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SPECIAL ISSUE



ECO CHRONICLE

**Republic of
Azerbaijan**
Hosts 12th
ECO Summit





“ We will continue to strengthen our independence guided by the philosophy of Azerbaijanism, continue economic reforms and create a strong state.”

ILHAM ALIYEV

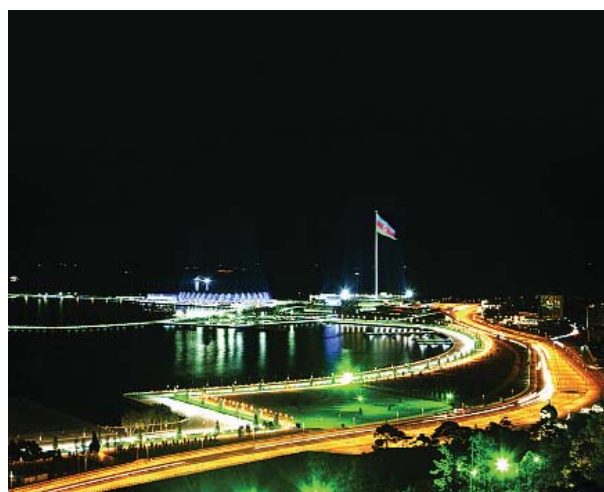
The highest Flagpole in the World (162 m), the National Flag Square in Baku.

Republic of Azerbaijan

Covering an area of 86,600 sq. km, the Republic of Azerbaijan is a democratic, constitutional, secular and unitary republic. It is the largest country in the Caucasus region located at the crossroads of Western Asia and Eastern Europe, it is bounded by the Caspian Sea to the east, Russia to the north, Georgia to the northwest, Iran to the south, and Armenia to the west. The exclave of Nakhchivan is bounded by Armenia to the north and east, Iran to the south and west, while having a short border-line with Turkey to the northwest. The Republic of Azerbaijan consists of 65 regions and 69 cities with its capital being Baku. Azerbaijani is the official language of the country.

The national flag of Azerbaijan consists of a horizontal tri-color of blue, red, and green, with a white crescent and an eight-pointed star centered in the red band. The blue band refers to the nation's Turkic heritage, the red stands for progress, and the green represents Islam.





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Editor's Note:

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Cover



The 12th Summit of Heads of State/Government of ECO countries will be held on 16th October 2012 in Baku. A Baku Declaration, encompassing vision and guidance for the organization, will be issued at the end of the Summit.

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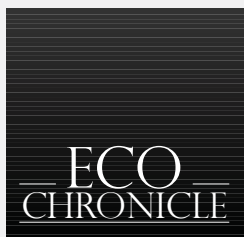
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The Land of Fire

Sources of the name of the country - Azerbaijan - go back to ancient times. There is a reference to a much earlier source of the 8th century BC about Azerbaijan. It is said in the chronicle: "...Arbak had built the fortification wall that is Adubad in the Median Empire which was named after him 'the Adorbaigan land'. "Ador Bad Agan" means "a place protected by a deity of fire".

Arabs, who came in the region to conquer and to spread Islam, named the country "Azer-Baigan".

The further genesis of the word is clear. Azerbaijan is a region with unique geographical, climatic and geopolitical characteristics. The present Republic of Azerbaijan has rather small territory, but it is possible to encounter here 9 of 11 basic climate zones existing. For example, on droughty and hot Absheron the climate was improved by parks and gardens planted for centuries, but the natural landscape consists of rocks, saline soils and steppes that are covered by grass only in spring. In other areas of the Republic, one can meet numerous sources of spring water ("bulag"), and the pure underground waters that are brought on a surface by construction of special systems kahreze.

There are Alpine zones, and woods with relic breeds of trees, where the climate is rainy even in the summer. There are vast steppes and high mountain ranges with the tops attracting climbers, tourists.

In Azerbaijan one can meet plenty of curative, mineral and thermal waters, mud and oil for medical treatment. They are spread throughout Guba, Shamakhi - Ismayilli, Balakan - Gabala, Sheki - Zagatala, Nakhchivan and Ganjbasar regions.

There are 6 national parks, 12 reserves and 17 protected areas occupying 2.4% of country's total area, they cover all basic climatic landscapes in Azerbaijan. Today, the plans for extension of area of protected natural territories up to 10 % of the total area of the Republic are in progress.

Five national parks (Shirvan, Hirkan, Altyagaj, Ordubad, Ag-gel), 21 natural reserves and over two thousand trees (aged 100 to 400 years) are included in the state list of "The Natural Reserves of Azerbaijan". ■



Heydar Alirza oglu Aliyev

National Leader of Azerbaijani People

Historical destiny of Azerbaijan, covering the period of over the last thirty years, was inseparably linked with the name of Heydar Aliyev. The revival witnessed in these years in all the spheres of socio-political, economic and cultural life is connected just with his name.

During the said period, Heydar Aliyev helped his native Azerbaijan and persistently strived for progress. He was always proud of the rich culture and great historical past of the country. He was concerned about the future generations

and made Azerbaijan overcome hard and terrible ordeals of time.

Heydar Alirza oglu Aliyev was born on 10 May 1923 in Nakhchivan city of Azerbaijan. In 1939, after graduating from the Nakhchivan Pedagogical School, he studied at the architectural department of the Industrial Institute of Azerbaijan (now the Azerbaijan State Oil Academy). The war prevented him complete his education.

In 1941, Heydar Aliyev became the head of the department at the People's Commissariat of Internal Affairs and the Autonomous Soviet Socialist Republic of Nakhchivan and in 1944, he was sent to work at the bodies of the state security.

In 1964 Heydar Aliyev held the post of the deputy chairman of the State Committee of Security and since 1967 - its chairman. He was conferred the rank of lieutenant general. In these years, he received a special higher education in Leningrad



(now St Petersburg) and then in 1957, he graduated from the department of history of Azerbaijan State University.

Being elected as the First Secretary of the Central Committee of the Communist Party of Azerbaijan in 1969, Heydar Aliyev headed the Republic. In December 1982, he was elected member of Political Bureau of the Central Committee of the Communist Party of the Soviet Union and was appointed the first deputy chairman of the Cabinet of Ministers of the USSR, thus he became one of the leaders of the USSR. Heydar Aliyev was a member of parliament of the Supreme Soviet of the USSR for twenty years and the deputy chairman of the Supreme Soviet of the USSR for five years.

In October 1987, as a protest against the policy pursued by the Political Bureau of the Central Committee of the Communist Party of the Soviet Union and personally by the Secretary-General Michael Gorbachev, he resigned from his post.

In connection with the tragedy committed by the soviet troops on 20 January, 1990 in Baku, Heydar Aliyev made a statement at the Representation of Azerbaijan in Moscow the next day and demanded to punish the organizers and executors of the crime

Azerbaijan and on 24 July - on the resolution of the (Milli Majlis) Parliament, he began to perform the powers of the President of the Republic of Azerbaijan.

On October 3, 1993, Heydar Aliyev was elected President of the Republic of Azerbaijan as a result of a nationwide voting. On October 11, 1998, having joined the elections, he won 76,1 per cent of the votes and was re-elected President of the Republic of Azerbaijan.

President Heydar Aliyev passed away on December 12, 2003 in Cleveland Hospital in the USA. Heydar Aliyev was awarded a number of state orders and medals as well as international awards, the title of the honorary doctor of



The people, who have offered great figures to the world civilization, are the great nations. One of the unique personalities given to the humanity by Azerbaijan nation is the world-renowned politician, experienced and wise state leader "Heydar Aliyev".

committed against the people of Azerbaijan. As a protest against the hypocritical policy of the leadership of the USSR and in connection with the critical conflict in the Mountainous Garabagh, he left the ranks of the Communist Party of the Soviet Union in July, 1991. After his return to Azerbaijan Heydar Aliyev was elected as the deputy to the Supreme Soviet of Azerbaijan. In 1991-1993, he held the post of the chairman of the Supreme Assembly of the Nakhchivan Autonomous Republic and Deputy Chairman of the Supreme Soviet (parliament) of the Republic of Azerbaijan. In 1992, at the constituent congress of the New Azerbaijan Party in Nakhchivan, he was elected chairman of the Party.

In May-June, 1993, when as the result of the extreme tension in the government, the country was on the verge of a civil war and loss of independence, the people of Azerbaijan demanded Heydar Aliyev's return to power. On 15 June, 1993, Heydar Aliyev was elected as the chairman of the Supreme Soviet of

numerous universities and other high honors. He was conferred on for four times with the Lenin Order, the Order of Red Star and many other medals, received the rank of the Hero of the Socialist Labor twice, plus orders and medals of many foreign states.

He was awarded the "Yaroslav Mudry" Order, the supreme order of Ukraine, "Peace Premium of Ataturk" Order, the supreme order of Turkey, Honorable professor of Moscow State University, premium of Y.V. Andropov, Order of Saint Apostle Andrey Pervozvanny, supreme order of Russia. ■



On December 23, 2010 in Istanbul, in his statement addressed to the 11th ECO Summit Meeting President Ilham Aliyev expressed views and policies on ECO, the highlights of which are presented below:

■ *Azerbaijan attaches great importance to the activities of the Economic Cooperation Organization. We are an active member of the organization, and it is pleasing that the organization is strengthening. I am confident that in the future, the organization will gradually play an increasingly important role worldwide. As this role increases, the potential of the member states of the organization will also expand.*

■ *Azerbaijan attaches immense importance to issues of regional cooperation. We are making efforts to develop the processes taking place in the region. A new situation has come about in the sphere of implementing specific projects - both in the transport and energy spheres, and Azerbaijan seeks to mobilize its economic potential in order to make a greater contribution to this large-scale cooperation.*

■ *Economic processes in our country are developing in the positive direction. Over the last seven years, the gross domestic product of Azerbaijan has tripled*



“We Will Continue the strengthening of ECO”

and budget expenses have increased by 12 times. Poverty has fallen by four times. This allows us to use greater financial resources for the common purpose. Thus, the economic cooperation in the region will be given a great impetus. In order to ensure the economic independence of a country, especially in the current period, it is necessary to resolve issues of energy security. Azerbaijan is making its own contribution in this sphere. Our rich oil and gas

***In the future,
the organization will
play an increasingly
important role
worldwide.***

reserves play a positive role not just in the development of our country, but also in regional cooperation. Azerbaijan's rich oil and gas reserves allow us to transport our natural reserves to neighbouring countries. Today there are seven oil and gas pipeline extending from our country to the world market.

Azerbaijan is realizing its potential through these pipelines, thus enabling neighbouring brotherly and friendly countries to meet some of their demand for energy.

■ Azerbaijan is a reliable partner, and has always honoured, and will honour, its obligations. We have proved to be a supplier, a transit country and a reliable partner for many years. I am confident that as issues of energy security are successfully resolved, every country will develop even more confidently.

Issues relating to energy in the world will become an even more serious subject of discussion in the future. Considering this, we can say that as a supplier of energy, Azerbaijan is ready to play its positive role in the future, too.

■ Azerbaijan has a very positive approach to developments in the transport sector. The projects we are implementing have resulted in the establishment of a new transport infrastructure in the region.

Azerbaijan is an active participant in the North-South and East-West transport corridors. The geographic position of our country allows us to increase our positive role in every field.

■ As a result of the commissioning of the Baku-Tbilisi-Kars railway which has been built in the region, it will be

possible to restore the "Iron Silk Route".

■ Not only will this route connect Azerbaijan to Turkey, it will also connect Europe to Asia. Thus, this route will be of great importance in terms of economic efficiency. We are actively participating in this project. We hope that the construction of this route will be completed in the near future and the member states of the Economic Cooperation Organization will be able to benefit from this opportunity.

■ Along with the implementation of all the successful economic and infrastructure projects, I should note that

"The unresolved conflicts and the fact that 20 per cent of Azerbaijani territories still remain under Armenian occupation are a source of a great regional threat."

stability, peace and security should be ensured in the region.

Unfortunately, the conflicts, problems and threats that exist in our country and need to be solved do not allow us to fully achieve our objectives. Every country can successfully develop politically or economically only in conditions of stability.

Political stability has long been established in Azerbaijan. However, the unresolved conflicts and the fact that 20 per cent of Azerbaijani territories still remain under Armenian occupation are a source of a great regional threat.

A policy of ethnic cleansing was car-

ried out against Azerbaijanis in Azerbaijan's ancient land Karabakh and surrounding areas, more than one million Azerbaijanis were forced to become refugees in their own land, 20 per cent of our lands are under Armenian occupation, and this injustice has been going on for many years. Although international organizations, especially the United Nations and its Security Council, have adopted four resolutions on the issue and those resolutions provide for the unconditional withdrawal of the Armenian forces from the occupied territories, the Armenian side is still not implementing these norms of international law and is continuing its aggressive policy.

■ Azerbaijan has been suffering from this occupation for many years. Of course, we will not put up with this situation. We will restore our territorial integrity. We are trying to do this in a peaceful negotiated way. Azerbaijan's territorial integrity is recognized by all the countries of the world and is not, and will never be, a subject of discussion.

■ On the other hand, the unresolved conflicts failed to create great obstacles to our economic development. But if we take into account that had it not been for this conflict, the country's development and issues of regional cooperation could have been resolved more successfully and quickly.

■ Azerbaijan will continue to actively participate in the Economic Cooperation Organization. We will continue to contribute to the strengthening of the organization. This organization has already turned into a great international organization. ■



ILHAM ALIYEV

President of the Republic of Azerbaijan

Ilham Heydar oğlu Aliyev was born in December 24, 1961, in Baku. He attended a secondary school in Baku from 1967 till 1977. In 1977, he entered the Moscow State University of International Relations (MSUIR). In 1982, upon his graduation, Mr. Aliyev had continued his education as a post-

Short Bio

graduate student in MSUIR. In 1985, he finalized his research works and received a PhD degree in history. During the years of 1985-1990, he gave lectures at the Moscow State University of International Relations. From 1991 to 1994, he led a group of private industrial-commercial enterprises.

In 1994-2003, he was the vice-president, and later the first vice-president of the State Oil Company of the Republic of Azerbaijan (SOCAR). He had been actively involved in the implementation of Heydar Aliyev's oil strategy.

He is an author of numerous research works on geopolitical aspects

of oil strategy of sovereign Azerbaijan. He holds a degree of doctor of political sciences. In 1995 and 2000, he was twice elected to the Milli Majlis (Parliament) of the Republic of Azerbaijan.

Since 1997, Mr. Ilham Aliyev is the President of the National Olympic Committee of Azerbaijan. For his great contribution to the development of sports and Olympic movement, Mr. Aliyev was awarded the highest order of International Olympic Committee and "Grand Cordon" Order of Merit of International Military Sport Council.

He was elected deputy chairman of the New Azerbaijan Party in 1999, first deputy chairman in 2001, and the chairman of the Party in 2005. From 2001 to 2003, he was the head of the Azerbaijani Parliamentary delegation to Parliamentary Assembly of Council of Europe (PACE).

In January 2003, he was elected as Deputy-Chairman of Parliamentary Assembly of Council of Europe and member of the PACE bureau. In August 4 2003, following the approval of the Milli Majlis (Parliament), he was appointed as the Prime minister of the Republic of Azerbaijan.

In October 15, 2003, he was elected as the President of the Republic of Azerbaijan. More than 76% of voters supported Ilham Aliyev's candidacy during the elections. He assumed his post on 31 October, 2003. In April of 2004, Mr. Aliyev was awarded a medal and diploma of honorable member of PACE for his active participation in PACE events and commitment to European values.

Ilham Aliyev was elected to the second term of the President of the Republic of Azerbaijan, after acquiring 88% of votes of electorate in the elections, held on October 15, 2008. He started to execute the Office of the President of the Republic of Azerbaijan on October 24, 2008.

Mr. Aliyev is fluent in Azerbaijani, English, Russian, French, and Turkish. Mr. Aliyev is married, has three children and three grandchildren.

President Aliyev's honorary names, orders, and awards include: Heydar Aliyev Order (the Republic of Azerbaijan), Ihsan Dogramaci Prize for

end, Grand Cross of Order of Merit of the Republic of Poland (Republic of Poland), Order of Prince Yaroslav Mudry of 1st Class (Ukraine), Mubarak Al-Kabeer Order (Kuwait), Gold medal of the Hellenic Republic (Greece), Badge of Honor of European Fair Play Movement, Order of the Three Stars (Commander of the Grand Cross) (Latvian Republic); The National Order "Faithful Service" in rank of Grand Cross Special Order (Romania), Order of "Ismoili Somoni" (Tajikistan)

Honorary Doctor of Lincoln University (USA), Honorary Doctor of the Moscow State University of International Relations, Honorary Professor of L.N.Gumilev Eurasian National University (Kazakhstan), Honorary Doctor of Bilkent University (Turkey), Honorary Doctor of National Academy for Taxes (Ukraine), Honorary Doctor of Petroleum and Gas University of Ploesti (Romania), Honorary Professor of University of National and World Economy (Bulgaria), Honorary Doctor of Kyung Hee University (South Korea), Honorary Doctor of Jordan University (Jordan), Honorary Doctor in Social Sciences of the Corvinus University (Republic of Hungary), Honorary Professor of

Moscow State University (Russian Federation), Honorary Doctor of the Kiev National University named after Taras Shevchenko (Ukraine), Honorary Professor of the Turkmenistan State University after Makhtumkuli (Turkmenistan), Honorary Doctor of the Baku State University (Azerbaijan), Honorary Professor of the Belarusian State University (Belarus), Honorary Doctor of the Ankara University (Turkey). ■

The President is the Head of the Azerbaijan State; he represents the State in the country and in foreign relations and is Commander-in-Chief of the armed forces of the country.

International Relations for Peace (Turkey), The Star of Romania Order (Romania), King Abdul Aziz Order (Kingdom of Saudi Arabia), Order of Honor (Georgia), Grand Cross of the Legion of Honor (France), SheikhuIslam Order (Republic of Azerbaijan), Prepodobniy Sergiy Rodonejskiy first degree Order of Russian Orthodox Church, Grand Cordon Order of Merit (International Military Sport Council), Honorary decoration of International Confederation of Sport Organizations of CIS countries, highest order of FILA Sport leg-



The Republic of Azerbaijan attaches high importance to cooperation with this organization and its member states.

We are certain that the decisions of today's meeting would become important steps on a way of reinvigorating the Organization, increasing its effectiveness and responding to challenges in the region.

Let me stop only on a few of many various projects in our region.

Bearing in mind that transport is a key constituent area of cooperation within the ECO and

"ECO's Real Potential Still Remains Untapped"

Statement by:

Elmar Mammadyarov

Minister of Foreign Affairs of the Republic of Azerbaijan

at the 19th ECO Council of Ministers Meeting

(Istanbul, 22 December, 2010)

an essential prerequisite for regional trade development, we consider that it is necessary to exert efforts towards early completion of the major regional railway projects, namely Baku-Tabilisi-Kars and Qazvin-Rasht-

Astara (Iran) - Astara (Azerbaijan), which will for sure benefit the countries of the ECO region.

Pursuing the policy of development of transit potential, Azerbaijan strives to diversify and modernize its transport infrastructure, which will serve the interconnection of the Trans-European and Trans-Asian railway networks.

Along with this, the construction of the New International Sea Trade Port and its International Logistic Centre will significantly increase the competitiveness of the international transport corridors and transit capacity of the countries of the region.

Azerbaijan is active in realization of the energy projects, which will play a prominent role in diversification of supply of hydrocarbon resources, enhancement of energy security and boost the economies of the involved countries, including those of ECO member states, which are involved in these projects.

Despite the positive developments in the ECO, we can not be fully satisfied with the progress and believe that the real potential of the Organization still remains untapped. To fully realize it the ECO member states need to continue the process of reforms aimed at improvement of the efficiency of our Organization.

We need to bring the overall organizational setup of the ECO in accordance with the needs and challenges of our countries and of the whole region.

We have succeeded in the establishment of the ECO as a full-fledged organization; however, it needs to be operated efficiently and in concert.

To improve this situation common and shared vision, as well as strong commitment and engagement of all the ECO member states is very essential.

Our activities should become more focused, project-oriented, particularly in the planning and implementation phases.

Moreover, it should be based on

“Our activities should become more focused, project-oriented, particularly in the planning and implementation phases.”

certain priorities and be relevant to our organizational capacities and limited resources.

We are confident that the prioritization of cooperation fields, as well as increasing of the efficiency of the ECO working and expert groups would boost an overall effectiveness of our Organization.

While setting the reforming guidelines it is crucial that the challenges of political, social and humanitarian character encountered by the mem-

ber states be adequately addressed by the Organization.

One can not talk genuinely of the regional cooperation when we still, unfortunately, have places of instability across our region.

The unresolved and protracted conflicts possess the most serious risks and challenges that our region and the Organization face. We should undertake more resolute attempts to address the settlement of these conflicts.

As you are all aware, the occupation of almost 20% of the territory of Azerbaijan by neighboring Armenia and the existence of around 1 million refugees and IDPs in my country remains one of the major impediments for the development, prosperity and security of the whole ECO region.

Azerbaijan stands ready for a speedy resolution of the Armenia-Azerbaijan Nagorno Karabakh conflict based on restoration of my country's territorial integrity and sovereignty.

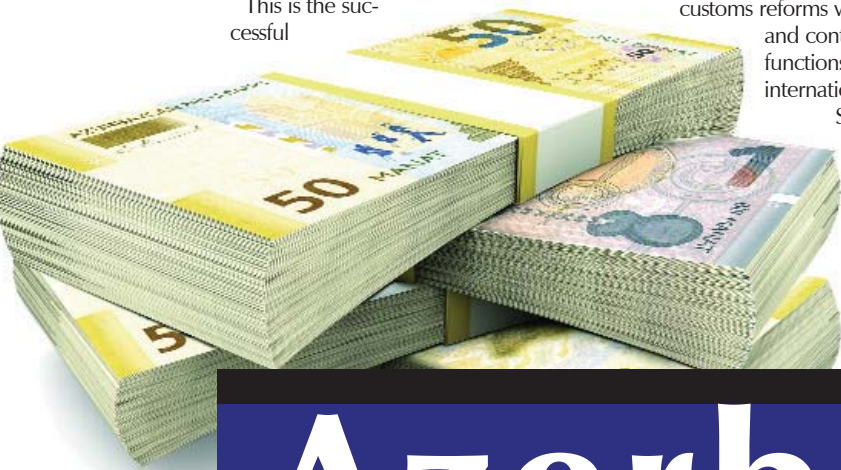
I am thankful to the Organization and its member states for the support they extended to Azerbaijan's position in this regard.

In conclusion, I would like to reiterate that the Republic of Azerbaijan stands ready to play a proactive role in developing cooperation within the ECO and will continue to strive along with other member states towards the realization of rich potential of our Organization. ■



After regaining its state independence in the end of the last century, Azerbaijan has passed a difficult yet glorious path from a chaotic social-economic and political situation to a dynamic development stage. Facing serious problems at the initial years of independence, Azerbaijan could achieve continuous macroeconomic stability, energy, food and environment security during the years to come. It is a fact that the development model of Azerbaijan is tuned on significant success stories and the path to an increasing growth rate.

This is the successful



as "The Contract of the Century" which demonstrated Azerbaijan's potential opportunities and created economic grounds to attract foreign investors to the country. Baku - Supsa and Baku - Tbilisi - Ceyhan oil pipelines were put into operation in 1999 and 2006, accordingly, to take the Azeri oil to the world markets. It was with this oil export routes that the diversification became possible.

Fundamental changes were carried out within the financial system and banking sector forming the important components of the national economy and new economic relations were established after the restoration of independence.

Financial, monetary, credit, tax, price and customs reforms were implemented and control and adjustment functions were brought to international standards.

Such measures as enhancing financial discipline, maintaining exchange rate of Azeri Manat (AZN), as well as structural reforms in dif-

reforms implemented in a logical sequence since 1993, significant legislative base for market economy was established, environment for free competitiveness was created, governmental interference to the economy was minimized, pricing became the market's responsibility, foreign economic activities were liberalized and thus transition period in economy was accomplished.

Moreover, as a result of keeping the inflation rate on a manageable level, improving cash security in economy, monetary and credit policy, aimed at improving the payment capacity of the country, became possible to minimize inflation since 1995.

State budget income increased three times in the period of 1995-2003, and 12,9 times in 2011 compared to 2003. In 2011, surplus of the budget towards the GDP was 0.6%. At the same time, in order to promote the securities market, progressive legal and organizational measures were taken, financial mediation institutions were established and the tolerance of the financial sector against foreign impact was strengthened.

Azerbaijan's

national social-economic development model laid by the nation's leader Heydar Aliyev and enriched with new shades by the President of the Republic of Azerbaijan H.E. Mr. Ilham Aliyev aiming at embracing all-round, solid and continuous development of Azerbaijan and increasing the universal awareness of the country.

In 1994, an agreement was signed with leading trans-national oil companies which strongly strengthened the energy security of the country. In the country's modern history, this agreement was titled

ferent fields of economy positively affected the common economic situation. As a whole, as a result of social-economic



Proper utilization of strategic currency reserves was secured, national currency stability as well as bank system validity was increased and conservative debt strategy was implemented. While having no currency reserves in the first years of independence, in 2003 1.6 billion USD was accumulated in the country's strategic currency reserves. During 1995-2003, strategic currency reserves of the country were increased eighty five times. Currently, such strategic reserves are more than 40 billion USD and this is eight times more than the foreign state

debt the balance of which towards GDP is 7.3% and this meets international requirements.

In order to manage the rational use of oil sale's profit and utilize it for the implementation of key social-economic projects, the State Oil Fund was established. It should be noted that the activities and transparency of the State Oil Fund are highly appreciated by international organizations and Azerbaijan is the first country to implement the Transparency Initiative on Mineral Resources Production and become a full-fledged member among 26 member candidates. According to the State strategy on proper use of funds adopted by the country, the oil and gas income is aimed at maintaining the macroeconomic stability in non-oil sector; regional, SME and infrastructure development; poverty reduction; improvement of living conditions for refugees and IDP's and dealing with other social problems as well as encouraging the increase of intellectual and technological level of economy and human capital development.

As a result of the social-economic poli-

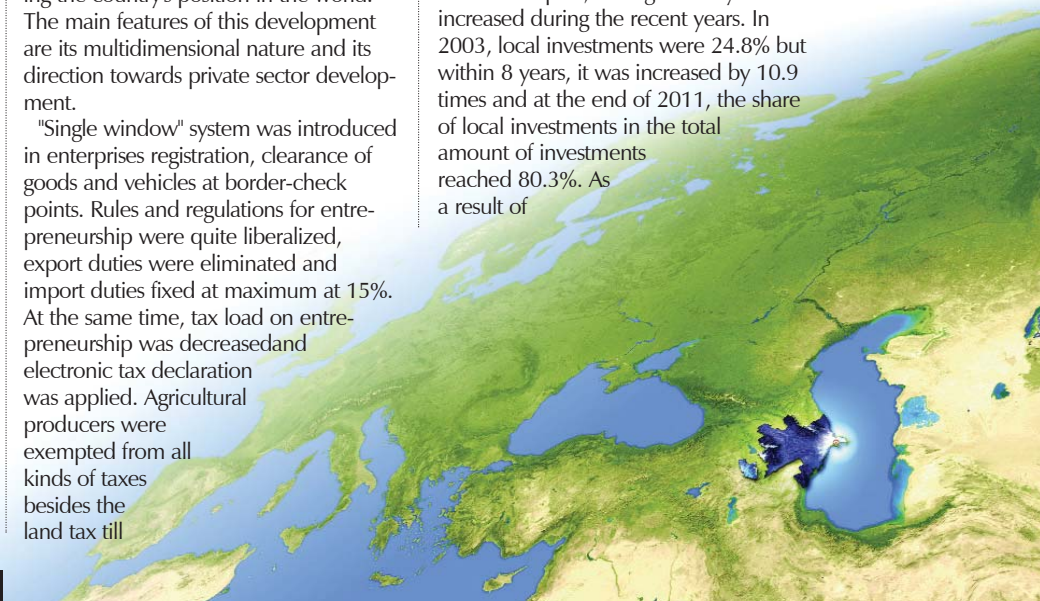
cy implemented by the President of the Republic of Azerbaijan, H.E. Mr. Ilham Aliyev, macro economical stability of the country has been strengthened.

Productive reforms opening ways to the solution of complicated social-oriented problems plus some important acts and decrees are speeding up Azerbaijan's economic development and strengthening the country's position in the world. The main features of this development are its multidimensional nature and its direction towards private sector development.

"Single window" system was introduced in enterprises registration, clearance of goods and vehicles at border-check points. Rules and regulations for entrepreneurship were quite liberalized, export duties were eliminated and import duties fixed at maximum at 15%. At the same time, tax load on entrepreneurship was decreased and electronic tax declaration was applied. Agricultural producers were exempted from all kinds of taxes besides the land tax till

2014.

As a whole, with the favorable environment provided for business and investments, more than 120 billion USD were invested. It is commendable that the volume of local investments made in the total amount of investments, aimed at the basic capital, has significantly increased during the recent years. In 2003, local investments were 24.8% but within 8 years, it was increased by 10.9 times and at the end of 2011, the share of local investments in the total amount of investments reached 80.3%. As a result of



Economy

A Brief Overview





dynamic development of the private sector, 83% share of the GDP production belongs to this sector.

Significant progress was also achieved in industry. In 2011, the industrial production increased to 60.3%. Considering the importance of raw materials and the high demand for chemicals, production became one of the leading sectors of the industry. Rapid development of the construction industry created advantageous conditions for the production of construction materials which showed a 30.7% increase in 2011 compared to 1991.

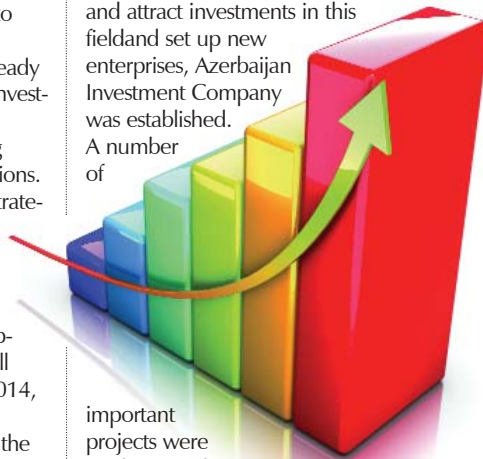
Privatization of metallurgical and ready metals' production enterprises and investments in this field provided proper opportunity for the metal processing enterprises to increase their productions.

Implementation of development strategies within the agriculture sector, encouraging the wide use of intensive methodology based on application of advanced technologies, governmental support, as well as exemption of agricultural producers from all kinds of taxes and the land tax till 2014, credit concessions and subsidies all resulted in notable achievements in the food security.

Creation of favorable conditions for tourism development and rational use of tourism potentials deserved special attention. Thus a number of modern hotels and resort houses were opened in all regions of the country during the last

couple of years. The year 2011 was declared as "the Year of Tourism" by the President of the Republic of Azerbaijan and a series of important efforts were made regarding the establishment of new companies and infrastructure. Development of the tourism infrastructure, construction of Shahdag Summer-Winter Tourism Complex, running of new and modern hotels in Baku and other regions plus similar projects implemented were all highly crucial factors for turning Azerbaijan into a tourist attractive country.

In order to develop the non-oil sector and attract investments in this field and set up new enterprises, Azerbaijan Investment Company was established. A number of



important projects were implemented in partnership with Azerbaijan Investment Company such as manufacturing high reproduction seeds by AZERTOKHUM company, production of dietary salt, construction of a ship building plant, reconstruction of cement factory, construction

of baby food factories and others.

Generally, during the last 8 years, Azerbaijan economy has improved three times. As a result of the measures aimed at non-oil sector development, national economy diversification, enhancing financial and technological capabilities of relevant enterprises, the share of the non-oil sector in GDP has considerably increased.

The State Program on the Social-Economic Development of Regions of the Republic of Azerbaijan (2004-2008) was completed successfully. The same program designed for the period 2009-2013 is being implemented. With such programs realized, more than 40,000 new entities were established since 2004, national economy was diversified, non-oil sector steadily developed, investments in high priority fields were attracted, modern infrastructure projects were implemented, conditions for producing and processing of entities were created and as a result more than a million job were established during 8 years.

Azerbaijan has achieved a lot in foreign trade sector since its independence; new enterprises with advanced technological equipment were established, technological infrastructures were renovated and strengthened and above all, the export of competitive national products to the global markets increased. In comparison with the year 2003, foreign trade turnover of the country increased 7 times, import 3.7 times, and export 10.3



times in 2011. Currently, Azerbaijan is cooperating with approximately 150 countries. As a whole, an economic system providing a stable and steady foreign economic development was formed and energy security was provided in Azerbaijan. Azerbaijan shifted from an energy importer to an energy exporter. Now Azerbaijan is actively participating in ensuring Europe's energy security. Economic progress created more suitable conditions for enhancing the living standards of the population, especially for strengthening the social security of the low-income population and the reforms were made in this sector, provided social security system development like those in all other fields. During the years of independence, the budget expenses on

showed the highest results in the human development indices in the CIS and shifted from "medium human development" to "high human development" group. Education indicators crucially impacted the increase of human development index in Azerbaijan. Thus, according to the subject report, literacy level in Azerbaijan is now 99.8%.

Heydar Aliyev Foundation has immensely contributed to the renovation of social infrastructure. Under the Program titled "New School for New Azerbaijan" initiated by the Foundation, hundreds of schools were constructed, repaired and equipped. Many important projects are still being implemented for the creation and development of health and culture infrastructure and the country's culture propaganda.

As a result of turning oil capital to

According to "Global Competitiveness Report 2011-2012" published by the World Economic Forum, Azerbaijan holds the 55th place among 142 countries and the first one among the CIS countries.

According to Global Competitiveness Report 2011-2012, Azerbaijan has been also successful in a number of sub-indicators. Thus, in sub-indicator on "labor market efficiency", the country was 14th in the world and in sub-indicator on "macroeconomic situation" - the 16th.

According to "Doing Business - 2009", Azerbaijan was considered a top reformer as the country improved its position from 97 to 33. This is the highest progress in the history of "Doing Business" reports and is the unique result so far. "Doing Business - 2012" report



the social security of the population, economic development and payment of salary, pension and allowances increased 30.8, 93 and 52 times respectively thus, more financial resources were utilized. Poverty level decreased to 7.6% in 2011 in comparison with 2001.

In UNDP's Human Development Report, Azerbaijan's achievements in social sphere were highly commended. Azerbaijan rose to 76th place in 2011 in the chart of human development indices while it held the 101st position in 2005. In the period of 2000-2010, the country

human capital and taking into account the interconnection between the literacy level of young generation and future development of the country, the State Program on the Education of Azerbaijani Students Abroad (2007-2015) is being implemented as per the President's relevant decree. Under this Program, education fields for bachelor and master students are prioritized. Funds allocated from the Oil Fund for this Program are utilized for fees, living expenses, medical insurance and transport costs of the students. Social-economic achievements of Azerbaijan have also been acknowledged by the influential rating agencies.

published by the World Bank indicates that Azerbaijan has become 66th among 183 national economies and the first in the CIS. Azerbaijan was given investment rating by "Fitch Ratings" as the first country to receive the investment rating in South Caucasus and Azerbaijan also received investment rating from "Standard & Poor's" international rating agency in 2011. The socio-economic development model successfully implemented in Azerbaijan now assures that the country will be more successful in future prospects. ■



Oil Strategy

The Road to Bright Future

Last years witnessed gradual social-economic development of Azerbaijan Republic and successful implementation of reforms rooted in the market economy principles in the country. A foundation for today's success of the country was laid by the new oil strategy developed by Heydar Aliyev, the national leader of the Azerbaijani people, and successfully continued under the leadership of Ilham Aliyev, the President of the Republic of Azerbaijan.

Realization of the oil contract named "Contract of the Century" has got strategic importance not only for Azerbaijan but also for South Caucasus and Central Asia. This global energy contract laid the basis for international cooperation in the region and at the same time affirmed the decisiveness of Azerbaijan as an independent state to dispose its natural resources and defend its national, economic and strategic interests. A positive trend also emerged in the sense of implementation of other global projects in the region, thus marking a beginning of a totally new stage of cooperation with financial institutions and attracted multibillion foreign investments towards the

exploitation of country's oil reserves.

In parallel with economic benefit, new oil strategy turned Azerbaijan, which is situated at the junction of East and West, into an integral part of the world community. Today, energy companies representing more than 20 countries are involved in oil and gas operations over the fields located onshore and offshore Azerbaijani sector of the Caspian Sea. Implementation of this strategy first of all resulted in the modernization of the oil industry and its transition to a qualitatively new level of development.

Expertise gained from business cooperation with foreign companies and applied cutting edge technologies prepared the ground for State Oil Company of Azerbaijan to develop and achieve success. During these years, the structure of SOCAR was improved; moreover, the management system was optimized and brought into line with international standards.

The need for the delivery of oil produced under the "Contract of the Century" within a short period of time resulted in the establishment of the Azerbaijan export pipeline system and thus



a branched export-transportation infrastructure was created. Baku-Novorossiysk oil pipeline was commissioned in 1997 - simultaneously with the production of the first oil, to be followed by the launching of Baku-Supsa oil pipeline in 1999. These pipelines, with an annual capacity of 6 mln tons each, are of great importance for the transportation of Azerbaijani oil in different directions. However, a principal artery of Azerbaijan oil transportation system is of course Baku-Tbilisi-Ceyhan (BTC) - the main export oil pipeline. Implemented in 2006, this unprecedented project plays an indispensable role in secure and uninterrupted exportation of Azerbaijani oil to the world market. Today, BTC honorably bearing the name of the great leader Heydar Aliyev, is of exceptional importance both from international energy security system standpoint at large and for the countries successfully cooperating with Azerbaijan in oil export, particularly the Central Asian countries. At the time being, some of the oil produced in Turkmenistan is being transited through Azerbaijan territory to the European markets via BTC.

Nowadays, the State Oil Company of Azerbaijan Republic exports crude oil to 33 world countries. For the last 16 years, oil production improved at an accelerated pace and having roughly increased 5.6 times as much, reached 50.7mln t/a in 2010 compared to 9mln t/a in 1997. Currently, oil production rate across the country makes up 1mln bl/d (around 140 thousand tons). Interest in Azerbaijani oil opens new broader opportunities for the realization of a number of new energy projects at global and regional levels.

Besides oil, there is great interest in Azerbaijani gas fields in the world which is not accidental. At the time of particular increase in demand and correspondingly high interest in natural gas, Azerbaijan managed to present itself to the international community as a reliable gas exporter. Proven gas reserves of the country are evaluated at over 2 trillion cum. Currently Georgia, Turkey, Russia, Iran and Greece are in the range of Azerbaijani gas customers. From the energy security ensuring standpoint, Azerbaijani gas is deemed as one of the main sources for the priority large-size gas pipeline projects. At the same time Azerbaijan supports, as far as possible, the course of exportation and diversification of its gas products through different and branched itineraries.

Lately, an escalated demand particularly for gas in the world galvanized more interest of the world community in Azerbaijan. Azerbaijani oilmen implemented a large-scale program in this field: having increased the gas production 5 times during 2004-2011, they managed to bring it from 5 bln cum to 25.7 bln cum.

Commissioning of Shah-Deniz gas field paved the way for Azerbaijan to rapidly enter the world of gas exporters. In 2011, around 6.7bln cum of gas was produced in Shah-Deniz gas field. Particularly, the development of the 2nd stage of Shah-

Deniz gas field will allow the increase of the gas production across the country to 30bln cum in 2015. With its estimated reserves standing at 1.2 trillion cum of gas and over 240mln tons of condensate, Shah-Deniz is currently one of the largest developed condensate fields in the sea.

South Caucasus pipeline was constructed and put into operation for the purpose of exporting the gas produced within the scope of "Shah-Deniz I" project to Georgia and Turkey. Since 2006, the gas produced from this field is being transported to Georgia and Turkey through Baku-Tbilisi-Erzurum pipeline, the overall length of which is 997 km with the capacity of 20 bln cum/a. At present, preparatory works for the development of the field's 2nd stage are coming to an end. According to the development concept designed on this stage, an extra production rate shall be brought to the level of minimum 16bln cum/a. Shah-Deniz stage II is forecasted to start gas production in 2017. In order to export Azerbaijani gas for the purpose of production in large volumes, in December of 2011 the

Governments of Azerbaijan and Turkey signed a Memorandum for the construction of Trans-Anatolian gas pipeline. As per the agreement, the Trans-Anatolian gas pipeline running from the East to the West of Turkey will be constructed to export 16 bln cum of gas a year from Shah-Deniz gas field.

As per calculations, proven hydrocarbon reserves of Azerbaijan stand at 4.2 bln tons in equivalent fuel and forecasted hydrocarbon reserves are 10 bln tons. Based on the expertise gained during the previous years and also the improved infrastructure, SOCAR, after a long interval and at its own resources, independently proceeded

on the exploration activities over "Umid" prospect which finished successfully in 2010.

New condensate field was then discovered in the Azerbaijan sector of the Caspian Sea. According to estimations, the accessible reserves of the field stand at 200bln cum of gas and 40 mln tons of condensate. Such an achievement over "Umid" - the first field that Azerbaijan discovered at its own resources after the restoration of its independence, indicates a beginning of a new era in SOCAR's development. This magnificent success expanded productivity perspectives in the Azerbaijan sector of the Caspian Sea and increased optimism for the discovery of potential new layers and fields.

Overall, SOCAR has taken a principle line to develop the prospects independently. It currently has every necessary potential to reach this goal. At present, SOCAR possesses strong financial resources, modern equipment and technical base, proper expertise and highly qualified human resources.

SOCAR, in parallel with other international energy companies, continues exploration activities. In 2011, SOCAR together with "Total" and "GdF" discovered "Absheron" field. Besides, under the PSA signed between SOCAR and BP for the exploration, development and production of "Shafag-Asiman" prospect situ-





ated in Azerbaijan sector of the Caspian Sea, BP and Caspian Geophysical JV reached an agreement for 3D seismic acquisition surveys over this structure. In the future, it is planned to start exploration activities over "Nakhchivan" field together with German "RWE". Gas reserves of these new structures are estimated at 600 bln cum at large.

Development of deep water gas reserves of "Azeri-Chirag-Guneshly" fields block is also under consideration. As per preliminary calculations, the gas reserves here are in the range of 300 bln cum. The ongoing activities within the current projects as well as the forecasted potentials provide much optimism for further progress.

Astara Compressor Station is of high importance for natural gas transportation to Nakhichevan Autonomous Republic as well as to the Islamic Republic of Iran. The station was put into operation by President Ilham Aliyev. Implementation of the project is planned in two stages. During the first stage, by virtue of the existing gas station and the compressor aggregate equipped with 6 gas engines, the rate of transported gas will be brought to 3.5 mln cum/d. During the second stage, it is planned that through increasing the number of compressor units to 10, the capacity of both stations will be raised to 5 mln cum/d. This shall result in a remarkable progress in meeting the existing demand for gas in the southern regions of Azerbaijan and daily gas demand of Nakhichevan Autonomous Republic, with new opportunities coming up for the exportation of gas to the Islamic Republic of Iran. Development of processing industry, which is of strategic importance to the energy sector of Azerbaijan, is in focus.

As a result of state support rendered to this area, the products manufactured by SOCAR's processing complex entirely meet the domestic requirements plus they are exported abroad. In 2011, 5.6 mln tons of oil products was manufactured, out of which 2mln tons was exported.

Most of the aggregates operated on the facilities constructed in the Soviet era had become physically obsolete. Therefore,

together with "Technip", "Foster Wheeler" and "UOP", the preparatory works are underway for the establishment of new Oil, Gas & Chemistry Complex. Once the Complex is constructed, the production of gasoline on "Euro-5" standard will be started. Implementation of this project will create real opportunities to improve the ecological situation in Baku and expand the processing depth and the range of commodities.

A reliable foundation has been laid for the continuous development of SOCAR as an international company. Honorably representing Azerbaijan in international oil & gas and petrochemical activities held both inside and outside of the country, the State Oil Company of Azerbaijan expanded its activity towards transforming into a strong and mobile unit meeting up-to-date international requirements. Representative offices founded in Georgia, Turkey, Iran, Great Britain, Germany, Austria, Romania, Switzerland, Kazakhstan and Ukraine play an important role in organizing the company's international activities, participating closely in the establishment of enterprises in these countries, preparing agreements as well as taking prompt and necessary actions. As a result of efficient marketing and coordination activity, SOCAR has overcome the consequences of global financial recession and achieved significant progress in the projects implemented abroad.

SOCAR also plays an important role in the development of the petrochemical industry of Turkey. "Petkim" - the biggest petrochemical enterprise in Turkey, is under SOCAR's supervision. Last year, "Petkim" strengthened its economic stand even more. SOCAR has started to construct a new petroleum refinery in order to meet Petkim's demand for raw materials, especially nafta, and to eliminate dependence on import. Products to be produced at this enterprise titled "Star Refinery", with expected processing capacity of 10mln tons of oil annually, will be sold in Turkey markets. In 2008, "Kulevi" - the Black Sea Oil Terminal of SOCAR in Georgia which plays an important role in the delivery of oil and oil products to the international markets - started its successful operation. For a short period of time, the



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5 İYUN
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State Oil Company
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TƏŞKİLATÇILAR / ORGANISERS
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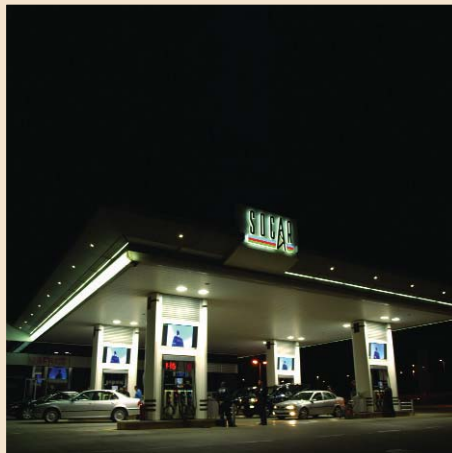


activity of the terminal attracted the attention of many companies. The transportation of crude oil from the Kazakhstan "Tengiz" field started here. Modern technologies and highly qualified personnel allow the Terminal to operate effectively and be ready to prevent any accident.

"SOCAR Georgia Petroleum" efficiently sells SOCAR oil products in Georgia. "SOCAR Georgia Gas" plays an important role in laying out new pipelines towards the non-gasified regions of the neighboring country and has also well supplies the natural gas demand of the population.

Currently SOCAR covers major part of the oil products market of the neighboring country and has also established a large network of fuel stations under the SOCAR trademark in Georgia. SOCAR has boldly stepped in the fuel sale retail market of Ukraine and Romania. Petrol networks operating in Romania and Ukraine acquire petroleum storage depots. At present, these networks are being modernized to comply with the highest international standards and rebranded in accordance with the renowned "SOCAR" trademark.

In order to secure direct supply of products produced by SOCAR to the customers in the energy market on more favorable terms, "SOCAR Trading" established in Switzerland confidently participates in international oil and gas operations. The trading company, by means of the offices in Switzerland and Singapore, UAE and Vietnam, sells oil products of SOCAR and other companies in the international markets and provides intermediary services in trade relations. The




Company cooperates with more than 30 foreign Clients. "SOCAR Trading" established "SOCAR Aurora" JV together with "Aurora Progress" Group owned by UAE and started to construct oil products terminal in the port of Fujayra.

As to the strengthening of SOCAR's position in the world oil, gas and petrochemical markets, it has to be stressed that the Company closely cooperates with international rating agencies. It has been conferred with international ratings and these ratings are being improved every year. In order to benefit from

the potential financial operations in the international markets, the Company put Eurobonds into circulation at the beginning of 2012. SOCAR, using its rich experience gained through implementation of major international investment projects both inside and outside of Azerbaijan, has proceeded in the construction of advanced shipyard.

Early commissioning of this plant will allow to meet requirements of Azerbaijan, particularly SOCAR, as well as other regional countries for different types of vessels and to increase economic potential of the country. The new oil strategy prepared the solid ground for executing fundamental reforms in various areas of Azerbaijani

society and achieving unprecedented goals. Positive processes going on in the country and the accelerated economic development including progress in the oil and gas industry, contribute to the social growth, further consolidation of statehood and improvement of the Azerbaijani people's welfare. ■



Q Azerbaijan will host and chair 12th ECO Summit Meeting scheduled to be held in Baku in 2012. How important is forthcoming Summit, what are the expectations and what do you consider to be the challenges?

A: We have been an active member of Economic Cooperation Organization since becoming a member of the organization and our position has always been to support ECO aims and objectives. During last ECO Summit in Istanbul, our President His Excellency Mr. Ilham Aliyev expressed our country's readiness to hold the next Summit in Azerbaijan. It is going to be held in Baku in 13-16 October 2012.

First priority factor in the region is creating environment for peace and stability. These two factors are interrelated and give opportunity for development and prosperity of all ECO member states as well as formation of economic and social infrastructure.

Lots have been done since the establishment of ECO, but more should be done for higher level of economic development and social prosperity of our nations.

One of the main priorities of the work of ECO should be more persistent initiatives in establishing strong rail transportation system. Though all regional countries, except some of them, have rather developed railway system, but at the same time, we don't have railways connecting Iran with Azerbaijan or Iran with Afghanistan. Today, citizens of our countries cannot travel from Tehran to Istanbul or Islamabad or Central Asian countries by train. Having strong transport network among the ECO Member States is a crucial task for member states, as well as for ECO.

If we talk about ECO Free Trade Zones, but FTZ is meaningless and economically unprofitable without railway system. I think, the development of a sound transportation system in the ECO region is extremely crucial for its aims and objectives. From its side, Azerbaijan is fully prepared to cooperate and work for the development of comprehensive railway system in the ECO region. This could be very beneficial for all the Member States.



Javanshir Akhundov

*Ambassador of the Republic of Azerbaijan
to the Islamic Republic of Iran*

Exclusive Interview

Q: ECO has made a good progress in launching several railway systems regionally, such as Istanbul-Tehran-Karachi container train or recently launched railway system from Bandar Abbas to Almaty, Kazakhstan, which is a strategic corridor, connecting Persian Gulf to Central Asia. Do you agree?

A: Of course, and we welcome those new corridors, but they are linking only two or three countries and, besides, they are for transportation of freight not passengers. We think that the most important element for the economy of ECO Member States is to achieve establishment of an effective and modern transport network in the region.

We believe that all efforts of the Organization should be aimed at improvement of transport infrastructure in the region.

Trade increase among the Member States is one of the primary goals of the ECO, but without modern railways, no increase is possible. First, ECO should achieve modernization of the railway infrastructure and connection of ECO railway system with those of Europe and Near East. From this point of view, "North-South" international transport corridor is one of the significant projects nowadays. Upon completion of "Gazvin-Rasht-Astara (Iran)-Astara (Azerbaijan)" railway project which is a part of "North-South" corridor, ECO Member States can take advantages from this corridor. Obviously, this project is of paramount importance not only for individual Member States but also for strengthening the regional transportation linkages.

Q: Should we expect some fundamental reforms in the ECO transportation system during Azerbaijan's Chairmanship?

A: Azerbaijan would do its utmost and would put forward its share of efforts. However, we need the collective resolution of

Q: Azerbaijan has become attractive for the foreign investors, not only from the point of view of its oil & gas sectors but also for non-oil field like agriculture, construction, banking, real estate etc. What do you think are the main factors attracting foreign investors to invest in Azerbaijan?

A: In 1994, one of the biggest contracts in oil and gas industry was signing of "Contract of Century" on exploitation of huge "Azeri-Chiragh-Guneshli" oil field followed by a big agreement on construction of the Baku-Tbilisi-Ceyhan oil pipeline. That is not the only oil pipeline, which transports our crude oil abroad; we have another oil pipeline that carries the crude from Baku to Russian port of Novorossiysk. We have a third pipeline called Baku - Supsa till the Black Sea shore, which passes through Georgia.

In the field of gas, we used to be the importer from Russia. When in 2005-2006 Russia unilaterally doubled the prices for gas exported to Azerbaijan, it became an incentive for our state to develop our own gas industry and consequently "Shah Deniz" field was explored and discovered in 1999, which is one of the largest gas fields in the world found in recent decades. Now, we not only meet our national needs, but also are major exporters of gas to international market. We export gas to

Strong Transportation System Should be ECO's Priority

all ECO Members for a project of such scale.

Particularly, the three ECO Founding Members: Iran, Turkey and Pakistan which have large resources and could make more efforts in realization of these ambitious projects.

Georgia, Turkey and European countries. We have a good swap scheme with Islamic Republic of Iran, a major world supplier of energy. We supply the Northern Iranian provinces with Azerbaijan gas in return for the



supply of gas of the Nakhchivan Autonomous Republic. We also export gas to Russia.

Today, we have commercial relations with 149 countries of the world. In addition to the crude oil, exported through our oil and gas pipelines, we also export petrochemical products into the world energy market.

In the area of transport and communication, we also achieved significant progress. In comparison with previous years when we were using foreign satellites, this year we are using our own satellite for the first time, which is a major breakthrough for our communication industry. 18 month ago we signed a contract with Iran and Russia for establishment of Joint Venture Company to develop our railway system. According to the agreement, railway will be constructed connecting city of Gazvin with the city of Astara (Iran) and Astara (Azerbaijan). As a result of this, railways of three countries will be connected. It will create favorable conditions for transportation of freight not only from Russia, but also from the North and East Europe, Ukraine to the Iranian port of Bandar Abbas in Persian Gulf through the territory of the Republic of Azerbaijan.

As far as your question about the investment attractiveness and how we achieved it, that was primarily due to factors of political stability, natural resources, educated population and particularly, able and reasonable leadership. The principles of our foreign policy were founded by Uninational Leader Heydar Aliyev and followed by our current President Ilham Aliyev. These are the principles of multidimensional foreign policy. They became prerequisites of our success in attracting foreign investors.

Q: What are some of the obstacles you are facing?

A: We could achieve more if there were not the Nagorno-Karabakh conflict. The victory of

our nation on the way of getting independence was achieved in a difficult struggle. Unfortunately, 20% of the territory of Azerbaijan, ancient Karabakh - the heart of Azerbaijan and the cradle of our musical culture is under Armenian occupation. As the result of aggression, 20.000 people were killed, 4,866 people are missing and 100,000 people have been wounded, 50,000 of them becoming invalids due to the severity of their wounds, over one million people were displaced and turned into refugees under harsh and inhumane conditions. In the captured territories, the Armenian aggressors have targeted those objects of art considered a unique part of the cultural heritage of Azerbaijan in a particularly vindictive manner.

Within the occupied territories, they have plundered and set fire to 12 museums, 6 art galleries, and 9 palaces of historical importance, 44 churches and 18 mosques have been desecrated. In Upper Garabakh, and in a number of adjoining national cultural holy places of Azerbaijan, the damage caused by the Armenian aggression is impossible to quantify precisely, because many of the plundered and destroyed treasures were unique cultural heritage of not only Azerbaijan, but also world civilization.

The people of ECO Member States have the greatest cultural heritage, common religion, historical, literary musical past and national traditions.

Q: Azerbaijan's economic growth since its independence in 1991 has been regarded as quite positive. Would you briefly highlight some of your country's most important developments since then?

A: As you can see, we started rebuilding our country under very difficult circumstances. 20 years ago, at the time of our independence, practically we did not have a single dollar in our national treasury, whereas today we have over \$40 billion. In early 90's our national economy was totally paralyzed with almost all our factories and plants staying idle. Today we have over \$10.5 billion deposit in our Central Bank. Last year our GDP at current prices was \$63,4 billion, GDP per capita \$7000, foreign trade turnover \$36,3 billion. The important thing is today, the people of Azerbaijan are in charge of their national wealth, whether it is oil, gas, capital or other resources. 20 years is not a long period for the history.

Q: Non-oil sector development is one of the priority issues for Azerbaijan and your government has been trying to reduce the dependence of economy on oil sector and put more emphasis on country's infrastructural development like construction of major highways, power stations, water supply systems etc. How successful were you in this regard?

A: Development of non-oil sector is one of the priority issues for the Republic of Azerbaijan and our government has been working hard to reduce the dependence of economy on oil sector and put more emphasis on construction of country's major highways, ports, power stations, water supply system etc. For example, this year we have launched another mega project near Baku. We started construction of major port complex with a giant industrial area around it. We planned to establish a logistical center, a big oil refinery plus an area for location of various large factories and plants there.

In the northern city of Ganja, the second-largest city of Azerbaijan, we modernized an existing aluminum plant left from the Soviet time and turned it into an aluminum industrial unit, which can now produce aluminum with international standards and we also constructed a new first class aluminum plant.

Within the framework of the opening of joint venture company project with a Swiss company, we built a cement factory, the largest in the region, which has already started its operation.

Q: Azerbaijan with its six national parks, beautiful landscape, mild climate and rich cultural heritage is an ideal destination for the world tourists to explore. How is tourist infrastructure being developed in your country to enhance the flow of tourists from the region and around the world?

A: Azerbaijan has many attractive tourist sites. Azerbaijan has ancient history and attractive cities for tourists such as Gabala, Shemakha, Gandja - motherland of great Azerbaijani poet Nizami, Sheki with unique palace of Sheki Khans, Lagich town which kept unique historical atmosphere of a city of two thousand years old, Gobustan - savage settlement of a human and finally Baku - ancient and young with old part "Icheri Sheher", Shirvanshakhs' Palace and a city constructed in European architectural style with modern palaces such as Heydar Aliyev Center, Crystal Hall. Before independence we did not have five-star hotels; there were only a few four-stars ones. But now the situation has drastically changed. This year we have just finished six brand new five-stars hotels built with international standards: "Four Seasons", "Royal Marriott", "Kempinski", "Hilton", "Sheraton", "Jumeirah".

Q: Music has been an integral part of your culture, how is the status of music and music environment in Azerbaijan?

A: Azerbaijan is the Motherland of first opera in East - "Leyli and Majnun" by great Azerbaijani composer Uzeir Hajibeyli,

who was first to combine the traditions of Eastern musical art and European musical traditions. He founded professional education institution - Azerbaijan State Conservatoire currently named after him. This tradition was followed by modern Azerbaijani composers in symphonist as well as in jazz genre.

Presently, Baku is hosting big international festivals including Mugham festival, symphonic music festival in Gabala and festival devoted to M. Rastrapovitch.

7 November 2003 UNESCO declared Azerbaijani mugham one of the masterpieces of oral and noncommercial heritages of humanity underlying its highly artistic value, positive role as the source of creative inspiration and intercultural dialogue.

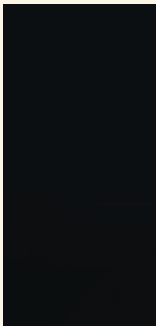
Last year, a young music group from Azerbaijan placed as number one in "Eurovision" music contest. It was our 4th participation in that world famous music competition. Considering that we have just recently started participating in this music contest, it is certainly a victory of all musical culture of Azerbaijan. Due to international events in Baku, magnificent music hall was constructed with

25000 people capacity.

Q: As an educated person with vast knowledge of the ECO region, how important do you believe ECO's common cultural heritage could be beneficial towards the economic growth and development of ECO?

A: This is an important question. The people of ECO Member States have the greatest cultural heritage, common religion, historical, literary musical past and national traditions. All these should be used for economic, cultural and social development and prosperity of our region. ■





Tourism

Sector Development & Perspectives

After 2006, several programs were adopted for the development of national culture over the next few years of medium term. It was on such ground that the Ministry prepared the integrated measures, setting the principles and priorities for key parameters of cultural development in Azerbaijan which included the programs for the development of theatres, museums, film industry, and

libraries.

In 2010, the Program on the Development of Tourism Sector for the years 2010-2014 was commissioned that mainly focused on the development of the key assets of the cultural and tourist institutions.

Taking into consideration the fact that most of the institutions were in a very poor condition upon the collapse of the Soviet Union, the State paid special care and attention to the



cultural and tourism sectors. Most institutions were not in compliance with international standards. Only during the period of 2006-2011, the State investments in cultural and tourism sector have increased by 28 times, the number of museums for 22% and hotels for 78%. The number of foreigners visiting Azerbaijan has also grown significantly.

The capital refurbishment was performed in the main national concert hall- Heydar Aliyev Palace, National Arts Museum, State Drama Theatre, Russian Drama Theatre, Young Spectators' Theatre, Nizami cinema. Some new structures such as the Centre of Mugam and State Film Fund were constructed.

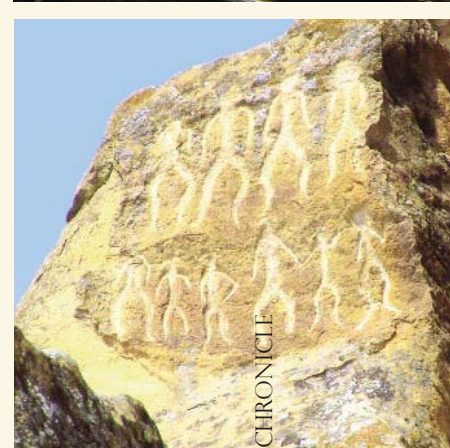
The refurbishment of the Music Comedy Theatre and the new Carpet Museum is being accomplished. All above facilities comply with the most advanced international standards.

Refurbishment of the existing and construction of new cultural facilities is taking place in almost all regions of the country.

Meanwhile, there is a strengthening of the international contacts via a number of international initiatives, organized cultural days of Azerbaijan abroad and cultural days of other nations in Baku. Azerbaijan is hosting a number of international cultural events including the Rostropovich Festival, Gabala Classic Music Festival, Puppet Theatres Festival and of course the cornerstone- regular biennial event of Baku's "World Forum on Intercultural Dialogue" with the participation of the relevant government agencies, ministries, NGOs and international entities from all parts of the world.

The year 2011 was a successful year in general and thus could be set as a starting milestone for the new stage of development of national tourist sector. First of all, there was an Action Plan adopted with key items and priorities to be implemented in terms of legislation, organization and planning, infrastructural development, popularization of domestic tourism and promotion of national tourism product. Most importantly, the "Year of Tourism" has outlined the baseline of the tourism sector and strategic trends for its development. In a greater context, Azerbaijan follows the trends of the international tourist sector and therefore, in addition to the attraction of tourists from Europe and neighboring countries, the country's interest in emerging markets like Americas and South-East Asia is growing. These tourist markets are growing according to variety of international studies and reports and so Azerbaijan pretty much interested in gaining its share in them.

Azerbaijan offers many attractions: a nice capital, offering a great combination of old and modern architecture, very rich and delicious cuisine, regions boasting all varieties of landscapes and climates, an infrastructure making access to them very easy, various international cultural routes, specific arts and crafts, historical





monuments, prehistoric rock paintings, carpets, caviar, natural hunting and fishing spots, luxury shopping malls and dining, high-class hotels, VIP services, tolerant and friendly community, nine out of eleven existing climate zones, fire worshippers' temples, ancient Albanian churches, traces of prehistoric human activities and many other things the most important of which is Shahdag all-seasonal world class skiing resort.

Azerbaijan is turning to a new popular tourist destination. Country offers many opportunities and capabilities to develop the elite tourism. As it is mentioned before, this includes a well developed dining industry, oil industry and related history of Nobels, Rockefellers and Rothschild in Azerbaijan, rich history, interrelation with Europe and world history, significant infrastructural developments, lavish hotels, shops and restaurants and unique experiences that one can find nowhere else.

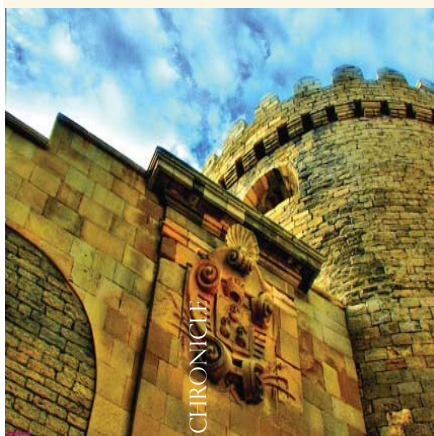
Several worldwide brand hotels were commissioned during 2011: Hilton, Kempinski, and Jumeirah Beach. This year the commissioning of JW Marriott, Four Seasons, Fairmont brand hotels in Baku only, with some fashionable hotels on the way in regions of Sheki, Gabala and others are expected.

Continuous efforts are being made for the improvement of the quality of tourist services in terms of development of best practices and standards, new products, as well as exploring new opportunities within the country that could be used for the purposes of tourism. Also, should be mentioned here the large-scale projects of fashionable residential area of White City, development of island tourism and expansion of Baku Boulevard area.

In addition, the rural tourism might become a significant sub-segment of tourism in the country. Ecotourism is considered not only an economic opportunity, but also a social responsibility and commitment before the future generations. It is not only a business for travel agencies and tour operators, but also something that

helps people understand and feel responsible for the actual problems of maintaining the biological diversity and preservation of the natural resources.

In this context, the rural tourism is a very important factor, as there is a State Program for Regional Development, which contains all steps and actions related to the restoration of traditional economies, arts and crafts in the regions, development of infrastructure, and creation of jobs.

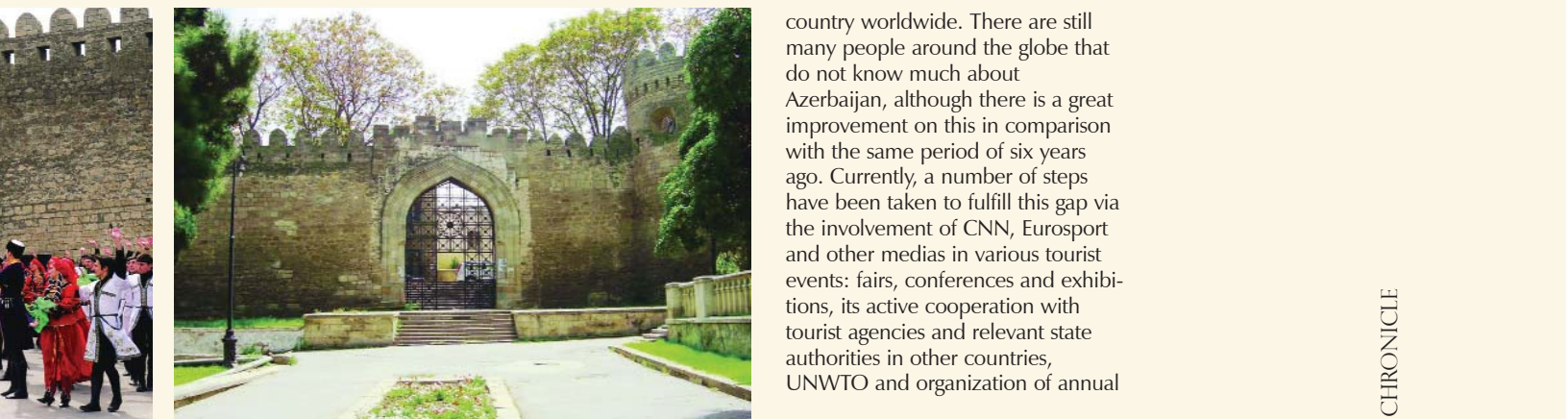


Achievements reached within the above mentioned Program with various food processing and light industries, agricultural activities revived in the regions, historical and cultural monuments being refurbished, airports and motor roads constructed, made possible the development of tourism in the regions.

Therefore, the country is now actively developing this segment of the industry, and very good prospects is foreseen in

this field, as Azerbaijani regions have a lot to offer in terms of traditions, arts, history, culture, customs, nature etc.

Meanwhile, there are several key challenges that should be mentioned, including relatively low level of international awareness of the



country worldwide. There are still many people around the globe that do not know much about Azerbaijan, although there is a great improvement on this in comparison with the same period of six years ago. Currently, a number of steps have been taken to fulfill this gap via the involvement of CNN, Eurosport and other medias in various tourist events: fairs, conferences and exhibitions, its active cooperation with tourist agencies and relevant state authorities in other countries, UNWTO and organization of annual



tourist exhibitions in the country. Another challenge is to remove the visa complications for potential visitors. In this regard, some steps have been taken together with the Ministry of Foreign Affairs to facilitate the issuance of electronic visas and online application facilities.

economy.

Coming to trends in both domestic and foreign tourism, a steady and stable growth is observed. In general, due to global economic and financial crisis, there is potential to execute significant changes in the world's popular tourist destinations map and hopefully, Azerbaijan will get into the position where it can play a considerable role in the growing tourist industry.



It shall be mentioned that there is a systematic approach towards the elimination of all these barriers on highest State level as tourism is considered as one of the national strategic development sectors. Also, it is worth mentioning that the tourism sector has virtually started its development from scratch as upon the disintegration of the USSR, the tourist infrastructure was demolished, none of the tourist facilities complied with international standards and there was no capable management to operate under such conditions of market



Meanwhile, it should be mentioned that the balance of tourists traveling to Azerbaijan and Azerbaijani citizens traveling abroad is negative more people get out than in, and serious efforts are being made to equal or even improve the balance. A lot of work is being done for the development of infrastructure as it is obvious that well developed transportation infrastructure helps tourism very much. Moreover, several steps have been taken for the development of trans-

boundary tourism with the neighboring countries.

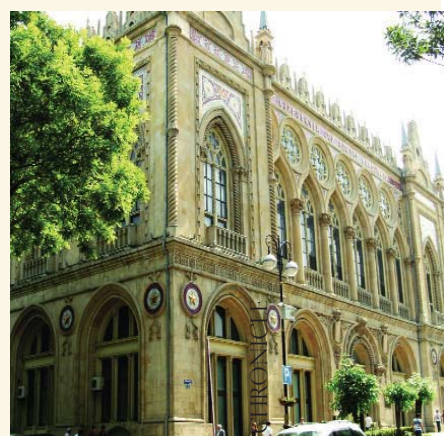
There are some projects listed that shall undergo an extensive feasibility and market studies.

Among these projects, there are plans for the organization of cruise tours within the Caspian Sea. Obviously, having an advanced sea port will help a lot in the promotion of this idea. The promising project of construction of the Baku-Tbilisi-Kars railroad, which will potentially tie-in into the Turkish and further to the European railroad networks, making the railroad travel from Europe to Azerbaijan and vice versa a reality.

Coming to future perspectives, there is a strong belief that in the medium term, with the active development of infrastructural projects, the number of political, sports, cultural and business events that Azerbaijan will host during the current and few next coming years as well as the popularity and international awareness of Azerbaijan will grow, leading to the growing number of visitors from abroad.

Furthermore, many steps are being taken to motivate the development of domestic tourism and stable positive trend in this area over the last few years. The number of foreign tourists has been growing over the last five years at the average annual rate of 10-11% while the worldwide figure on this, is between 4-4.5%. There is an expectation that this trend shall be maintained.

The first of such programs is the "State Program on the Development of Tourism for the Years 2010-2014", which is a structured document outlining the priorities and core areas for the tourism sector over the coming years. Second, there is an annual action plan for the tourism sector activities which include the active international presence of Azerbaijani tourist agencies in various international gatherings, improvements in terms of standards and regulations, development of practices in management, planning and organization of tourist activities and operations that the Ministry intends to promote and support over the coming years. ■





Communications & Information Technologies

Azerbaijan's greatest success in the 21st century was regaining the state independence for the second time in 1991. This historic milestone was achieved at the expense of the blood of the nation and it will remain in the memories forever.

In order to sustain the statehood, protect the country from ongoing war with the neighboring Armenia over the ancient Upper Karabakh region of Azerbaijan and prevent the civil war, the National Leader Heydar Aliyev returned to the political life in June 1993, following the insistent request of the people and some high ranking officials in the power at that time.

The period of anarchy and political confrontation ended and the country entered a new era of democratic development and strengthening of the statehood. The citizens of Azerbaijan found the opportunity to determine their future within stable conditions. Like many fields in the country, the prompt development of information and communications technologies are linked with the National Leader Heydar Aliyev. He had foreseen that the development perspectives of Azerbaijan are directly connected with the strengthening of industry, particularly with the enlargement of scientific researches, which he supported in the Soviet times.

In the 70ss and 80ss of the 20th century, laboratories and chairs were established in the universities and field institutions,

high qualified experts and scientists were trained and electron equipment plants were built. Those years, the Space Research Center and the scientific-research unit "Oilgazautomatiks" were established, the first biggest electron calculating machine "BESM-6" and several other ones of the kind as well as automated management systems - RASU, a special computer network covering entire the country and automated oil extracting

systems were brought to Azerbaijan by the direct support of Heydar Aliyev. Moreover, factories heavily relying on science such as "AZON", "NORD", the radio/television and the biggest manufacturing complexes like "Peyk" and "ULDUZ" were built and put to operation. Further advances in the development of communications, electron equipment and telecommunication technologies in Azerbaijan were realized during the second term of Heydar Aliyev's leadership in the Republic. The National Leader paid special attention to the application of information-communication technologies even in the turbulent conditions of the early 90ss, when the country enormously suffered as a result of the Armenian aggression and massive economic downfall. In August

1993, he inaugurated the satellite - communications system allowing the creation of direct communications between Azerbaijan and the American continent. Due to his special attention towards the telecommunication, the first foreign investments in the country were made in this field.



As a logical result of these activities, Azerbaijan became a member of some international organizations, including the International Telecommunication Union (ITU) and the Universal Postal Union (UPU) during 1992-1993.

Plus, the first internet connection was created in the Department of Automated Management Systems (AMS) of the Academy of National Sciences of Azerbaijan (ANSA) in 1994 and Internet access to and out of Azerbaijan was provided by linking with the Internet Center of the Middle East Technical University of Turkey through the "Turksat" satellite. On August 1993, the domain ".az" was officially registered in the Internet Corporation for Assigned Names and Numbers (ICANN) as the domain name of Azerbaijan and in 1995, the first Internet site in Azerbaijan - www.ab.az of the Academy of Sciences of Azerbaijan was aired.

In 1994, more information technologies companies such as "AZEL", "Azerin", "Sinam", "R.I.S.K", "Ultra", "BestComp" and etc., were created in Azerbaijan which, today, play a key role in the information technology industry. Two years later, AzEuroTel" and "Utel" joint ventures started to serve the local telecommunication network in 1996.

"The National Strategy of the Information-Communication Technologies for the Development of the Republic of Azerbaijan (2003-2012 years)" confirmed by the National Leader was the main document defining the policies, aims and objectives, responsibilities, priorities and direction of activities of the state in building of an information society. In 2000, Azerbaijan gained the first place in the South Caucasus region for its adoption of the National Strategy for ICT according to the decision of the Millennium Summit held by the UNO. This document is a fine evidence of the fact that Azerbaijan pays a special attention to the ICT field.

With the election of Ilham Aliyev as President on October 15, 2003, a new era began. Steady and reliable development of the economy, further strengthening of public and political stability, opening of new work places, drastic and prompt social-economic development of the regions were among a few success stories to mention achieved through the decisive reforms made by the President of the Republic of Azerbaijan, Ilham Aliyev.

It is no mere chance that as the first foreign activity of the President of the Republic of Azerbaijan after his election was attending the World Summit on Information Society held in Geneva on December 12, 2003 which was a significant event for the future development of humanity.

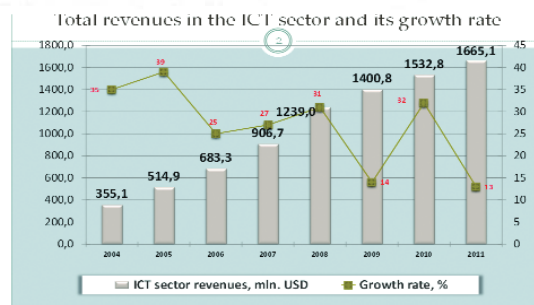
Through the slogan "let's transform the black gold into human gold", the President declared to the entire world that a new stage of development has been founded in the economy of the country. This declaration was the first manifestation of Ilham Aliyev's policy directed towards the implementation of the strategic line of the National Policy.

Following this, the Ministry of Communications and Information Technologies was founded to formulate and carry out the state policy in the field of ICT. During the 8-year activities of this Ministry, the ICT sector has rapidly grown and has raised its position in the Global Competitiveness Index to the 57th place among 139 world countries thus making it an unchallenged leader among the Commonwealth of Independent States (CIS). Azerbaijan also gained the 70th place

among 138 countries for "Network Readiness Index" of "The Global Information Technology Report 2010-2011" released by the World Economic Forum.

Since 2004, new approaches and methods applied in the field of international cooperation in ICT sector, resulted in the establishment and expansion of bilateral and multilateral relations among the MCIT and subordinate organizations at the regional and international levels and the Azerbaijan's position was strengthened in the renowned international organizations. In this respect, more than 70 documents were signed with MCIT and other countries.

"State Program for the Development of Communications and Information Technologies in the Republic of Azerbaijan during 2005-2008" (E-Azerbaijan) was adopted on 21st October, 2005 by President Ilham Aliyev. According to this program, the existing telecommunication infrastructure was reconstructed and enhanced through applying modern technologies, boosting the volume of investments made in the field, opening of new work places, providing quality services by the state organizations using ICT applications and increasing the level of population's usage of hose services. Today, the volume of ICT incomes has increased more than 154 times and exceeded \$ 1,6 billion during 1991- 2011. An investment amount of nearly \$2,3 billion has been put in this sector in the last two decades. The volume of information technologies has been increased 4 times in 2004-2010 years and the export of respective technologies 4 times.



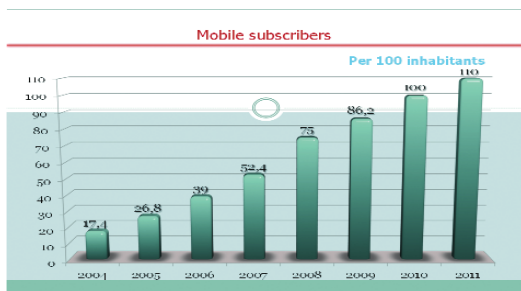
National Telecommunication Satellite program is the most ambitious project of 2012. In accordance with the Presidential order "About the Creation of Space Industry and Launching Telecommunication Satellites in the Orbit in the Republic of Azerbaijan" dated November 4, 2008, President Ilham Aliyev confirmed "The State Program on the Creation and Development of Space Industry in the Republic of Azerbaijan" in August of 2009. It is planned to launch the first telecommunication satellite by the end of 2012, which will cover the Eastern Europe, North Africa, CIS, Central Asian and East Asian countries. Besides the main satellite management center, currently efforts are made to prepare alternative satellite management center in Nakhchevan AR as well.

Considering that internet access is limited and the "digital bridge" between West and East is vast, Azerbaijan's initiative of "Trans-Euro-Asia Super Information Highway" is of regional significance. This project will connect two enormous regions - Western Europe and Eastern Asia in the Pacific Ocean basin



where ICT is intensively developed and covers almost 20 less-developed countries located on the highway. Currently, joint efforts are made with the regional countries and international organizations for the realization of the project and obtaining international support. Within the last two decades, due to the policy implemented for the development of private ICT sector, new fixed and mobile network operators have been established, ICT manufacturers, broadcasting companies in this sector and healthy competition environment were created. As a result of liberalization process, 10 telecommunication operators have been privatized, 150 licenses granted to the telecommunication and postal services, license for providing internet services eliminated and fair distribution of numbers and frequency resources provided. Consequently, the share of private sector in the ICT market reached 80% in 1991-2011. In 1994, Bakcell and two years later, Azercell Telecom started to provide cellular communication services. The third mobile operator of GSM standards - "Azerfon" LLC was launched in Azerbaijan in 2007. Presently, the wireless communication sector is being dynamically developed and application of the state-of-the-art technologies such as "3G" and "WiMax" are being increased.

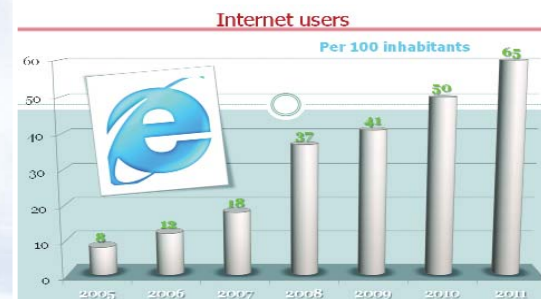
"Azerfon" LLC started to provide "3G" services in the mobile network for the first time in 2009. Two years later, other two leading mobile operators - Azercell and Bakcell were granted license for 3G services as well. As a result of the fair competition, only in 2011 the number of mobile broadband users increased 4 times reaching 2 million subscribers. The application of "3G" services not only provides video conversation, but also offers a new communication environment, online video observation and other services for radio-TV broadcasting. Today, the number of mobile users is 110 per 100 people in the country and this figure being nearly 30% more than the world average indicators of the developed countries.



Fixed telephone network has been fully digitalized in Azerbaijan, making it the first among the CIS countries and it is one of the significant achievements obtained in ICT sector during the independence period. One of the considerable measures undertaken was the full digitalization of all residences in the country by the end of 2008. Since August 2011, new area codes have been applied and single seven-digit numbering system has been introduced.

As a result of development of Internet's national segment, cost of services has decreased many times, modern connections including broadband, wireless and mobile connections applied and favorable conditions created for the free activity of Internet service providers and internet-clubs resulting in the surge of

internet users to 65 persons in 100 approximately half of which use broadband internet services, nearly 2.5 times higher than the worldwide indicator.



Companies such as "AzDataCom", "Deltatelekom", "Azertelekom" have installed their Fiber-optic networks all across the country. "AzDataCom" network was created with the view to strengthen the national information and communication infrastructure and was put to operation based on the "National E-management initiative", which is being implemented jointly by UNDP and the Ministry of Communications and Information Technologies (MCIT). This network aims at catching up with the digital arrears, developing internet services in the regions, increasing the opportunities for people to use ICT services, as well as developing e-commerce, distance education and other modern forms of communication between Baku and other regions. One of the important achievements reached within the framework of internet development concept was increasing the general capacity of international internet channels to 86.6 Gb/s. Today, Azerbaijan has been turned into one of the exporters of web-based products within the region. So as to realize the national strategy on the transformation of the country into an information society, the second State Program "E-Azerbaijan" during 2010-2012 was confirmed as another successful step for directing, developing and promoting the wide application of ICT. Besides State Program "E-Azerbaijan", around 20 other state programs are being simultaneously implemented to serve for the wide utilization of ICT in the various fields.

Continuous reforms are being made for the modernization of ICT area and strong legislations meeting with the world standards are laid. The laws on "E-sign and E-document", "E-trade", "Information Access", "Telecommunications", "Post", "Public Register of Population of the Republic of Azerbaijan", "Biometric Information" and "Individuals' Information" have been adopted and several rules issued and approved. Creating the "Golden Pay" - the first online payment system in Azerbaijan established by local "Silverkey" company in 2008 - was a significant step towards the organization of "e-trade" in the country. According to the Law of the Republic of Azerbaijan about "E-sign and E-Document", both the legal base for using e-sign and the national infrastructure have been formalized by the Ministry of Communication and Information Technologies. In order to render E-sign services to legal and individual persons and the state authorities, the National Certificate Services Centre was opened in September, 2011 and utilization of e-sign started in Azerbaijan. Today, the information systems, registers and other

information resources applied in the educational, health, jurisdictional and other internal affairs plus the customs, taxes and social protection, which facilitate the relations of the state bodies with the citizens and organizations, create favorable conditions for providing modern services to the applicants.

Establishment of "Public Register of Population of the Republic of Azerbaijan", which is a significant part of the "E-Government" project, made possible the submission of e-declarations, e-invoices, e-applications and others. The State Customs Committee, Ministry of Taxes and some other entities have already established information exchange networks between their central and regional branches. "E-health cards" is issued for the citizens by the Ministry of Health and medical e-registers are created for various diseases. The State Social Protection Fund successfully applies modern ICT solutions in social insurance and registration of the individuals. Republic of Azerbaijan is claimed to be one of the first countries to broadcast the electoral process through the internet. Besides the fact that the Presidential election of 15th October, 2008 met the democratic values, it was featured due to special technological innovations used. For the first time, the electoral process was broadcasted lively on the internet through the cameras installed within the polling stations.

The development of ICT infrastructure and material-technical base of the education institutions such as elementary and high schools, universities and other public entities became priority issue. As a result, approximately 40000 computers and network equipments were installed throughout the country's schools. In 2004, one in every 1062 students had access to computers while today, it is the case for one in every 20 students. It should be noted that "Kur" LLC local company is now engaged with the production of e-equipment in Azerbaijan and actively participates in these activities.

So as to realize the "State Program on the Informatization of Education System in the Republic of Azerbaijan during 2008-2012", Azerbaijan Education Network - AZEDUNET - was created which now provides 1100 schools with high speed internet connection. An Information and Resource Centre complying with the modern technological standards of the education sector was formed and the "E-school" project to promote e-education technologies is being successfully implemented in approximately 30 educational entities. The "National Computer" project is now being implemented under the initiative of the Ministry of Communications and Information Technologies and the participation of representatives of "HP" and "Microsoft" companies stationed in Azerbaijan to create proper conditions for obtaining modern computers along with licensed programs. First of all, teachers of higher and comprehensive education schools plus the pupils and the students have been provided with approximately 15000 computers through

interest-free loans, 25-30% lower prices as compared to market rates and without initial payment. The measures are also being applied to other social groups in the scope of the projects. Now, computers are provided for 20 in every 100 persons of the country's population.

The Presidential Decree dated 23rd May, 2011 on "Some Actions in the field of Organization of e-Services of State Agencies" has encouraged the formation of "e-government". This Decree played an important role in building of citizen-government relations on a new level, thus providing transparency and avoiding corruption and bureaucratic obstacles through the application of state-of-the-art equipments in ICT sector. Out of the 20 main e-services applied in the European countries, eight services including the submission of documents, tax and customs declarations, statistical invoices, application forms for enrolling in the government service and higher education schools, etc. are being rendered to the citizens and business sector. The issue of training national professionals in the field of ICT has always been in the centre of attention and therefore,

the "Human Resources Fund for the ICT Development" was established in the Ministry. According to the "State Program on the Education of Azerbaijani Youth in Foreign Countries", more than 180 students received governmental support for receiving education in ICT field in the leading universities of Asia, Europe and the US. "Dilmanç" translation system has been established with Azerbaijani-English and English-Azerbaijani versions in the framework of "Dilmanç" project jointly executed by the Ministry of Communications and Information Technologies and the UNDP. Simultaneously, special computers for people with restricted visual capabilities and telephone-translator system were created to work in

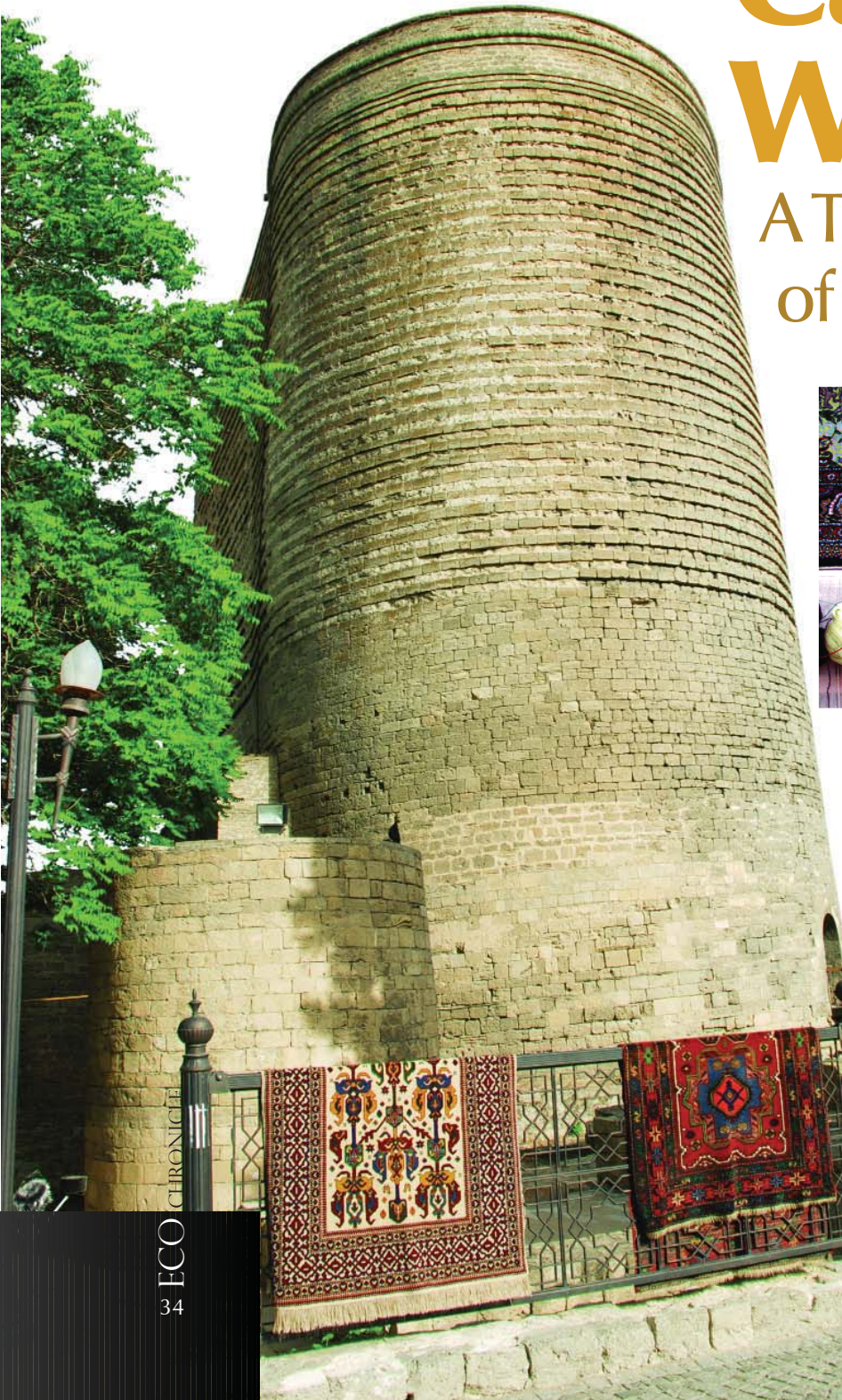


the web. For the first time, some "Microsoft" software such as Windows XP and Vista were translated into Azerbaijani. The production of Microsoft Windows XP in Azerbaijani language was submitted to President Ilham Aliyev of the Republic of Azerbaijan in the meeting with Craig Mandy, vice-president of "Microsoft". Azerbaijan is one of the first countries that applied digital television broadcasting in the region now covering more than 85% territory of the country. According to the "Program on applying and development of DVB-T digital television broadcasting system in the territory of the Republic of Azerbaijan", it is scheduled to fully turn to digital broadcasting in the country by the end of 2012. Today, all state programs have been fully operational except the private TV and radio broadcasting standing at 75-80%. Azerbaijan's achievements in ICT sector are well recognized in the world as well. It is not accidental that 56 members of the renowned Internet Governance Forum (IGF) voted to hold their 2012 meeting in Baku. It is a huge responsibility and privilege for the country to host such an international gathering. ■



Carpet Weaving

A Traditional Art of Azerbaijan



Azerbaijani carpet is a traditionally four angled, handmade, dense textile produced in different sizes, with or without pile on surface, and the characteristic patterns of Azerbaijan.

Carpet serves as a cover on the floor or a decoration on the wall. Carpet fabric is also used for the production of various house appliances such as bags, horse cloth, curtains, dress elements, etc. Carpet is closely related to the daily lives and traditions of communities involved in this crafts.

Its role is reflected in the deep meaning of patterns and motifs. Thus, the young girls sitting on carpets tell fortunes and sing tra-

ditional songs at Novruz. Special carpets are woven for medical purposes, wedding ceremonies, child birth, mourning ceremonies and prayers.

Carpet is produced on horizontal and vertical looms with the use of naturally colored wool, cotton or silk strings. To weave various types of carpets, the weavers apply various methods of string tying to base. Azerbaijani carpet is a family tradition that is passed both through practical exercises and verbally from generation to generation within the family.

Originality and application of carpets are determined by traditions and environment. The inhabitants of the mountainous regions of Guba and Nakhichevan create dense carpets with a high pile made from rough wool, which maintains the heat in the house during winter or humid seasons. In the valleys of Baku and Shirvan, the carpets are made with short dense piles created by thin wool.

Carpet is closely related to the daily lives and customs of the communities. There is an Azerbaijani saying "Khalcham



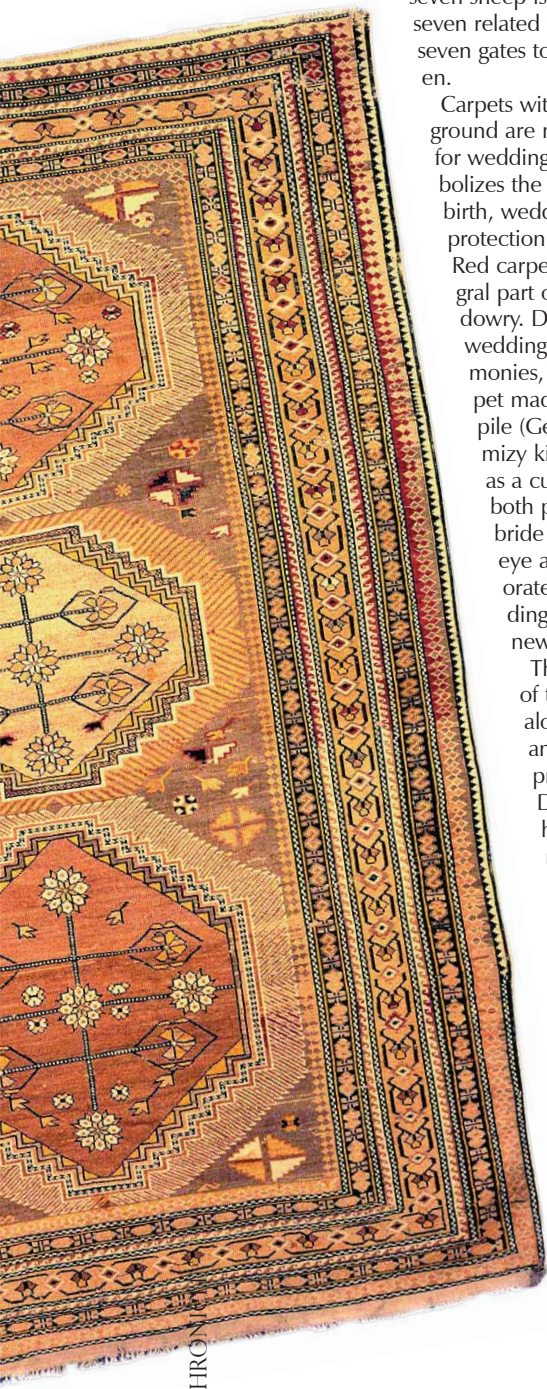
harada, yurdu ora" - meaning "my house is

where my carpet is." Carpets are laid for special guests, hanged on windows and balconies during holidays or presented as gifts to respectful people. On the carpets dedicated to people, the name of the person and date of production is also indicated.

The meaning of the carpet symbolism is hidden in the deep meaning of its colors and patterns, which is sometimes associated with the belief in its wonders and superior

energy. Carpets are used at burial ceremonies, as it is believed that it opens the gates to heaven and protects the souls of the dead. Villagers of Pashali-





Udulu (Shirvan) say that during the production of carpets for burials, the wool of seven sheep is cut, with the number seven related to the ancient concepts of seven gates to the heaven.

Carpets with red background are most desired for weddings. Red symbolizes the life-giving, birth, wedding and protection from evil. Red carpet is an integral part of the bride's dowry. During the wedding ceremonies, the red carpet made without pile (Gerdeklik kirmizy kilim) is used as a curtain to both protect the bride from evil eye and also decorate the wedding tent for the newlyweds.

The red color of the carpet along with motives of moon and stars are associated with prosperity and fertility. During Novruz (new year holiday in spring), unmarried girls usually sit on red (Chilla shaddasi) carpets also called "Beht Khalchasi" (luck bringing carpets), tell fortunes and sing tradi-

tional songs. Then, they lay the carpet in an open field for a week while saying "Let it see the sky, moon and stars", to make their dreams come true.

Carpet making requires many skills transferred verbally and practically including: wool treatment, collection of natural dyes, preparation and coloring of yarn and finally weaving and nodding. Carpet weaving requires high level of cooperation, in which participate shepherds, wool cutting and treatment masters, spinners, dyers, weaving loom manufacturers, designers, weavers and restoration masters.

Even children take active part in this family tradition. During spring and autumn seasons, men take the sheep to pasture and shear. During spring, summer and autumn seasons, women are involved with the collection of dyes, spinning and dyeing. In the winter, upon the completion of agricultural works in the most rural houses, the looms start to work: the girls weave with their mothers

and grandmothers and the daughter-in-laws together with their mother-in-laws, just like one family shop. Weaver Zahra Aliyeva (Baku) says that, since her birth, there was a loom in their house and she used to help her mother card, make yarn and weave simple patterns together with her sisters.

At the age of 14, she started to weave on her own. She says that her grandmothers, just like other older weavers, who could not do the nodding, helped her card, taught her new techniques plus the methods of developing color combinations and

explained to her the meaning of patterns.

Relatives and neighbors also help make carpets in a collective work called "imadgi". The entire weaving process is related to special traditions of holidays.



When at home, the weavers also process the order received from designers and large workshops. In this, they can apply their own approaches in the selection of techniques, density, colors and patterns.



Thus, the carpet of Eldar Mikailzade "Shabi Khidjran" (1986) dedicated to Fizuli- Middle Age Azeri poet, has been interpreted by Naziliya Khanum from Novkhani village (Baku) and this work was highly valued by the author.

Azerbaijani carpet has developed under the influence of close cultural dialogue between Azerbaijan and other countries, especially those along the Great Silk Road. As a result, Azerbaijani carpets were widely distributed in the world. Azeri carpets are being exported to West very actively since the 14th century.

The rich classes of the European countries comprise the main customers of such carpets with which they decorate floors, walls and tables and set them on balconies during holidays. These carpets could be seen in many paintings of Western artists of 15-17 centuries: Hans Memling "Maria with baby " and "Portrait of young men"; Hans Holbein "Ambassadors"; Carlo Krivello "Good news " and others.

For many centuries, carpet collections were made in Europe. Today, Azeri carpets are represented at various famous museums, namely at Victoria and Albert Museum (London), Textile Museum (Washington), Metropolitan Museum (New York), Poldi Petsolu Museum (Milan), Louvre (Paris) and others. Also studies have been conducted on carpet collections with their results published (R. Chenchinner, Azeri carpets in the Victoria and Albert Museum).

Interesting studies have been performed by the American



scientist I. Naroditskaya, who indicates that Azerbaijani carpet has a lot to do with other forms of cultural heritage, for instance the national music (I.Naroditskaya, 'Azerbaijani mugam and Azerbaijani carpet: touching points of two arts').

Over the last years, several colorful exhibitions of Azerbaijani carpets were organized in different parts of the world. In 2006-2007, by the initiative of the embassy of Norway in Azerbaijan, an exhibition of Azerbaijani carpets was held in Stavanger (Norway). In 2008, another exhibition titled "Azerbaijan land of flames and carpets" was held at Bogdan and Varvara Khanenko Museum of Kiev, Ukraine,

and this year, the Ethnology Museum in Berlin organized carpet exhibitions in Berlin and Dresden.

Foreign collectors also exhibit and publish their collections of Azerbaijani carpets (S. Azadi, L. Kerimov, V. Zollinger "Azerbaijani Caucasian Carpets", R. Chebull "Gazakh carpets"). In 2002, an exhibition of the collection of Ali Rakhimi was held in Vienna, Austria in which a round table was also organized with the participation of carpet experts who discussed the issues of pattern interpretation, techniques and authenticity identification. In 2009, an exhibition of Azeri carpets was held from the collection of local collector Sarah Winter in Basel, Switzerland.

Popularity of Azeri carpets motivated the organizations in Baku to hold international conferences on oriental and Azerbaijani carpets in 1983 and 1988 with UNESCO's support. The events were initiated by the late Robert Pinner, the then editor of HALI magazine (UK).

Azeri carpets are also represented at foreign mass-media. Over the last two years, the carpet weaving regions of Azerbaijan were visited by Duna-TV (Hungary), ZDF (Germany), Alma-Ata TV (Kazakhstan), Dubai-TV, Egypt-TV, National Geographic, CNN. The popularity of Azerbaijani carpets is also verified by the fact that since 2001, master classes of carpet weaving are being held in Lyonais (France) by Abida Musayeva (Lahij) initiated by the Mayor of the French city. Thus, being a living tradition, the carpet serves the cultural diversity of humanity, inspiring the representatives of other traditions by its colorful artistic achievements. ■



Doing business in Azerbaijan

The Leading Foreign Investment Destination in the Region

The Republic of Azerbaijan is the leading Foreign Direct Investment destination in the region. Since the mid-1990s, Azerbaijan has doubled its economic potential, enabled and sustained macroeconomic stability and undertaken a wide range of economic and regulatory reforms to ensure a sustainable business and investment environment. During the last 16 years, almost 120 bln USD has been invested in Azerbaijan economy, of which more than half was foreign. Azerbaijan has made the gradual transformation from a planned economy to a full-fledged market economy based on a mature and active private sector. Revolutionary legal reform with the introduction of a new Tax Code, Civil Code and Civil Procedural Code, Land Code, Labor Code, Customs Code, Foreign Exchange Law, Law on International Arbitration, as well as a number of other laws and regulations, has resulted in a significant development in the private sector and made the legislation more transparent and investor-friendly.

Generally, Azerbaijani legislation has established a very open national regime for FDI, where foreign investors are welcomed in any sectors that local investors are allowed to invest in. This regime also applies to the participation of foreign investors in the privatization of state-owned property. Major economic policies also include an FDI element; for example, the Government has lifted limitations on foreign participation in the banking sector. There are no special permissions or specific registration requirements for foreign investment. Licensing has been substantially simplified, with foreign investors' interests in mind. Any FDI restrictions are strictly limited to national security matters. Foreign investors are particularly welcomed to enter the Azerbaijani market with "green field" projects. This is particularly attractive, bearing in mind the regional markets and the geographic location of the country as the transportation hub for the Caspian region and Central Asia. In recent years, Azerbaijan has significantly improved its business climate in terms of ease of doing business in the country. The introduction of "one-stop-shop" system of business registration (often also called the "single window" system) in 2008 was designed explicitly to reduce the red tape, costs and paperwork associated with the process of business registration. Important reforms were also undertaken in employment regulations, registering property, access to finance,

paying taxes and protecting investors. According to the World Bank's Doing Business 2009 report, Azerbaijan made a substantial leap, from 97th place to 33rd out of 181 economies. Azerbaijan improved in seven of 10 indicators, catapulting 64 places in the rankings, the biggest jump ever recorded by the World Bank. Reforms affected such areas as Starting a Business, Employing Workers, Registering Property, Getting Credit, Paying Taxes, and Protecting Investors. In the 2010 Report, Azerbaijan improved its overall ranking significantly in the Doing Business Index of the World Bank from 99 among 175 countries in 2007 to 38 among 183 countries in 2009 and 2010. In accordance with the Doing Business 2011 report, the reforms of 2009/10 affected such areas as obtaining credit (commercial banks can now provide and receive information online) and tax compliance. Reforms also affected the tax payment system (it was emphasized that Azerbaijan introduced electronic systems and online payment for value-added tax in 2007 and expended them to property and land taxes in 2009). A key component for securing the top ranking was Azerbaijan's "one-stop shop", also known as the "single window" system, which was introduced in 2008 and decreased the costs and paperwork associated with opening up a new business in the country.

Azerbaijan is pursuing its goals of easing business conditions and establishing a favorable environment for starting a business. In 2011, the Ministry of Taxes launched "online" registration sys-





tem for the registration of natural persons. As for the Global Competitiveness Report 2011-2012, Azerbaijan left behind not only its neighbors but also such countries as Greece, Mexico and CIS countries. In 2010, Fitch Ratings raised Azerbaijan's long term credit rating to 'BBB-' and short term credit rating to 'F3'. In 2011, Standard & Poor's also improved Azerbaijan's long term credit rating from 'BB+' to 'BBB-' and short term rating from 'B' to 'A3'.

■ FDI Friendly Laws

Azerbaijani legislation is evolving in accordance with the strategic goal of the Government in implementing a "welcoming policy" for foreign businesses. Foreign investments are protected by certain government and statutory guarantees, including:

- * Guarantees against adverse changes in legislation - the general rule is that the legislation in force at the time of an investment continues to apply to individual investors for the next 10 years, notwithstanding any adverse changes in law;

- * Guarantees against nationalization and requisition - foreign investments are not subject to nationalization (except in cases of harm to the population and state) and requisition (except in cases of natural disaster, epidemics, accidents, and emergencies). Foreign investors are guaranteed immediate, adequate

and effective compensation in case of nationalization and requisition. Compensation should be commensurate with the amount of the investment at the time of nationalization or requisition, is payable in foreign currency and may be freely transferred abroad;

- * Guarantee of compensation of damages - foreign investors are entitled to compensation of damages, including lost profits incurred as a result of the unlawful acts of state authorities;

- * Guarantee of repatriation of profits - foreign investors are entitled to repatriate profits derived from foreign investments, subject to the payment of applicable taxes and duties.

In order to attract domestic and foreign investment, improve the investment climate and create new competitive and effective production and service areas, measures have been taken to establish Special Economic Zones (SEZ) in Azerbaijan. The legal basis for the establishment of Special Economic Zones has been created and the legal framework for implementing a new mechanism of state support for entrepreneurship has been established. A concessional tax and customs regime will be introduced in Special Economic Zones. SEZs will be created for priority sectors after the locations are identified. Sumgait Chemical Industrial Park was established by Presidential Decree dated 21 December 2011. The industrial park is the territory with infrastructure and management structures necessary for the implementation of profitable business activity and development of entrepreneurs which is used to produce competitive products and render services through the application of modern technologies. In addition, on December 28, 2011 President signed the Decree "On establishing Balakhani Industrial Park in Baku", the main purpose of which is to provide favorable conditions for the potential entrepreneurs and investors interested in recycling industry. In terms of trade regulation, there are no general trade barriers or prohibitions on the import of any types of goods in Azerbaijan and only a minimum level of non-trade barriers for international trade. The country is not yet a member of WTO, although the Government has started the accession process. Exported goods are not subject to any customs duties and restrictions. Regulations exist for the export of strategic





commodities such as electricity, petrol, cotton and non-ferrous metals.

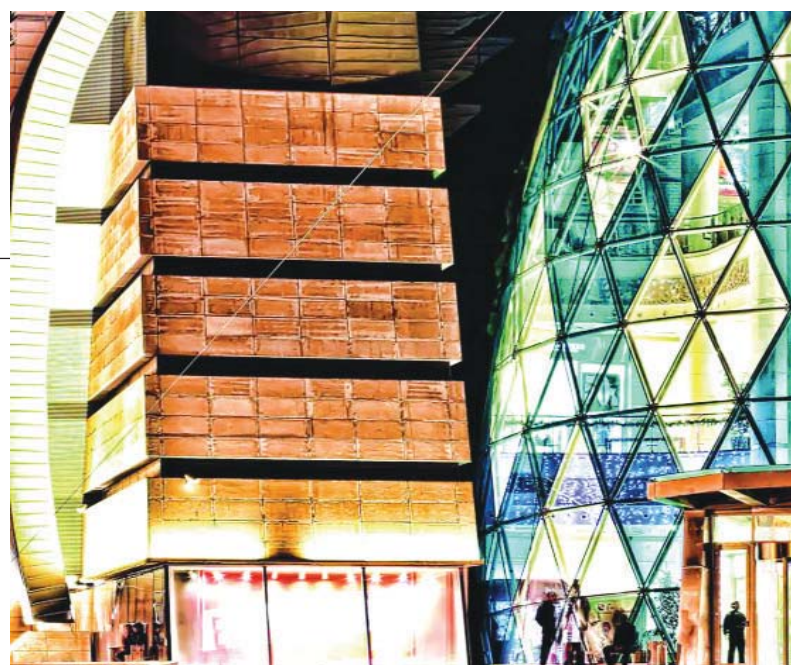
■ Well-Established Institutional Framework

The Government continues to introduce a number of initiatives aimed at improving its dialogue with the business community. Apart from the standard methods of communication with the government via its ministries and agencies, foreign investors can effectively deliver messages via such structures as the Azerbaijan Export & Investment Promotion Foundation (AZPROMO) aimed at the promotion of export & investment mainly in the non-oil sector (for more information please visit: www.azpromo.az). Another governmental initiative is the Azerbaijani Investment Company JSC, a state-owned joint-stock company established by the Presidential Decree of 30 March 2006 with a charter capital of AZN 160,000,000. The main objective of the AIC is to implement fixed-term equity investments in the private sector and to assist FDI in the non-oil sector in Azerbaijan (for more information please visit: www.aic.az). Other substantial comparative advantages of doing business in Azerbaijan include such important factors as macro-economic and political stability, in addition to Baku's reputation as being the only metropolitan capital on the Caspian Sea. Azerbaijan is one of the leading economies globally in terms of economic growth. Even in a period of global financial turmoil, Azerbaijan managed to maintain its high pace of development and increased its GDP on average by 14.1% between 2006-2011.

■ Wide Choice of Investment Forms

Pursuant to the current Law "On the Protection of Foreign Investment", foreign investment may take any of the following forms:

- * Participation in enterprises and organizations established with legal entities and citizens of the Republic of Azerbaijan on a shared basis;



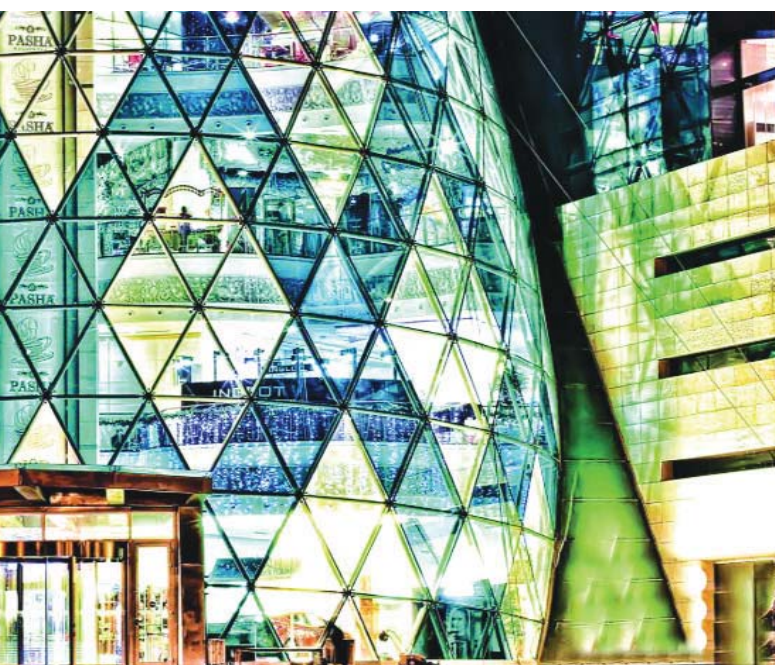
- * Establishment of wholly-owned enterprises by foreign investors;
- * Purchase of enterprises, properties, buildings, structures, shares in enterprises or other shares, bonds, securities and certain other properties, which may be owned by foreign investors under the laws of the Republic of Azerbaijan;
- * Acquisition of rights to use land and other natural resources and also other property rights; and
- * Conclusion of agreements with legal entities and citizens of the Republic of Azerbaijan providing for other forms of foreign investment.

Enterprises with foreign investment include joint ventures, enterprises wholly-owned by foreign investors and representations (offices and branches) of foreign legal entities.

■ Establishing Legal Presence

A company may start operations in Azerbaijan from the moment of state registration. Currently, registration of commercial legal entities is carried out by the Ministry of Taxes of the Republic of Azerbaijan. Without formal registration with the Ministry of Taxes, a company may not open a bank account, clear goods through customs, etc. A new system of corporate





registration is in place from 1 January 2008, which significantly simplifies the registration process for legal entities. The registration of legal entities is now handled through a single state authority ("one-stop-shop") - the Ministry of Taxes.

Upon submission of all required documents, the Ministry of Taxes issues an extract from the state register and a unique tax identification number within 3 business days. The "online registration" system of legal entities is available since January 2012.

There are numerous forms in which a legal entity/company can be incorporated in Azerbaijan. There are no specific rules for the incorporation of companies by foreigners apart from the standard legal and translation requirements. In general, foreign businesses tend to open representative offices/branches or register (incorporate) a local company.

The Law on State Registration of Legal Entities and State Register sets out the requirements of the legal registration process.

One may start business in Azerbaijan with 100% foreign investment or form a joint venture with a local partner. There are no specific requirements for the size of share or legal limitations for the foreign component in a company and investment. With the exception of certain licensed activities described below, no additional general approvals or permissions apart from state registration are required for the start up.

The new Law on State Registration of Legal Entities and State Register determined the timeframe of the entire process. The basic term for state registration of commercial legal entities is set at 3 working days.

Azerbaijani law generally recognizes the following types of commercial legal entities (commercial legal entities are defined as those operating for profit):

- * General partnership ("GP")
- * Limited partnership ("LP")
- * Limited liability company ("LLC")
- * Additional liability company ("ALC")
- * Joint-stock company (open or closed JSC)
- * Cooperatives

■ Licensing

A license is granted without discrimination to any entity that satisfies the requirements for that specific license. Thus, foreign investors may obtain licenses under the same conditions and in accordance with the same procedure as Azerbaijani nationals. Normally, a licensee may not transfer a license to another legal

entity or individual. Licensing in Azerbaijan is regulated by the laws, Presidential decrees and orders of the Cabinet of Ministers of the Republic of Azerbaijan. The Ministry of Economic Development is the government agency entrusted to exercise overall control in the field of licensing and to maintain a single register of licenses. However, the right to issue a specific license is given to the state authorities who control a licensed activity (the Ministry of Transportation, the Ministry of Emergency Situations, the Ministry of Economic Development, etc).

Regulations on licensing procedures for specific types of activities are generally issued by the Cabinet of Ministers. An applicant is required to submit all documents specified in the regulations and pay a fee; provided the application meets all requirements, a license is issued within 15 days. The basic term of most licenses is five years. The Azerbaijani licensing system was reformed in 2002. The number of business activities requiring a license was reduced from more than 200 to 57. As the result of the reform, the licensing system in Azerbaijan was liberalized. Licensing differs from the procedure for permits related to special "hazardous" activities such as the arms trade or storage of nuclear materials. In



Azerbaijani terms, this type of permit is called a "special permit".

A person who wishes to obtain a license to carry out a specific entrepreneurial activity should either create a legal entity or register as an individual entrepreneur, i.e. become a "sole proprietor". No other business activities require special permits.

The list of documents required to obtain a license is exhaustive. No other documents may be demanded from a business to issue the license. The President recently issued a Decree on certain aspects of the special permit and license system required for certain types of business activities. Thus, the Decree envisages the introduction of single licensing procedure in Azerbaijan. Recently a new information portal on permits and licenses (www.icazeler.gov.az) was launched.

■ Foreign Trade Regulation

Azerbaijan has started negotiations with the WTO on accession to the organization. The government has undertaken a number of steps to liberalize foreign trade. As of the end of 2011, the weighted average import tariff in Azerbaijan was 5.8% i.e. significantly below the international average. Import-export is one of the most rapidly developing business segments in Azerbaijan. In recent years, foreign trade has grown by an annual average of approximately 15%.

Azerbaijan is developing trade relations with a number of countries. In 2011, there were trade operations with 149 part-



ners. The European Union remained the major destination for the export of Azerbaijani goods. Russia and CIS are the major importers. The main export commodities are oil, petrochemicals and agricultural products. Imports include machinery and luxury goods, construction materials and others. Azerbaijani law recognizes several customs procedures applicable to goods imported into Azerbaijan, the most important of which to foreign investors are transit, customs storage, bonded warehouse, temporary import, processing on and outside customs territories. In the case of temporary import, no duties are applied and the goods must be re-exported from Azerbaijan by the deadline established by the customs authorities. Goods brought in as temporary imports should be re-exported without substantial changes in their nature.

In accordance with Decree of the President of the Republic of Azerbaijan, a single window system was established for the inspection of goods and vehicles crossing the state borders of the Azerbaijan Republic commencing 1 January 2009.

On 24 June 2011, the President approved the New Customs Code, effective since 1 January 2012. Apart from that, the Custom Authorities of the Republic of Azerbaijan has introduced 'e-Customs' (<http://www.customs.gov.az/en/e-Xidmetler.html>) which gives participants in foreign trade activities the ability to declare goods in electronic form from any location. Based on President's Decree dated 25 February 2011, the State Customs Committee is responsible for customs processing, payment of customs duties via bank transfer or by use of plastic cards. The import of goods into Azerbaijan is subject to import duties (ad valorem duties ranging from 0% to 15%, per unit duties, duties per metric units). Excise tax applies to certain types of goods (e.g. tobacco and alcohol products). Azerbaijan adopted "destination VAT" principle and VAT (currently set at 18%) is payable (subject, of course, to the applicable customs regime) on the declared value of goods (including assessed import duties and excise tax). Certain categories and types of goods are import exempt and to some others 0% VAT applies. Pursuant to the free trade agreements concluded between the government of Azerbaijan and the governments of Russia, Ukraine, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Moldova and Belarus, the goods imported from these countries are free of customs duties. According to the resolutions of Cabinet of Ministers certain goods are exempted from import duties and VAT. For example, under the PSA (Production Sharing Agreement) regime, contractors, their agents and sub-contractors are entitled to import and re-export from Azerbaijan goods employed for hydrocarbon activities free from import duties. Imports under the PSA regime are subject to zero rate VAT. A similar regime applies under HGAs (Host Government Agreements).

■ Taxation

The Ministry of Taxes sets tax policy and collects taxes in Azerbaijan. Currently, there are three different types of tax regimes in Azerbaijan. The companies that work predominantly in the oil & gas sector under Production Sharing Agreements (PSA) are subject to the oil consortia tax regime. The companies working under Host Government Agreements (HGA) are subject to the HGA tax regime. The statutory tax regime is applica-

ble to all other legal entities. The statutory tax regime is regulated by the Tax Code and numerous regulatory legal acts. The tax legislation in force is regarded as one of the best pieces of legislation among the transition economies. All Azerbaijani enterprises, representative offices, branches and individuals engaged in business activities (as well as foreign entities and individuals conducting business activity in Azerbaijan through a permanent establishment ("PE" as defined under the Tax Code) must register with the tax authorities regardless of whether or not their activities are taxable in Azerbaijan. Divisions which have not established a PE are subject to a separate regime. Azerbaijan has signed bilateral treaties for avoiding double taxation with 40 countries.

■ Road Tax

Legal entities and individuals of foreign states as well as persons owning vehicles in the Republic of Azerbaijan must pay this tax when using their vehicles in the territory of the Republic of Azerbaijan. Taxes are assessed on cars, buses and trucks depending on the number of seats, days spent in Azerbaijan, engine capacity and a number of other conditions.

■ Simplified Tax

This tax is intended to ease the tax burden for small businesses and is in lieu of general profit tax. The simplified tax is charged at the following rates on taxpayers' gross revenue:

- * 4% for taxpayers operating in Baku
- * 2% for taxpayers operating in other regions of Azerbaijan

The total revenue of the legal entity should not exceed 150,000 Azerbaijan manats (approximately 187,500 USD at the current exchange rate) for the previous 12-month period. The payers of simplified tax are also exempt from VAT, profits tax and property tax.

■ Dividend Withholding Tax

A dividend withholding tax of 10% applies to both domestic and foreign shareholders. Taxes are accrued and paid in Azerbaijani manats. Double Taxation Treaties ("DTT") may reduce the rate at which dividend tax applies.

■ Land Tax

The land tax is imposed on the owners and users of land in an



amount (defined under the Tax Code) depending on the location, quality and size of the land plot. The tax is payable by both resident and non-resident individuals as well as resident and non-resident enterprises.

■ Other Withholding Taxes

Foreign legal entities with no permanent presence (permanent establishment) in Azerbaijan are subject to withholding tax on income derived from sources in Azerbaijan at the following rates:

- * 10% Interest
- * 14% Rent and Royalty
- * 6% Freight income
- * 6% Telecommunication services
- * 4% Insurance payments
- * 10% Interest element of financial lease payments
- * 10% Other income

From January 2010 the corporate profit tax was reduced from 22% to 20%. There are 0% tax on agriculture (except land tax; rates depend on location and type of land plots).

■ VAT Registration

There are detailed requirements for registration and accounting for VAT, with penalties for non-compliance. Companies with taxable transactions exceeding a certain threshold (currently AZN 150,000 =USD 187,500) during the previous 12 months must register as VAT payers. Other companies doing business in Azerbaijan may voluntarily register. Only registered VAT payers may charge VAT or claim a credit for the input VAT that they pay.

■ Interest & Penalties

There are certain interests and penalties applicable for failure to comply with tax legislation. For example, interest on outstanding tax liabilities accrues at a rate of 0.1 percent per day of delay. Other penalties may also be applicable.

To date, Azerbaijan has undergone a long process of transferring from a state-dominated economy to the current situation where 81.7% of the economy is held in private hands. This became possible largely due to the denationalization of state-owned enterprises and property. Privatization occurred in two

stages. The denationalization of small enterprises was carried out within the First Stage Privatization Program (1995-1998). Thirty-nine thousand enterprises, as well as 1.3 million hectares of land were sold and distributed among private persons and legal entities, more than 1,550 medium and large enterprises were transformed into joint-stock companies.

The Second Stage Privatization Program adopted in 2000 is currently underway and covers more strategic and broader sectors of the economy such as transport, communication, construction, chemical and heavy engineering industries, metallurgy, etc. It stipulates privatization of mainly medium and large enterprises. The enterprises are declared "open for privatization" by special Decrees signed by the President. The list of enterprises currently open for privatization is available to the public.

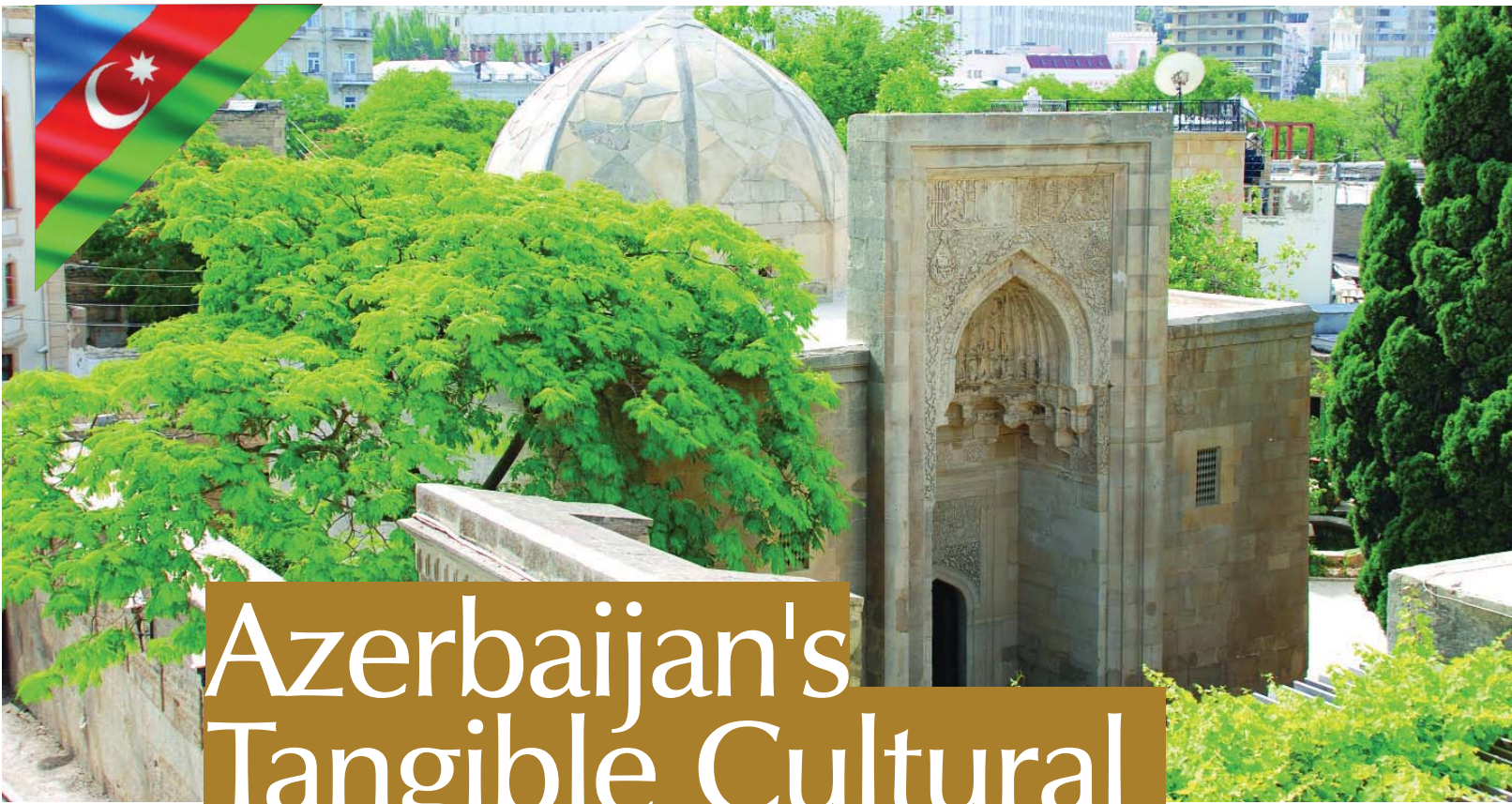
The programs explicitly do not place any restrictions on who may participate in the privatization, i.e. foreign nationals can take part in the process on a non-discrimination basis. The State Committee on Management of State Property is in charge of the privatization process. There are a few legally adopted privatization methods in Azerbaijan:

- * Direct sale to a strategic investor;
- * Sale at an investment tender;
- * Special cash and voucher auctions;
- * General auctions;
- * Sale to employees on preferential terms.

The Government also practices long-term transfer of management to a private operator in accordance with an obligatory investment program. Presently, the number of medium and large enterprises privatized under both Privatization Programs is over one thousand. There are, however, still very substantial opportunities for privatization as a way to enter the market. At present, the privatization process plays a significant role in the development of the economy. Hereto, a number of measures such as the involvement of consulting companies, independent experts and evaluators, conducting educational and promotional activities, organization of different events with the participation of local and foreign investors are being implemented by the State Committee on Management of State Property to improve the privatization process.

Besides, the www.stateproperty.gov.az and www.auksion.az web sites provide comprehensive information about the enterprises open for privatization, investment projects in different sectors of economy and the current situation regarding the privatization of state properties. ■





Azerbaijan's Tangible Cultural Heritage Reflecting a Splendid Legacy

■ Shirvanshahs Palace Complex

Azerbaijan is one of the ancient human the historical and architectural reservation of Shirvanshahs Palace Complex reflects the architecture, history and culture of the Shirvanshahs state which is a page of the universal chronicle with a thousand years history.

Shirvanshahs Palace was the matchless residence of the mighty rulers of this state. It was erected in the 15th century by the 35th Shirvanshah Khalilullah I. This complex includes 52-room palace building, the tomb of Seyid Yahya Bakuvi (Shirvani), palace of scientists, "Eastern" portal, palace mosque, the tomb of shah's family, an ancient bath and an underground water reservoir to be reached through 70 steps.

The Shirvanshahs Palace, being a memorial and the most unique monument of the 15th century, had a bitter fate. It was occupied by the Safavids in 1501 and its property was taken to Tabriz. After Chaldiran battle in the year 1514, a rich treasury of the Shirvanshahs, its library and military arsenal were taken to Istanbul by Sultan Selim. In the year 1723, since the city did not surrender, the palace was shelled from various distances by the Russian fleet at Matyushkin's command who was a general of Peter the First. As a result, the palace was destroyed as other monuments.

500 years have passed since then but the palace is still charming to people. It is not accidental that the reservation was included in the list of the "World Heritage" in June, 2000 at the 24th session of UNESCO held in Paris.

Upon the occupation of Azerbaijan by Russia in the 19th century, service corps and military economic units were accommodated at the palace. The palace was also once used as an ammunition storage which guaranteed its surviving. The tsarist government planned to build Alexander Nevski cathedral in Azerbaijan at the highest point of the Old city in the place of the Shirvanshahs Palace. Even it was decided to organize the Orthodox Church in the mosque building. Only the existence of ammunition storage here prevented the destruction of this monument. In the 1920s of the 20th century, studies on the Palace Complex began and it is being partially repaired.

■ Shusha

Shusha city was declared the state historical and architectural reservation of the Republic of Azerbaijan in 1988. As a result of the significant peculiarity of urban planning in Azerbaijan, khanate centers were formed to comply with the political and social situation prevailing over the country in the 18th century.

Shusha city, the capital of Garabagh khanate, differed from other new established khanate centers because of its unusual nature and superior strategic position. Shusha fortress was built by Panahali khan, Sarijaly Javanshir, founder of the Garabagh khanate in the year 1753.

The highest spot of Shusha plateau from the sea level is 1600 m, and the lowest place 1300 meters. This high mountainous plateau is surrounded by deep precipices in the beds



of the Dashalti and Khalfali rivers. Only the north-eastern part of the plateau, with its weak natural defending opportunities, needed to be protected by the fortress walls. Thus, due to the right selection of the spot that met the strategic requirements



of that period, it was possible to establish, with a low cost, a city with a wide territory (350 ha) and a strong protection capability.

Since the first years of foundation, the city castle was called by the name of its founder "Panahabad". However, after some time the name was changed to Shusha fortress because of its natural form of its territory. Shusha was the only city in Azerbaijan that complied with the notion of "city fortress" among the khanate centers of that time.

Shusha castle has four gates as per the tradition of urban planning of the middle century in Azerbaijan. The main fortress gate was erected in the north and as it opened to the road from Ganja, it was called the Ganja gate. Irvan gate joined Shusha with the western regions of Azerbaijan. The remaining two fortress gates were useful for connecting the city with the mountainous villages surrounding Shusha. The inner castle of Shusha was constructed at the hill near Ganja gate. According to the historian, Mir Mehdi Khazani, the inner fortress built by Panah khan was "a palace (castle) looking like a small fortress with walls and towers". The khan also built "a beautiful palace" for his elder son Ibrahim khan at the hill near his residence. As is obvious from the plans drawn up by the Russian engineers, there used to be palace buildings, a court-house and other buildings inside the inner fortress boasting of

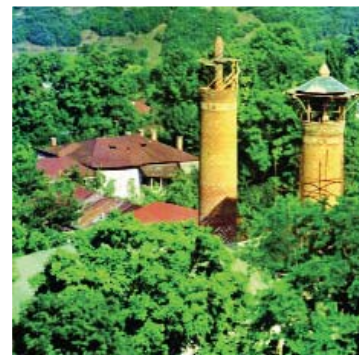
a complex plan according to the relief of the hill. As many monuments, this fortress complex was destroyed as well.

The palace complex was surrounded with fortress walls and round towers. At the highest strategic points of the city-fortress, multiple castles were built with inner yards. First of all, these castles were fortress buildings where defending forces were located. They were also built near the city fortress, at the highest points that played a decisive role in controlling the city plus defining the character and direction of attacks towards the fortress for organizing the defense.

Only two castles - Panah khan castle and Gara Boyuk Khanim castle - have survived. According to the inscription on the entrance gate, Gara Boyuk Khanim castle was built in the year 1768. It played a critical role in defining the dynamic landscape of the ground and the order of fortress walls and towers. As the fortress wall was built according to the sharp mountainous relief, its plan was complex with a curved line. The structure of the towers ensured the protection of the bottom part of the wall.

The silhouette of fortress wall and towers feature a deep slope and ascent due to the level difference. Fortress walls, towers, castle towers joining with the wooden and sheer cliff landscape of Shusha plateau, created a very magnificent appearance. Besides being a strong city-fortress, Shusha was also one of the important political-economic and cultural centers of Azerbaijan in the 18th-19th centuries. As the first 9 residential estates of Shusha called the Lower estates, fortresses were built in the relatively lower relief of the city. During Ibrahim khan's reign (1759-1806), 8 Upper estates were established in the eastern part of the city. Upon the Russian occupation (1805), 12 estates were built in the western part of the city on a sharp relief. The lower estates include Gurdlar, Seyidli, Julfalar, Guyulug, Derdler gurdu, Haji Yusifli, Dord Chinar anChol gala (Juhudlar), and the Upper estates Mardinli, Saatli, Kocherli, Mamayi, Khoja Mirjanly, Demirchi, Hamam gabagi and Teze mehelle.

Mehrulu, Gazanchili, Aklisu, Chillebord, Dere and others located in the mountainous western part are separated from each other by narrow streets. The estates placed in the form of a terrace against the background of fortress walls were built with white stones with its surrounding beautiful nature creating charming views. As no overall reconstruction and construction work were carried out at the following stages of its development, Shusha preserved its architectural and planning structure which was formed down the history.



As other Azerbaijani cities of the middle century, Shusha estates also consisted of houses - properties with confined structure. Most of Shusha houses had two stories built with



quarrestones. Traditional Shusha houses had a large balcony decorated with stained glass (shebeke) and multicolor wall ornaments which did not differ from the houses of other regions of Azerbaijan. Some valuable samples of these houses have survived so far.

The palace type houses of khans and beys such as the property of Haji Gulular, Natavan's house, Ugurlu bey's house, Asad bey's house, Mehmandarovs' house and others were notable for their rich artistic-architectural characters among other residential houses. Unfortunately, most of these buildings have been destroyed. There were also local public-religious centres besides the residential houses. Among these centres built around the estate square were mosque, religious schools, baths, shops and springs. Although the exterior of the estate mosques of Shusha (Julfalar, Chukhur, Haji Yusifli, etc.) were rectangular, they looked like residential houses, with their interiors designed as per religious architectural requirements. The estate mosques (Chol gala, Teze, Saatly, Mamayi) - with their three-corner division of praying halls- were distinctive for their perfect plans and location. Although small booths were installed on the roofs for muezzin at the most mosques, there was also a minaret with brick ornaments at Saatly mosque.

The most monumental mosque among Shusha mosques is Yukhari Govhar aga mosque built by a great architect of the 19th century, Lerbalayi Sefi Garabagi, in the year 1883. This monument was reconstructed by Govhar aga, a daughter of Ibrahim khan, at the site of the mosque built by her father in the year 1768 is Boyuk Juma mosque of Shusha. Juma mosque is the dominant structure of Shusha's main Square.

The architectural complex raised around Ashagi Govhar aga mosque is located 150 meter far from the main square of Shusha city in the north-eastern part. The complex consists of a mosque, religious school, shops and residential houses. The general plan of Ashagi Govhar aga mosque built by architect Kerbaalyi Safi khan in the years of 1868-1870 looks like Agdam and Shusha Juma mosques.

Only two minarets at Ashagi Govhar aga mosque were constructed in the corners of back façade instead of the front one. Almost all estate mosques of Shusha were built with the participation of architect Kerbalayi Safi Garabagi and a general architectural style is observed in all of them.

Shusha city had an active part in the international trade in the 18th-19th centuries. Trade transactions carried out with Eastern and Western countries resulted in the establishment of a developed trade centre. The Square, being the core element of planning of the whole city, was also the main hub of the trade complex. Shusha had three commercial streets ramifying from the Square - to the north - Rasta bazar; to the east - Ashagi bazar; to the south - Seytan bazar.

Besides the shops located in these commercial streets, there were also located the main religious buildings, Caravanserai and commercial squares of Shusha. The architectural and artistic pearl of Azerbaijan's Shusha was occupied by the Armenian military forces in the year 1992. At present, the Armenians have destroyed a number of unique monuments belonging to the urban planning of the 18th century.



■ Nakhchivan Tombs

Historical land of Azerbaijan - the ancient city of Nakhchivan is rich in architectural monuments. The well-known Yusif Kuseyir and Momunakhhatun tombs (a pair of tombs located in Gulustan and Garabaglar villages near Julfa), the magnificent fortifications of Oglangala and Alinje fortresses are among the historical wealth of this land. The 12th century was the renaissance period of the Azerbaijani national culture. The great Nizami was in Ganja, the great Khagani - in Shamakhi and architect Ajami Abubekr - in Nakhchivan, the capital of Azerbaijan Atabey's state. Momunakhhatun tomb, erected between 1175 and 1186, is a magnificent work of art.

The 26-meter high tomb - reflecting women's grace, was built by the architect Ajami, in the honor of a specific woman: the mother of Eldeniz Atabey Jahan Pahlavan called Momunakhhatun. The monument consists of an underground (the tomb) and surface parts. The upper part of the tiles covering the tomb's surface is richly decorated with ornaments made of burnt bricks and some parts are decorated with blue glaze (enamel). The decorative ornaments consisting of inscriptions over the tomb attract the attention. The freshness and magnificence of Mominakhhatun tomb as well as the sacred quotations from Yasin sura of Koran written in calligraphy are a striking example of a fine piece of art accomplished successfully which has been indicative of the Azerbaijani architectural culture reflected in Nakhchivan architecture for centuries.

The French traveler Tavernier D.De Monpere, who visited Nakhchivan in the beginning of the 19th century, as well as the French Djelafua, the German architect Yakobstal, the Russian orientalist Khanikif and others were astonished by Ajami's extraordinary talent and amazed by the perfection of the composition created through the combination of splendor and tenderness in Ajami's architecture. Some foreign tourists visiting the autonomous republic have described Mominakhhatun tomb as one of the world's most grandiose



and beautiful monuments.

While visiting this tomb, it seems that you are travelling in the 12th century.

The construction work carried out around the monument is evidence of all its might and beauty. Today, the historical buildings erected as per the styles complying with the architectural traditions of Nakhchivan around the Mominakhatun tomb complex such as Khan evi's building and an open-air museum supplement each other and create integrity.

■ Pir-Huseyn Khanagah, Hajigabul Region

The Khanagah Complex, named after Pir Huseyn Ravan (Shirvani), the famous Great Shirvan Sheykh of the 11th century, is located in the territory of Gubaly Balaoglan village of Hajigabul region, 127 km far from Baku city, on the bank of Pirsaat River, on the Baku-Salyan caravan route.

Al-Huseyn ibn Ali, known as Sheykh Pir Huseyn, was the younger brother of Mohammed Bakuvi, a great Sufi poet and philosopher known in the Middle East as Baba Kuhi. He was described in khanagah inscriptions as an honored, revered Pir, a religious leader reaching the third degree, a notable person among the sacred people, a person engaging in religion and having a title as imam. It shows that he was the most influential person of



his century.

Pir Huseyn has played an important role in the history of formation of scientific-philosophical thoughts and the Islamic-philosophical view. Pir Huseyn Shirvani Shirvashahlar Feriburz

I lived under the sway of his father Sallar and grandfather Yazid ibn Ahmad and died in 467 Hijri (1074-1075), 25 years after his elder brother Mahammed Bakuvi, in his old age.

The architectural monuments of Khanagah Complex surrounded with high tower walls along with the stone inscriptions of the monuments, dating back to the 13th-15th centuries, have maintained their glory till now. The Complex, constructed around Pir Huseyn's grave, includes tombs, mosques, carvansaras and service buildings that are considered the most unique works of Shirvan-Absheron architecture of the middle century. According to the inscriptions, it could be said that the complex was established during the rule of Farubiz, a son of Shirvanshah Garshasbin and Garshasbin, a son of Ahsitian II.

At present, the ornaments of Khanagah's valuable articles are demonstrated at many world known museums such as the State Hermitage of Saint-Petersburg, Russia; Moscow State Museum of Oriental Art; Louver Museum, France; State Museum of Georgia, museums of the Great Britain and others. On January 22, 2004, "Pir Huseyn Khanagah" was announced a historical and architectural reservation by the Government of the Republic of Azerbaijan. Large-scale restoration work was carried out at the reservation during the years 2003-2007.

■ Atashgah Temple, Surakhani District

At very ancient times, Azerbaijan was famous as a sacred land being rich in oil and gas resources. The pilgrims from different countries of the world were attracted to the flames erupted from the subsoil in parts of the country such as "Ateshgah" (i.e. "place of fire", "fire altar")- the temple of fire which is one of Azerbaijan's cultural and historical monuments located at the Old Surakhani settlement of Baku city. Erected in ancient times at the spot where gases were released from the subsoil, the "eternal flames" existed till early 19th century. The monument's history date back to the time of establishment of the Azerbaijani statehood and the dominance of Zoroastrianism in X-IX centuries B.C. At that time, Absheron peninsula and in particular Surakhani that were rich



in oil and gas, comprised a suitable place for the Zoroastrians to build temples approximately in the 2nd-3rd centuries A.D. Zoroastrianism dominated in Azerbaijan up to the 7th century A.D. prior to accepting Islamic religion in the country. By accepting the Islamic religion, the local population gradually ceased visiting the flame temples and therefore, sometime later, the temples turned into ruins. "Atashgah" temple suffered the same fate. Centuries passed and Islamic religion became an official and ruling religion in Azerbaijan. Then the Zoroastrians who did not accept the new religion had to leave the country. However, due to the existing of the "Great Silk Route" passing through the Azerbaijani territory and trade relations with many countries of the East in the middle centuries, the next generation of Zoroastrians joined the Surakhani temple. Atashgah temple complex, preserved by the state as a worldwide significant architectural monument, was declared a State historical and architectural reservation.

■ Gala

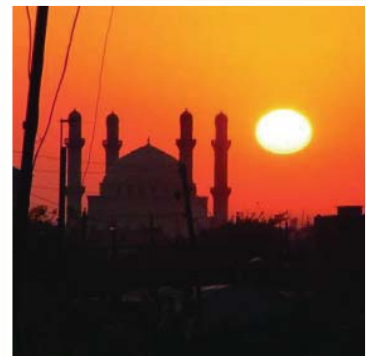
In terms of historical monuments, Absheron peninsula is of great importance. History of Absheron peninsula's residential centre dates back to the time before the Christ. Gala is one of the villages located in the north-eastern part of Absheron and boasts of five thousand years history. Although the archaeological excavations have proved the fact that Gala village is a residential settlement dating back to the bronze age, its historical, residential buildings and facilities date back to the 16th-19 centuries. Gala had 4 estates in the middle centuries: Haji Ramazan, Chemberekend, Terekeme and Balaverdi. Each of them was divided into small yards. Each estate had its own square and there usually located the mosque and underground water pipe. Apartment houses were precisely built around these squares. Village streets were constructed directly from the square towards radial directions.

Farming was the main occupation of Gala's population. High level of grain cultivation by Gala population in the past was reflected in historical sources. According to etymology,

Gala toponym means "gele" - grain. Cattle and sheep breeding were also one of their main activities. The sources dating back to the 19th-20th centuries state that horse and fat-tailed sheep were highly appreciated. Some handicrafts have their roots in Gala village. One of these handicrafts was pottery which is considered one of the most ancient types of handicraft in Azerbaijan. In the year 1988, the government of the Republic of Azerbaijan declared Gala village as the State historical and ethnography reservation.

■ Nardaran

Nardaran is an ancient village located 40 km far from Baku city. This village is famous for its buildings erected mainly in the 14th century. For the purpose of preserving and propagating them, "Nardaran" historical and cultural reservation was established. The monuments preserved include both ancient buildings located inside the village and the adjacent territory, and also the neighbouring villages (such as the castle in Ramana village, "Shakir Aga" tomb in Balakhana and other kinds of historical and cultural monuments). The peculiarity of the village's architectural style is reflected in many historical buildings including a castle built by an architect named Mahmud Saad in the year 1301, "Pirseyid" mosque built in the years 1363-1364, a carvansara and a bath built in the year 1388, a tomb dating back to the 14th century, Khan bagi built in the 15th century and the building of "Haji Bakhish" mosque constructed in the year 1633. ■



Azerbaijan's Intangible Cultural Heritage Programs Accomplished

The ancient and colourful intangible cultural heritage of the Azerbaijani people which has been the source of the formation of mentality and thinking of the nation for thousands of years, is also the unique global phenomenon concentrating on the achievements of the national arts.

Based on the advanced cultural policies and practices of the world's developed states, the Ministry of Culture and Tourism of Republic of Azerbaijan successfully implements the programs on preservation, support, promotion and studies of Azerbaijan's intangible cultural assets (ethnography, folklore and arts).

To promote the national arts of the country, attract the youth towards independent theatre groups and increase people's interest in the art of theatre, the 1st National Review Contest was organized during March and April of 2008. The contest in which 44 folk groups participated comprised of 2 rounds with round 1 held in Baku, Ganja, Sumgayit and



round 2 in Gabala, Shamaxi, Shamkir and Masalli regions. The final round held in the Azerbaijan State Puppet

Theatre awarded the 1st prize to Nizami Culture House, the 2nd prize to the folk group of Sharur region of Nakhchivan Autonomous Republic and the 3rd prize to the folk group of Massalli region Cultural House. On May 15, 2008 the "Family Holiday" National Festival was organized in the Shamakhi region which was dedicated to the 85th anniversary of Heydar Aliyev- the national leader of Azerbaijan. Families were

invited to the festival where 80 people representing 24 regions of the country made performances in different nominations and were awarded various Diplomas and prizes.

On October 5-10, 2009, the International Islamic Cuisine Festival was held in Baku with the participation of some Islamic states. The event was honoured with the presence of renowned figures from Turkey, Russia, Belarus, Georgia, Iran, Moldova, Nigeria, Uzbekistan, Serbia, Ukraine, Greece as well as Gissur Gidmundson, President of Association of World Culinary Organizations and Carmen





Padilya, President of World Folk Arts. Representatives of Turkey, with their active participation, won the main prize, the Cup of the Ministry of Culture and Tourism.

As per the order of the Ministry, Azerbaijan is monitoring the central and local support mechanisms of the intangible cultural assets. Such monitoring have provided the baseline of the current legislation laid for the intangible cultural assets, relevant legislative acts, international conventions, allocating development funds for the sector, organizing and participating in national and international conferences,



exhibitions, workshops and other activities, publishing books and producing films, establishing cultural houses, works implemented in the clubs and parks as well as setting up networks and other information centers. Based on the results of such monitoring, relevant concepts, programs and projects have been developed and implemented.

With the continuation of efforts for the preservation of intangible cultural assets of Azerbaijan, the Ministry has

approved the program of "National Arts Capitals for the years 2010-2014". In connection with this Program, several surveys were conducted on ethnography, folklore and arts of the respective candidate cities on the basis of their historical traditions and other issues. In 2011, Shabran was announced the Capital of Azerbaijani Legends; Lenkoran, the Capital of Azerbaijani Folklore and Ismayilli, the Capital of Azerbaijani Arts and in 2012, Gedabek was announced the Capital of Azerbaijani Legends; Masalli, the Capital of Azerbaijani Folklore and Guba, the Capital of Azerbaijani Arts.

According to the annual action plan, the ceremonies, scientific and practical workshops of national and international scale, round tables, concerts, contests, festivals, exhibitions and other activities are organized in the cities selected as "Capitals". Abulfas Karayev, Minister of Culture and Tourism of the Republic of Azerbaijan, has signed the order on the development of the "Database for intangible cultural heritage of the Republic of Azerbaijan". In accordance with this order, special portfolios of information should be prepared on the subjects pertaining to the intangible cultural heritage including national applied arts (decorative and artistic), folk groups and performers, folk music, theatre and verbal folklore.

Moreover, scholars shall

be involved in studies on folklore, arts and ethnography subjects; non-governmental organizations operating in the field of intangible cultural heritage plus the private enterprises shall prepare a comprehensive database on the subjects and also provide reports on the achievements reached in various fields.

The III International Workshop of TURKSOY on "Convention, inventory and programming of intangible cultural heritage of Turkic nations" was held on April 25- May 1, 2010 in Baku and Sheki.

The Festival of National Horseback Games was held at the National Horseback Tourism Centre of Sheki on May 6-10, 2010 and was dedicated to the memory of the National Leader of the Azerbaijani People, Heydar Aliyev. Teams from Sheki and Yevlakh, Agjabedi, Agdam, Balakan, Goranboy, Ismayilli, Gakh, Gabala, Oquz and Zaqatala regions participated at the Festival. Sheki won in chovqan, Oquz in surpaq and Ismayilli in papaq. Winners were also awarded diplomas and cash prizes by the Ministry of Culture and Tourism of the



Republic of Azerbaijan. In 2010, with the initiative of the Heydar Aliyev Foundation, a holiday event was organized at the Gala State Historical and Ethnography Resort on the occasion of the International Day of Child Protection.

Present at the event were the President of Heydar Aliyev Foundation, Mrs. Mehriban Aliyeva (First Lady of the country), and Head of the Foundation's branch in Russia, Mrs. Leyla Aliyeva.

With the support of Heydar Aliyev Foundation, the Ministry of Culture

and Tourism and Azerbaijan Ashuq Association held the International Ashuq Festival on October 20-27, 2010 to promote Azerbaijan's ashuq arts and present it to the world. Within the framework of the Festival, the masters of musical instruments and poets from 7 countries (Turkey, Iran, Georgia (Borchali), Russia (Dagestan), Kazakhstan, Uzbekistan, Kyrgyz Republic) together with Azerbaijani ashugs made public performances at the opening ceremony in Baku at Heydar Aliyev Palace (October 22), Yevlakh, Qazakh as the folklore Capital of Azerbaijan, followed by Gedabek (October 25), Shamkir and Tovuz. On October 26, the Festival's great closing ceremony was held in Ganja- Capital of Azerbaijani Legends.

With the initiative and organization of the Ministry of Culture and Tourism, the III National Festival of Cultures of National Minorities under the slogan of "Azerbaijan my native land" was held on June 14-18, 2011. A series of events were organized at the Festival. The Museum Centre was host to the presentation of the CD of "Songs of nations living in Azerbaijan" (42 songs) prepared in 5 languages (Azeri, Russian, English, French and German).

Additionally, a round table was organized with the participation of prominent scientists of the country on the theme of "Ethnic culture in Azerbaijan during globalization" with many presentations made and exchange of opinions on relevant issues. In the Azerbaijan State Academic Opera and Ballet Theatre there were performances by more than 40 groups representing Baku and 15 regions of the country and almost all ethnic minorities.

In order to preserve the intangible cultural heritage of the nation and protect its morale and cultural developments based on national values, the Ministry of Culture and Tourism of the Republic of Azerbaijan introduced some programs for the preservation of ethnographic, folklore and arts values and their transfer to the next generations through the implementation of the project on development of "State

Registry for Intangible Cultural Assets of Azerbaijan". Currently, information is being collected, classified and transferred into electronic formats.

Considering the inclusion of Azerbaijani mugam in UNESCO's List of Intangible Cultural Heritage in 2008, Ashiq art and Novruz Holiday in 2009 and Azeri Carpet Arts in 2010, so as to facilitate the promotion of the national, intangible cultural assets and traditions of the country, develop the tourism sectors, represent the country's cities and regions at the international level, support the promotion of folklore performers and groups and masters of applied arts, special order was signed by the Ministry to

ect "Establishment of regional cultural centres" commenced on November 2011. The project intends to create regional Cultural Centres in Lenkoran city and Ismayilli region.

The term of the implementation of the pilot project prepared as per the recommendations of the UNESCO Convention on "Preservation of the Intangible Cultural Heritage", best international practices and international EU project "On Compendium of European Cultural Policies" is 6 months. The next stage intends to apply the lessons learned from the Pilot project on all projects imple-



establish the International Cultural Tourism Routes including Mugam tour, Ashuq tour, Khalcha tour and Novruz tour. The implementation of these project by tourism companies and non-governmental organizations is expected to infuse a significant surge in the number of foreign tourists to Azerbaijan, revive the socio-economic life in the regions, expand the recreational, cultural and tourism services, create new jobs, etc.

With the continuation of reforms, the implementation of the pilot proj-

mented across the country. At this time, there are works being implemented for the development of the State Program for the Preservation of the Intangible Cultural Heritage of Azerbaijan for the years 2012-2016, preparation of a web-portal plus other conceptual programs and projects. ■



Novruz marks the onset of spring and arrival of the New Year. It is celebrated annually on March 21-on the day of the vernal equinox initially calculated on the basis of the astronomic surveys conducted in ancient times. During the Middle Ages, these calculations were verified and updated by prominent representatives of science and culture such as Abu Reyhan Biruni, Mahmud Kashqari and Omar Khayyam. On the last Wednesday of the year, the public practice fire and water related traditions en masse, for instance, young people jump over water or make fires to jump over. In Azerbaijan, there are four last Wednesdays during which people can dance around fires and sing national songs.

Just before Novruz, people go to cemeteries, take gifts for the dead and set candles on their gravestones. At the time of Novruz, various traditions, rituals and cultural programs are held in each family and community. Traditional games are played, special culinary prepared, music performances and dances arranged and special pieces of literature on the occasion, crafts and paintings (in particular the art of miniatures) are created. The holiday is not only a part of the cultural identity of the participants, but it also helps preserve the ancestral traditions.

Novruz Holiday

Rites of the Festive Celebration in Azerbaijan

Novruz is a colorful exposition of all the best which the hospitable hosts can provide their guests. In general, the holiday presents a taste of all oriental arts, but the details differ due to

the variety of local identities. The first hours of the holiday start with visits to the family elders, families of those who died and people with limited physical capabilities. During such visits, people exchange presents. These gifts are especially given to the children and the newly married.

The second day of Novruz in Azerbaijan is a memorial of the dead ancestors and family members and is called the "Fathers' Day".

The main feature of the holiday rituals is spreading the Novruz table featuring items that symbolize the clarity, light, sufficiency and prosperity. Such a colorful and full-fledged manifestation of national and cultural identity, based on values of mutual understanding, good neighborliness, friendship, respecting nature and others have been honored by international recognition.

In the March of 2011, one of the best halls in Berlin hosted the official reception held to honor Novruz. The event was organized by the diplomatic representatives of "Novruz celebrating states" including the CIS countries and their regional neighbors. Thousands of guests such as state, political scientific, cultural and public figures witnessed the great gala-concert featuring the folk, instrumental, classic music performances plus folk dances and songs.

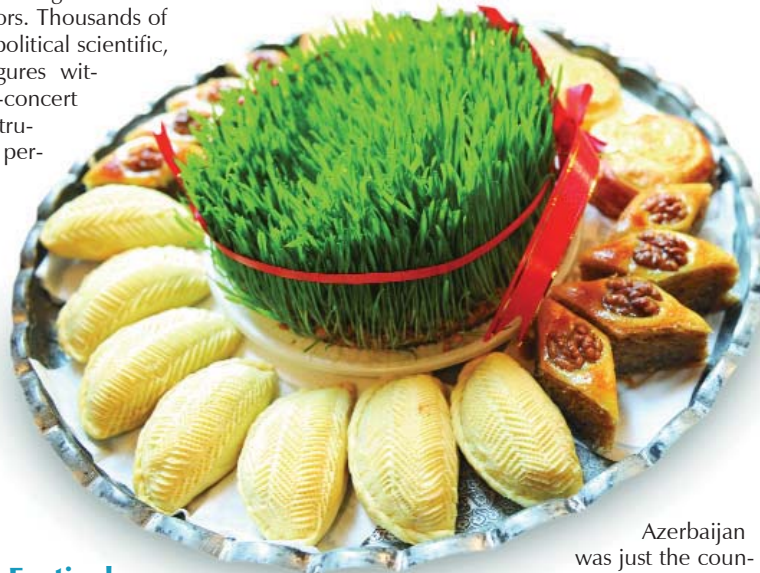
Most importantly, the General Assembly of the United Nations adopted a resolution on February 23, 2010, in which the 21st of March was officially recognized as the "International Day of Novruz".

History of the Festival

According to the historical sources, the festival of the Vernal Equinox Day - Novruz is one of the most ancient Turkic traditions. Facts about Novruz are reflected in numerous sources: from the ancient Chinese ones to "Kutadgu Bilig", from Kashgar Makhmud to Biruni, from Nizam ul-Mulk's book "About Politics" to Melikshah's calendar and laws of Ag-Goyunlu founder Hasan the Long (Uzun). Other scientists believe its history dates back to ancient Mesopotamia. The Babylonians celebrated the New Year on the first several days of spring and specified some rituals, performances and other amusements for each of these days. The festival is believed to have roots in the ancient fire-worshipping religion of Zoroastrianism.

Apparently, not all religions accepted the celebrations. After the adoption of Islam in the 7th century, the celebration of Novruz was prohibited in Azerbaijan. But prohibitions didn't work because the roots appeared to be too deep and strong.

During the process of their adoption to Islam, the Turkic peoples tried too long to adapt their new year ("yilin bashi" or "yeni gyun"), which was a part of their folk traditions and beliefs to Islam. From 1926, the Novruz Celebration was prohibited in the USSR as well, although initially the peoples of Central Asia, Kazakhstan, Azerbaijan, Tajikistan, Tatarstan, Bashkortostan, Crimea and other countries had celebrated it for a millennia.



Azerbaijan was just the country where the "blockade" of Novruz first started in 1967.

In spite of the official displeasure of the central Party authorities, the Novruz celebration survived especially due to the activity of prominent statesman, playwright Shikhali Gurbanov.

And then it turned out that the people had kept in their minds all the festive customs and traditions, songs, games and rites, culinary special to "Novruz" and all the joy of getting in touch with the ancient culture of the ancestors. Perhaps, it is exactly these colorful threads interlacing with each other that form the fabric of a country's



unique national identity.

Today, Novruz is celebrated by almost 400 million citizens of Azerbaijan, Albania, Afghanistan, Bulgaria, Bosnia and Herzegovina, India, Iran, Iraq, Kazakhstan, Kyrgyzstan, China, Moldova, Russia, Tajikistan, Turkey, Turkmenistan, Uzbekistan and Ukraine. It is the most popular non-religious festival worldwide!

Novruz in Azerbaijan

Novruz Bayrami for Azerbaijanis is not only the Spring Festival but also the Vernal Equinox Day. Novruz is the condition of the soul waiting for the life to change for better, waiting for the warmth of spring to come. From the very beginning of March, there is a magic spirit in the air, the aroma of ancient history and traditions of our peoples. And our children are especially glad - during the festival they have much joy and fun more than the others. However, any holiday always makes children of any nation glad because during holidays, the adults become childlike and kind!

Customs & Rites

Previously, Novruz was called Turan Festival and was celebrated for 7 days. During the festival, 7 kinds of food were served on the holiday table. People started preparing for its celebration 50 days before. This period was called Setda. Initially, Novruz was associated with spring, start of agricultural activities, renewal of nature and the coming of warm days. Since ancient times, due to the significance of this event in the people's lives, many traditions and rites associated with magic, cult of nature and fertility as well as beliefs in the perishing and reviving of nature.

According to the ancestors' outlook, the timely coming of Khidir

Nabi - a herald and protector of the four elements capable of awakening and renewing the nature - is the determining factor of the people's abundance and prosperity at the time of Novruz.

Usually, the preparation for Novruz begins a month prior to the festival. Each of the forthcoming 4 weeks is devoted to one of the four elements and called accordingly, although their names varied depending on the region. Each Tuesday, people celebrate the day of one of the four elements - water, fire, earth and wind. The last and the most important Tuesday is devoted to wind and is called Yel Chershenbesi or Ilakhir Chershenbe. This day is full of various rituals covering all aspects of people's lives and is intended to provide a family and the community in general with prosperity in the coming year, to get rid of all troubles and to avert themselves and their families from problems and miseries.

According to the ancient tradition, on Ilakhir Chershenbe everybody - the young and the old - should jump either seven times over the same bonfire or, as an option, once over seven bonfires. While jumping, it is necessary to keep saying: "My yellowness is for you, your redness - for me" that means "take away my diseases and give me your strength". When the festive fire almost goes out, one should throw a twig of rue to coals - this rite is believed to be a remedy for the Evil Eye. The festive fire should not be put out with water - it is better to let it go out. Then, the young people should gather the ashes and throw it outside that is to make all the burnt diseases of a family leave.

On that day, all family members should sprinkle water on each other before going to bed. According to legends, on Ilakhir Chershenbe, water stops flowing for a moment and



then everything, including the trees bows before it and worships it. If one drinks this water in this evening, he will be protected against all diseases in the coming year.

After Ilakhir Chershenbea, one should go beside the flowing water early in the morning, greet it three times and jump over it three times. It is said that this ritual may attract prosperity during the next year. On Ilakhir Chershenbea, one should "scare" fruit trees through slightly touching them and repeating: "Why are you sleeping? Wake up, accept fertility from the holiday". In the Ilakhir Chershenbea's evening, one should put a bit of coal, handful of salt and some copper coins into a small bowl and throw it off the roof. The coal will protect against "black days", salt against Evil Eye and coins - against poverty.

On Ilakhir Chershenbea or in the Novruz evening, one makes a wish and knocks the neighbors' doors at sunset. Then, in front of each door, he drops a key on the ground and overhears. The first two overheard words indicate whether his wish will come true or not. There is no sense in standing longer. If these two words are kind, everything will be OK, if not - he will have some problems. Therefore, the ancestors used to advise that on Ilakhir Chershenbea, everyone should talk about pleasant and positive things - as there may be somebody looking for a hint to make a decision on his fate for a whole year! Moreover, candles should be lighted all over the house this day.

Traditionally, the first day of Novruz symbolizes spring, the second one - summer, the third one - autumn and the fourth one - winter. If there are no winds and precipitations on the first day of the New Year, spring would be favorable for agricultural works and vice versa.



The hurt ones should be reconciled because so that they may not enter the new spring of life bearing a grudge. In the evenings, bonfires are lighted in all yards and streets and people jumping over them to have the fire burn out their hardships of the past winter.

They also dance Yalli - the Azerbaijan group male dance - asking Gyun (Sun), the Daughter of Heaven, to dawn faster and to breathe new life into nature, to warm it:

*Come, Gyun,
Come, Gyun!
Mount a bay
horse and come!*

Generally, Novruz is equally celebrated all over Azerbaijan; however the festive traditions of each region have their own special characteristics related to the region's history, ethnic traditions and lifestyle. Some traditions are typical of all regions yet sometimes, even the neighboring villages celebrate the coming of spring in different ways, with the differences existing just in details. But these nuances make Novruz more colorful and polyphonic.

For example, an interesting ceremony was popular in Guba Region





until recently: On the last Wednesday of the year, someone would approach a fruitless tree as if he wanted to chop it down. At that moment, another person would show up and ask him about the reason of his action. That person would then explain that the tree did not bear fruits. Then, the latter begged the former not to chop the tree and bailed it till next year. All fruitless trees were saved in this way and no trees were chopped down.

There is another custom in Guba: Sending off for Samani, the main symbol of Novruz. During the festival, people throw rings of sprouted



wheat into Gudialchay River and say farewell to the last year.

When celebrating the festival in Geranboy Region, all people, young and old alike, rejoice and welcome the dawn with dances and songs. The young men place handkerchiefs under the doors of their beloveds' houses. If a girl reciprocates a young man's feelings, she puts sweets into the handkerchief, if not - the handkerchief will be returned

empty. In Yardimli, locals light 3 bonfires in the festive evening. The next morning, the hostesses cut off a small curl of each family member's hair and throw it into the water so that it may take away all their problems, diseases and sorrows.

On the day of the festival celebrated in Gazakh and Tovuz, the young people stay awake till the morning. They climb the mountains, light fires there and celebrate till dawn. Clothes of those who fall asleep early are sewn to a blanket and in the morning, everybody laugh at them by saying that they overslept and missed the New Year. A quite unique Pagan rite similar to the African and Indian traditions has survived in Yukhari Salakhli Village of Gazakh Region - dances of men disguising themselves as women. In Geychay, a young man throws a stone at the house door of his beloved girl. If she loves him alike, she invites him in.

An interesting, long-standing tradition is observed in the villages of Ordubad Region. At night, the girls and boys gather together and put their jewelry into a bowl of water. Somebody covers it with a handkerchief and, reading bayati, takes the jewelry off the bowl. Whose ring or earring is first taken out, that person will marry until the end of the year. The locals choose a festive Khan who plays the role of the supreme master of ceremonies during the festive days.

Another tradition which is widespread in all regions of Azerbaijan is to give each other a festive share ("Novruz payi"). The festive khoncha (a tray)



filled with festive dainties, samani, candles are sent for the neighbors and friends. The tray is not supposed to be returned empty; otherwise, it is believed that the house will lose prosperity. Therefore, those given a tray should return it with other festive treats. Moreover, the New Year gifts should be presented to the representatives of other nations to share with them the joy of Novruz.

Nowadays, it is difficult to imagine Novruz without one of the favorite Novruz traditions called papagh atdi - throwing a cap in front of the doors. Children leave their hats in front of a door, knock on it and run away. The hosts are expected to fill the hat with festive treats. Then, the children brag about their "trophies" and cheerfully eat them or distribute them among their friends.

Traditionally, all family members should stay at home on the first day of Novruz, paying no visits and accepting no guests. The popular wisdom says: "If you are out on the festival, you will spend seven years wondering".

Each year, the celebration of Novruz in Azerbaijan becomes more widely spread. There are concerts, contests of culinary experts and pehlevans (wrestlers) and acrobatic shows arranged in the central squares all over the country. The role of "showmen" in all festival activities is playing the traditional satiric characters which are comparable to the Italian Pulcinella and the Russian Petrushka - Kechal (Bald) and Kos-Kosa (Beardless). Appearance of Kechal and Kosa is a real performance featuring the audience participation. Generally, the whole show is one long improvised story. There is another character in the show - a goat disputing and joking with Kechal and Kosa.

The celebration of Novruz in Baku is likely to be the most spectacular. Numerous metropolitan squares, public parks and alleys are transformed into the perfect venues for holiday festivities and concerts. The main venue of the festival area is the historical center of Baku - Icheri Sheher and its adjacent territory. Hundreds of thousands of Bakunians and guests of the city rejoice, entertain themselves with Novruz dainties and listen to the best singers and musicians. And the most important - they share the joy of the coming of the spring with others!

The Festive Table

To be a guest of the Azerbaijan family during Novruz means to have a chance to enjoy many chef-d'oeuvres of the national cuisine. The festive dishes are cooked in all families. Women bake traditional pastries and dye eggs. Among the sweets served at the festive table which is to be set in every house are pakhlava, shekerbura, shorgogal, badambura, etc. On the eve of Novruz, the hostesses puts dates, raisins, pistachios, almonds, nuts and dried fruits - from apples and pears to melons and persimmon on the table.

The decoration of the festive table is khoncha, a big silver or copper tray with Samani placed in the centre and candles and dyed eggs by the number of family members around it. The table should be set, at least, with seven dishes. Additionally, there have to be a mirror and lighted candles keeping away the evil eye from family members. Dyed eggs

should be put on the mirror.

Though there are many various dishes cooked in the festive evening, the main cuisine at each table is a pilaf with "gara" - a mixture of meat and dried fruits. Those living at the seaside prefer to use kutum instead of meat - the favorite fish of the Azerbaijanis. Take delight in tasting it!

The free web mapping service application available on the net is Google Map which enables users to watch online the planet through satellites. It will be interesting to compare the pictures taken a few nights prior to the holiday with



those taken at Novruz night. Millions of bonfires will be seen on our Earth - peaceful and festive ones bearing only the warmth and hope. And faith in the kindness and prosperity that Novruz will present to all of us! ■

