as suppliers for Nabucco is the tense political situation in Iran and Iraq.

According to Oettinger, for the implementation of the Nabucco project, there should be the political will of the transit countries, EU member countries, as well as gas supplying countries.

The European Union stands ready to assist in solving transit issues between Azerbaijan and

Turkey in order to address these issues on a mutually beneficial basis.

There are plans to hold a conference on Nabucco by the autumn, which will discuss all issues concerning the implementation of this project.

According to Oettinger, Azerbaijan is also a producer of petroleum products. These energy resources are very important for 500-million Europe. According to him, Europe has advanced technologies that can create conditions for cooperation between the sides.

The Nabucco project is very important both for Azerbaijan and the European Union, said the Minister of Industry and Energy of Azerbaijan Natic Aliyev. The sides must work together in order to realize this project. In particular, environmental impact of the project must be conducted, accurate assessment must be made for volumes of gas that can be provided by the suppliers and the sources of gas supply must be specified.

According to Aliyev, Azerbaijan has sufficient recoverable gas reserves which are estimated at 2.2 trillion cubic meters. Even if only the existing fields are developed, without any other technological changes, the republic may provide gas to itself for the next 100 years.

"The existing gas reserves should be operated, and therefore, Azerbaijan needs new markets," the minister said.

FUEL AND ENERGY

SOCAR TRANSSHIPPED 4 MILLION TONS OF CARGO IN KULEVI TERMINAL

The State Oil Company of Azerbaijan (SOCAR) has obtained next success in operation of its Kulevi Oil Terminal (BST) in Georgian port Kulevi.

SOCAR reports that earlier this April Kulevi Oil Terminal (BST) achieved 4 million tons transshipment volume since beginning of operation (May, 2008).

"This great success became possible because hundreds of people's hard work- including BST team, share holders, Georgia and Azerbaijan government authorities. It's clear that BST staff looking for future with confidence, by tracking

BST previous development process and in the nearest future current achievements shall be considering as normal ones," the company said.

Terminal's capacity is up to 10 million tons of oil and petroleum products a year. Currently SOCAR is preparing to ensure also a gas export possibility through BST.

RUSSIA – MAJOR IMPORTER OF AZERBAIJANI GAS

In the first quarter of 2010, the State Oil Company of Azerbaijan (SOCAR) exported 423.9 million cu/m of gas. SOCAR said Russia has become the main importer of Azerbaijani gas – 172.105 mln. cu/m. Georgia ranks the second with 169.5 mln. cu/m and Iran ranks third with 82.288 mln. cu/m. Gas to the latter is supplied on swap conditions for gas supply of Nakhchivan Autonomous Republic of Azerbaijan.

Export to Russia is carried out in accordance with the contract with Gazprom. With SOCAR's minimum commitments of 500 mln. cu/m, this year the Russian company will be delivered 1 bn cu/m and 2 bn cu/m in 2011.

AZERBAIJAN – GEORGIA- ROMANIA INTERCONNECTOR PROJECT

On April 13 Azerbaijan, Georgia and Romania signed a memorandum on cooperation in gas sphere in Bucharest. The document was signed by Minister of Industry and Energy Natic Aliyev, Minister of Economy, Commerce and Business Environment of Romania Adrieau Videanu and Georgian Energy Minister Alexander Khetaguri.

Azerbaijan-Georgia-Romania Interconnector Project (AGRI) will play an important role in energy security not only in Azerbaijan, Romania and Georgia, but also across Europe, especially in South-Eastern Europe, the Minister Adrieau Videanu said at the press conference after signing ceremony.

In accordance with the memorandum, the parties expressed their intention to consider developing the said energy transit corridor, and a decision was made to study the opportunities of trading gas and using underground storage facilities of Romania, as well as research opportunities for increased cooperation between the relevant agencies operating in the energy sector. Also a proposal of the Romanian side was approved to create a company in Bucharest to develop a feasibility study and determine the technical,

technological, financial and legal aspects of the project Azerbaijan-Georgia-Romania Interconnector.

The project envisages transporting Azerbaijani gas via pipelines to the Black Sea coast of Georgia, where the gas will be liquefied at a special terminal, after which the gas will be delivered to the terminal in the Romanian port of Constanta by tankers. Later the liquefied gas will be brought into the state of natural gas and using the gas infrastructure available throughout the country will be sent to cover the needs of Romania and other European countries.