

The image shows a close-up of a stone archway, likely from a historical building in Azerbaijan. The arch is highly decorative, featuring intricate carvings of floral and geometric patterns. A central hexagonal medallion is positioned above the arch's peak. The archway is set within a larger frame of similar carvings. The overall style is characteristic of Islamic or Seljuk architecture.

**AZERBAIJAN**  
**GATE TO THE CASPIAN REGION**



**“DURING RECENT FIVE YEARS, THE ECONOMY OF AZERBAIJAN INCREASED AT 2.6 TIMES, AS WELL AS THE BUDGET EXPENDITURES GREW BY MORE THAN 10 TIMES, WHILE THE LEVEL OF THE POVERTY DECREASED FROM 49% DOWN TO 13%, WITH PRACTICALLY ELIMINATED UNEMPLOYMENT RATE. DURING TEN MONTHS OF THE 2009 THE AZERBAIJAN’S GDP GROWTH MADE 8.3%, WHILE INDUSTRIAL GROWTH WAS ABOUT 7.4%. THIS SPEAKS ABOUT SUSTAINABLE CHARACTER OF OUR ECONOMY. IN SPITE OF THE GLOBAL ECONOMIC CRISIS AZERBAIJAN’S ECONOMIC DEVELOPMENT CONTINUES TO AND IS BEING SUCCESSFULLY CARRIED OUT”.**

**—ILHAM ALIYEV  
PRESIDENT OF THE REPUBLIC OF AZERBAIJAN**





**In the past 16 years Azerbaijan has been developing as an independent country, and managed to guarantee its significant place in the region and international scene.** The projects initiated by Azerbaijan and the steps being undertaken are already having an impact on peace, security and development of cooperation in the region.

Strategically located at the crossroads of Eastern Europe and Western Asia, Azerbaijan is bounded by the hydrocarbon-rich Caspian Sea to the east, Russia to the north, Georgia and Armenia to the west, and Iran to the south. It has easy access to the extensive and rapidly emerging markets of Central Asia, the Caucasus and the Middle East. Excellent infrastructure of Baku (including largest regional sea and air terminal) is the best choice for any business entering the markets of the Caspian Sea region.

**Azerbaijan is the transportation hub of the Caspian Sea region.** The country has the largest seaport on the Caspian shores and the Caspian Shipping Company is the leading company in the region with the largest commercial fleet actively involved in transportation of passengers and goods from and to Central Asia, Iran and Russia. Azerbaijan has a well developed network of railroads and regular train ferry connections to the main ports of the Caspian Sea in Russia, Iran, Kazakhstan and Turkmenistan.

Heydar Aliyev Baku International Airport is the busiest in the region. Direct flights operated by leading international airlines connect the capital of Azerbaijan to major European cities and destinations around the world. The airport also serves as the transit hub for Central Asia and Afghanistan.

**Azerbaijan is the central transit state of the Great Silk Road Route from Central Asia to Europe.** Thirteen countries of the region are members of TRACECA, an international organization established in 1998. TRACECA is aimed at promotion of international commerce between the members as well as to develop the transport corridor connecting the Central Asia and Caucasus with

Europe along the Historical Silk Road Route by which medieval merchants delivered the riches of the East to Western Europe. An initiative of major regional traders Russia and Iran to promote bilateral commerce as well as to extend trade links to Southern Asia and Northern Europe have included Azerbaijan as the shortest geographical route connecting these two large countries and economic partners. There is a substantial growth of trade along this route every year.

**Azerbaijan is now in proximity of the new enlarged European Union.** The government embarked on the extensive programme of harmonization of legislation in accordance with European standards. As the European Union's new neighbour, Azerbaijan is actively involved in such pan-european initiatives as the Council of Europe, the OSCE, North Atlantic cooperation, EU cooperation programmes and others.


**Now the country is one of the most rapidly recovering economies in the world.** Azerbaijan's strong economic growth continued in 2008 resulting in higher per capita income, job creation and lower poverty. In 2008, overall real GDP in Azerbaijan represented a real growth of 10.8% for the year. Azerbaijan's high economic growth in the past few years is attributable to large and growing oil exports.

**Azerbaijan's economy has grown by more than 1000% over the last 10 years.** It is one of the most effective recoveries among transition economies.

**Azerbaijan is rich in mineral and climatic resources.** The Caspian Sea oil & gas reserves are one of the major deposits globally. Azerbaijani proper has also substantial explored deposits of precious metals (including gold and silver), ferrous and non-ferrous metals, various construction raw materials deposits etc.

**One of the major resources the country has is its natural diversity.** Despite relatively small size, the Azerbaijani territory due to complex terrain and geography has a number of distinct climatic



An offshore oil rig is silhouetted against a bright orange sunset sky over a calm sea. The rig's derrick and platform are clearly visible against the horizon.

zones ranging from humid subtropical climate to semi-arctic. This creates unique opportunities in agriculture and tourism.

**Azerbaijan has long lasting industrial and trade traditions.** The industrial revolution has taken place here in the late XIX century due to expanding and advanced oil production and processing sector. Further industrial development led to growing R&D base. A large R&D centre, Academy of Sciences with circa 7,000 research studies, exists in Azerbaijan in parallel with a number of universities and colleges.

**The country is rich in engineering skills yet the wages are still very competitive.** Azerbaijani government's policies in respect of utilities tariffs are manufacturer friendly. One of the attractions of the country is the competitiveness of the cost of skilled labor.

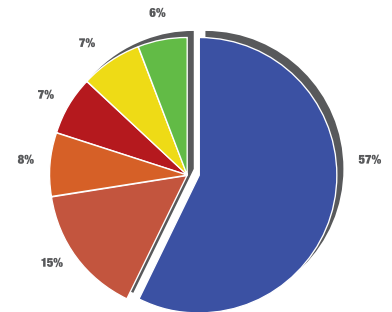
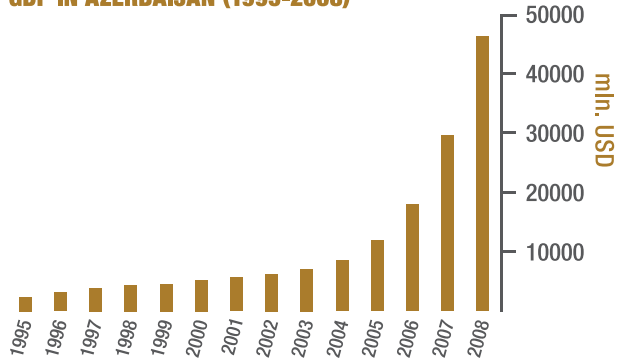
**Azerbaijan has 39 bilateral treaties on the mutual protection of investments and 39 treaties on exemption of double taxation.** Azerbaijan has an established practice, supported by body of laws, providing for an equal approach to domestic and foreign investors:

- \* Against deterioration of legislation
- \* Against nationalization and requisition
  - i. on compensation for damages
  - ii. on repatriation of profits and principal
- \* Recently simplified registration processes  
(“single window system” for the registration of legal entities)
- \* Significant recent progress toward WTO accession.

**Azerbaijan, a top reformer in World Bank's “Doing Business”** previous report, ranks 38th now while it jumped to 33 on the list from 97 last year after having completed 7 out of 10 regulatory reforms by which Doing Business ranks countries.

# DIVERSIFICATION OF ECONOMY

**GDP IN AZERBAIJAN (1995-2008)**



**GDP COMPOSITION 2008**

**THE GOVERNMENT OF AZERBAIJAN PURSUES A POLICY OF DIVERSIFICATION OF ECONOMY AND DEVELOPMENT OF ECONOMY'S NON-OIL SECTORS.**



## TELECOMS & IT

Azerbaijani telecommunications is the second largest recipient of foreign investment after the oil industry. The largest FDI stock is in the mobile telephony, followed by a number of enterprises with the foreign capital in land lines operating companies, internet providers and cable TV companies. Foreign investors are represented by Turkish, Israeli, UK, Russian, US etc. The sector now is on the verge of further restructuring.

Projects for the development of Telecommunication and IT sector of Azerbaijan:

- \* **Preparation and launching of national communication satellite.** Realization of this project will give an opportunity to use the facilities the satellite and has an impact on reduction of cost of services. At the same time by realization of this project Azerbaijan will be among countries having its own satellite.
- \* **Establishment of regional innovation zone (RIZ).** This project aims to establish techno-parks that will support innovation entrepreneurship within RIZ, regional market on production and export of electronic equipment and programs, East-West transit information network enabling to render electronic services to regional countries, as well as establish a research centre and International Information Technologies University.
- \* **“E-Government” (“E-Management”) Academy.** This project aims to conduct trainings on ICT for the representatives of government agencies.
- \* **“E-Government”.** The aim of the project is to increase the introduction level of ICT in state agencies and using modern ICT to render services to citizens. Implementation of this project will enable to increase the quality of services rendering to population
- \* **New technologies – New community (E-Kiosk).** This project will enable to form electronic services in post offices so that the population could use it.
- \* **Establishment of Super Computer Centre.** These projects will enable to use expert and



information system in making a decision to ensure operativeness of state agencies (G2G), state-citizen (G2C), and state-business (G2B) connections.

\* **People's Computer.** This project is aimed at computerization of low income families by selling high-parameter computers on credit for 3 year by 3-5%

## **TRANSPORT & LOGISTICS**

Azerbaijan has a relatively developed transport infrastructure. It includes about 22,000 km of roads, over 2,000 km of railroads, and 3 international airports, including the largest one in the region, as well as several regional airports. It also has the largest Caspian port.

All segments of Azerbaijan's transport industry are experiencing rapid growth. Shipping, for example, has enjoyed an average annual growth rate of almost 20% since the mid 1990's. Aviation is one of the leading segments, with a cumulative investment exceeding 200 mln USD in recent years.

Rails transportation is growing at a similar pace, largely due to ever-increasing volumes of goods in transit across the country. Pipeline transport of oil and gas is also expected to grow rapidly over the next few years as large-scale oil projects come on stream. Total 1242161 thousand passengers has been conveyed in 2008.

Particular attention is being paid to the role of multi modal transport to serve the needs of Euro-Asian logistics. This involves the establishment of a favourable transit environment, delivering smooth transportation of goods and passengers across the region. Azerbaijan stresses the importance of developing efficient Euro-Asian trading links as a means of increasing prosperity and improving the living standards of the people of all countries involved. All this helps Azerbaijan in its effort to integrate into the global economy.





## **BANKING SYSTEM**

The global financial crisis gripping the world's financial markets in 2008 had an effect on foreign investors' relations with and attitudes towards the financial institutions of emerging economies. This, in turn, affected Azerbaijani banks' abilities to draw resources from foreign financial markets.

Active operations of banks in recent years were somewhat supported with foreign financial flows. As the terms and conditions of foreign borrowing grew more stringent in 2008, the refinancing and liquidity risks also enhanced. Banks tended to diversify liabilities from foreign financial markets by currencies, purchase, maturity and investors thus managing to protect themselves against the growing risks to a certain extent.

In 2008, the banking system's portfolio did not experience any serious negative changes. In general, the effect of the global financial crisis on Azerbaijan's financial system was more psychological urging financial institutions to redefine their development strategies. Despite of the unfavorable surroundings Azerbaijan's banking system demonstrated its ability to withstand to emerging risks.

## **INSURANCE**

Insurance market is one of the most dynamic sectors of the Azerbaijani financial market. Although insurance market is on the first stage of its development, according to analysis of financial indicators it could be said that growth and development direction of the market is on a right path.

There are 35 types of insurance products on the Azerbaijani insurance market. 9 of them are mandatory insurance and 26 are voluntary insurance products. Below is the list of products as per the segment of market they occupy: \*Motor vehicle insurance (automobile), \*Property insurance, \*Cargo insurance, \*Life insurance, \*Accident insurance, \*Third parties liability insurance, \*Health insurance, \*Financial risks insurance.

## CONSTRUCTION

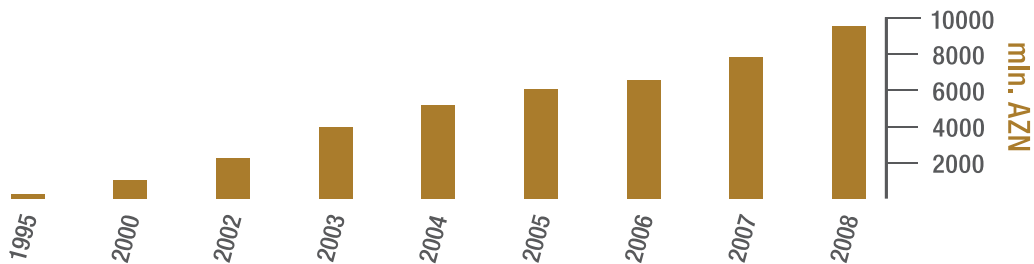
Azerbaijan is a booming construction market. There are several reasons behind the rapid development of the business in Azerbaijan in the last few years. The major one is the large capital investment in local infrastructure related to oil and gas projects.

As a result this business area has evolved into a very competitive sector with a number of strong companies able to deliver the highest international standards in construction.

The sector is growing year by year. Substantial increases in business and residential construction have been registered since the late 1990s in response to the growth of both commercial and household purchasing power.

With the grown of demand for better living conditions the real estate prices in Azerbaijan are increasing on yearly basis.

## INVESTMENTS IN CONSTRUCTION





## **TEXTILE & COTTON**

Azerbaijan has a long tradition of production, spinning and weaving of cotton and silk. Industrial weaving started in the late 19th century. Further industrialization of Azerbaijan in the 20th century stimulated rapid development of light industries including textiles.

The main raw materials for the domestic textile industry are cotton, wool, silk cocoons, leather and synthetic fibre. They are produced locally in abundance.

There are also opportunities for leather production and processing in Azerbaijan as livestock-breeding has been growing rapidly for the last few years.

Markets for Azerbaijan's textiles, in addition to the local market, include Russia, Central Asia and Iran.. Textile products exported to the EU are free of quotas and permits, and only the import customs duty is payable. Products of Azerbaijan origin attract import duties significantly lower than those from other countries.

## AGRICULTURE

Azerbaijan is one of the world's oldest agricultural centres. The country's climatic diversity allows a very broad range of crops to be cultivated.

At the moment agriculture accounts for approximately 15% of domestic product. The sector is growing rapidly. Agriculture and related sectors are the principle employers in the country. Following almost full denationalization of the sector (at the moment circa 99% of the sector is in private ownership) a number of steps were taken by the government to support the farmers as well as producers of processed a/c products.

Azerbaijani fruits, vegetables, wines and brandy have become brands of Azerbaijan in the region.

## CAPITAL INVESTMENTS IN AGRICULTURE





## **TOURISM & HOSPITALITY**

This is mainly due to substantial natural potential of Azerbaijan in respect of tourism development. The natural attractions include: rare climatic and terrain diversity, mountains and warm sea, medicinal hot springs, mud volcanoes and natural gas flames areas. The history of Azerbaijan and the monuments of few civilizations and religions add up to the above. The oldest Early Christian church, the only operating Fire-worshippers Temple in the world, medieval castles scattered all over the country, Old City of Baku and Maiden Tower are located here. Baku has the best developed infrastructure in the region with modern hotels, resorts, international and traditional cuisine, convenient air links to Europe and Asia etc.

The positive impact on the development of tourism in Azerbaijan was made by the years of political stability and economic development in the last decade. All this together with the traditional Azerbaijani hospitality make our country very attractive investment destination.





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