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# Development of Azerbaijan economy: main trends and perspectives

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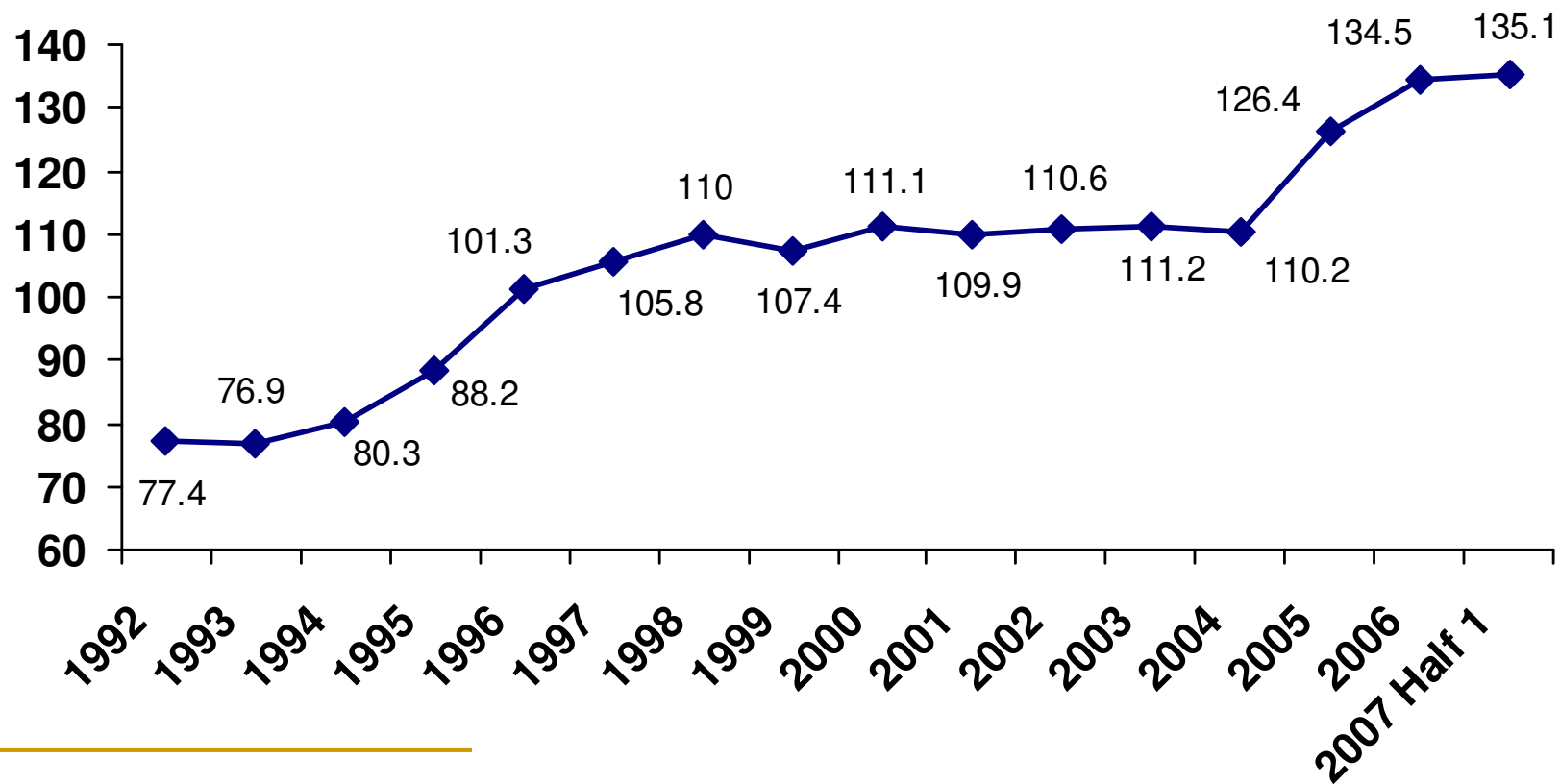
# DYNAMIC DEVELOPMENT OF AZERBAIJAN ECONOMY

Dynamics of main macroeconomic indicators of Azerbaijan,  
percent to previous year

|                                | 1995 | 2000  | 2003  | 2004  | 2005  | 2006  | 2007<br>half 1 |
|--------------------------------|------|-------|-------|-------|-------|-------|----------------|
| <b>GDP</b>                     | 88.2 | 111.1 | 111.2 | 110.2 | 126.4 | 134.5 | 135.1          |
| <b>Industrial production</b>   | 78.6 | 106.9 | 106.1 | 105.7 | 133.5 | 136.6 | 135.6          |
| <b>Agricultural production</b> | 93.0 | 112.1 | 105.6 | 104.6 | 107.5 | 100.9 | 104.8          |
| <b>Capital investments</b>     | 82.0 | 103.0 | 173.5 | 136.1 | 116.6 | 114.8 | 110.6          |
| <b>Inflation</b>               | 512  | 101.8 | 102.2 | 106.7 | 109.6 | 108.3 | 116.0          |

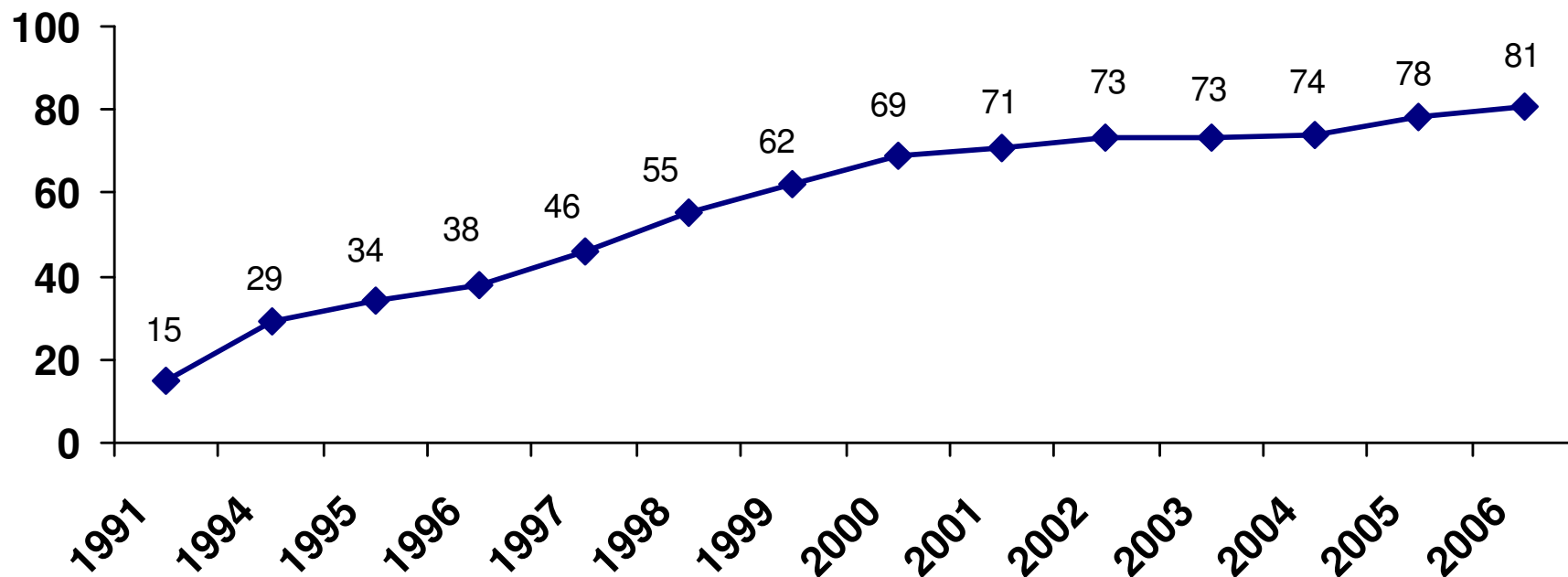
# DYNAMIC DEVELOPMENT OF AZERBAIJAN ECONOMY

GDP growth, percent to previous year



# DYNAMIC DEVELOPMENT OF AZERBAIJAN ECONOMY

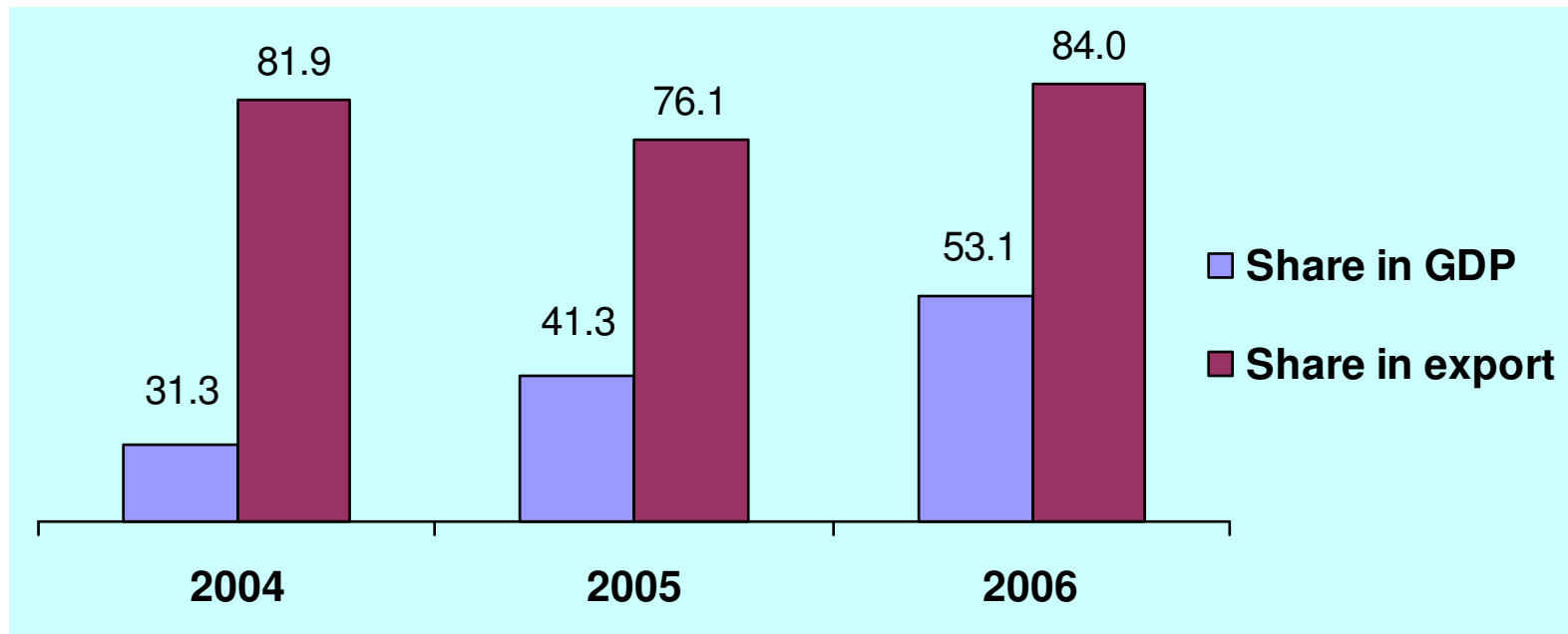
Share of private sector in GDP, percent



# AZERBAIJAN'S DEPENDENCY FROM OIL

Main goal of Azerbaijan Government is to diversify national economy and develop non-oil sector. So, a major part of GDP of Azerbaijan is currently produced by oil sector. Prevailing part of export is also consisted of oil products.

**Share of oil and oil products in GDP and in export, %**



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# MAIN TASK

The Government's measures for achieving its goals for developing the non-oil sector

- Regional Development Program
  - State Oil Fund
  - State Investment Company
  - Entrepreneurship Development Program (2007-2010)
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# REGIONAL DEVELOPMENT PROGRAM (2004-2008)

- Goal of the Program: to create 600,000 new job places within 5 years
  - By the end of 2006, 520,000 new jobs have been created in Azerbaijan, since the launch of the Program
  - Developing infrastructure through Azerbaijan to reach a full functioning capacity
  - Developing engineering industry, construction, food and light industry sectors in regions
  - 83% of new jobs have been created in the regions and 86% in the non-governmental sector
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# STATE OIL FUND

- Established on December 29, 1999
  - Aim – is to effectively use revenues generated from oil and gas production for the well-being of the country and future generations
  - Long term strategy on management of oil and gas revenues have been approved by Cabinet of Ministries
  - The strategy covers a 20 year period, 2005-2025
  - Currently, 1.6 billion USD has been accumulated in the Fund (after the deduction of expenditures)
  - The Fund's revenue will sharply increase after the full launch of Baku–Tbilisi- Ceyhan pipeline and will peak in 2011. In average, 7-8 billion USD are expected to flow into the Oil Fund between 2005-2011
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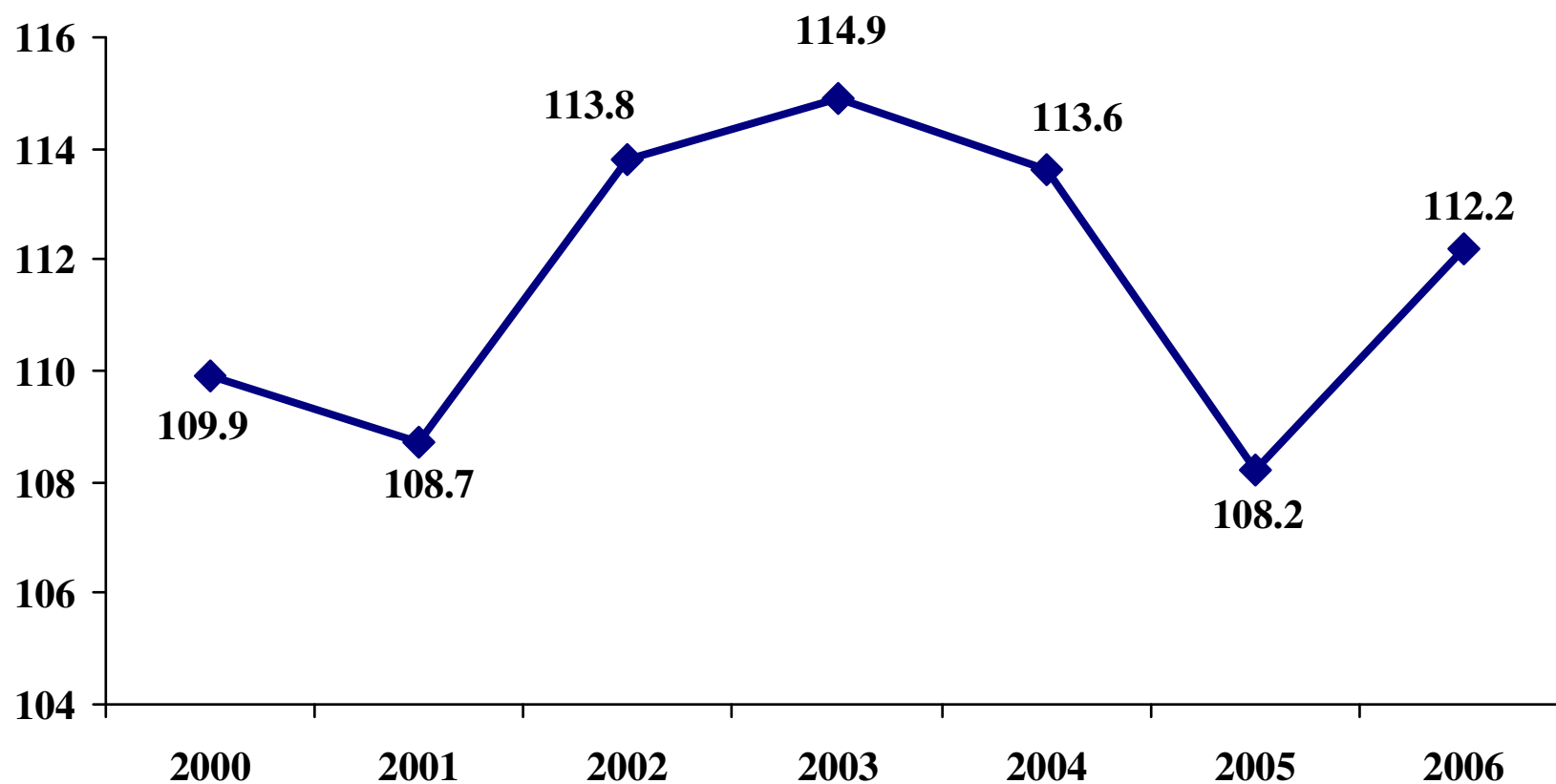
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# AZERBAIJAN STATE INVESTMENT COMPANY

- Established on March 30, 2006
  - Authorized capital stock – 90 million manats
  - Aim – developing companies lacking financial funds by investing to them as a stockholder, making termless investments to commercial organizations functioning in non-oil sectors and attracting other investors to these sectors
  - It's estimated to attract 500 million USD to the economy within 3 years through the Company
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# DEVELOPMENT OF NON-OIL SECTOR: SUMMARY

GDP increase rate in non-oil sector, percent to previous year



# PRIORITY INDUSTRIES

|   |
|---|
| <b>Construction</b>                                 |
| <b>Commercial banking services</b>                  |
| <b>IT</b>   |
| <b>Supporting industries for oil and gas sector</b> |
| <b>Industry machinery – instruments</b>             |
| <b>Chemical industry</b>                            |
| <b>Leather industry</b>                             |
| <b>Transportation logistic</b>                      |

|  |
|--|
| <b>Food processing industry</b>                  |
| <b>Animal breeding</b>                           |
| <b>Biotechnologies</b>                           |
| <b>Supporting industries for mining industry</b> |
| <b>Metallurgy</b>                                |
| <b>Petrochemical industry</b>                    |
| <b>Textile industry</b>                          |
| <b>Passenger transportation</b>                  |

|   |
|---|
| <b>Technologies – nuclear materials</b>               |
| <b>Plant growing</b>                                  |
| <b>Education</b>                                      |
| <b>Industry machinery building - transport</b>        |
| <b>Construction materials</b>                         |
| <b>Wood processing – Furniture</b>                    |
| <b>Investment banking services/ assets management</b> |
| <b>Tourism</b>  |

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# INVESTMENT CLIMATE IN AZERBAIJAN

There are two main laws regulating investment activity:

- Law of the Republic of Azerbaijan “On Investment Activity”
  - Law of the Republic of Azerbaijan “On Protection of Foreign Investments”
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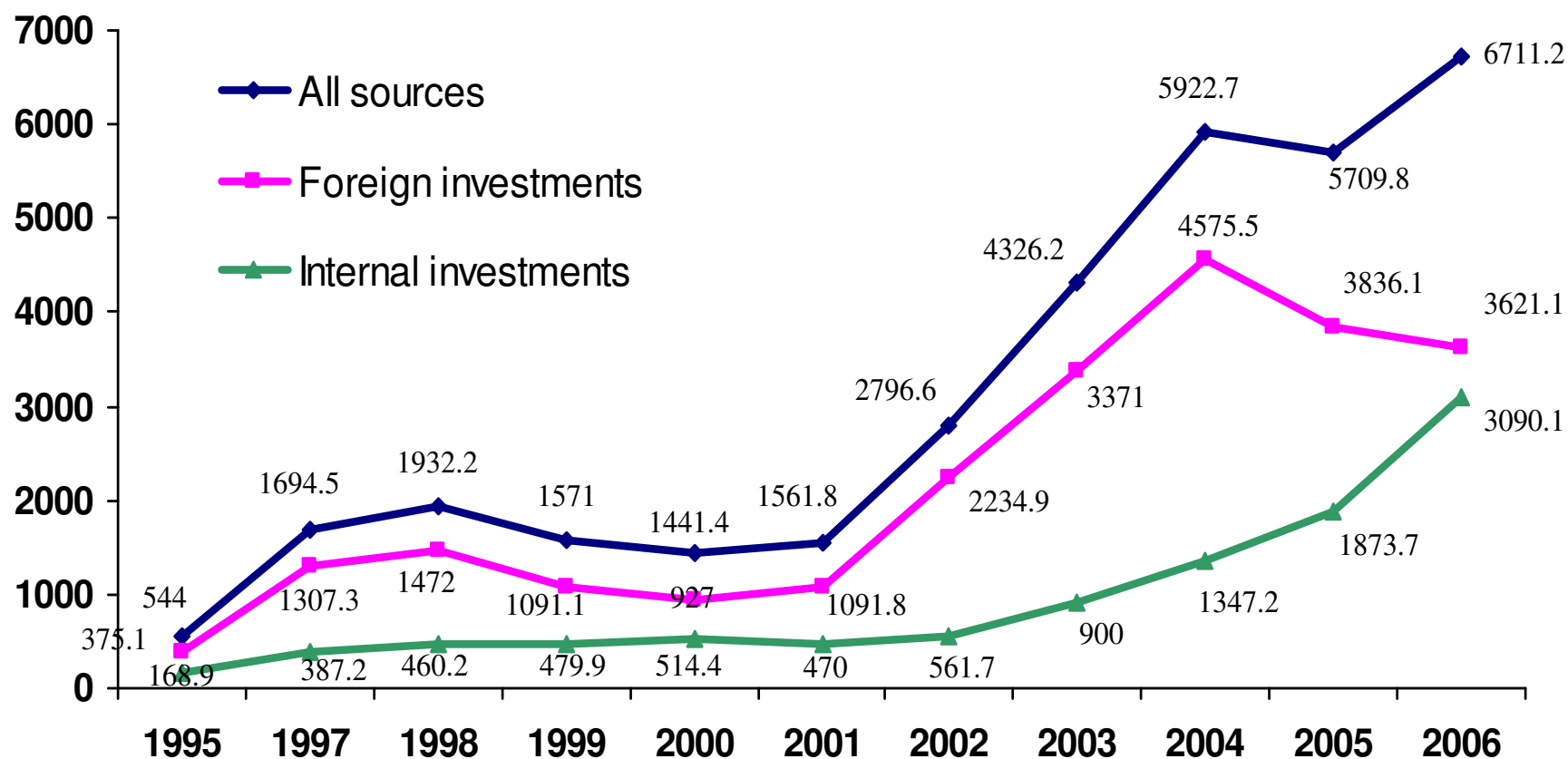
# INVESTMENT CLIMATE IN AZERBAIJAN

The Republic of Azerbaijan ensures the following rights to foreign investors:

- Warranty against worsening of legislation
  - Warranty against nationalization and confiscation
  - Reparations of damages are warranted in case of exposure of foreign investors to material and profit losses by illegal actions of government bodies
  - Free transfer of profit to any place is warranted after full payment of taxes
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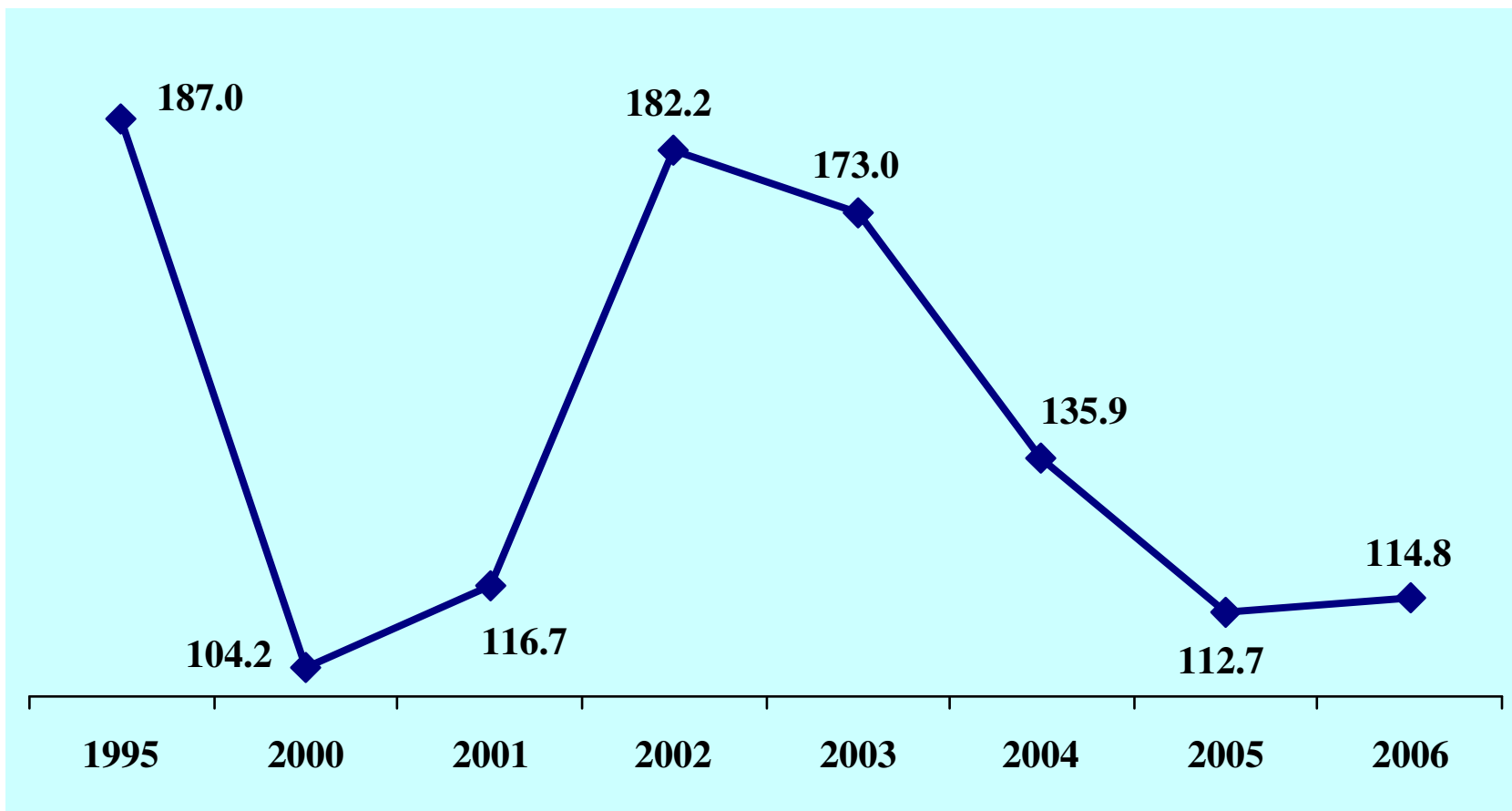
# INVESTMENTS TO AZERBAIJAN ECONOMY

Investments to economy, million USD



# INVESTMENTS TO AZERBAIJAN ECONOMY

Growth rate of investments (all sources), percent to previous year





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# INVESTMENT CLIMATE IN AZERBAIJAN: SUMMARY

Azerbaijan placed 1st in attracting  
foreign direct investments in the  
“World Investment Report 2006”  
(UNCTAD)

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# WHY AZERBAIJAN?

## **Fast economic growth and open economy**

- *GDP increased on average by 12.6% in 1995-2006*
- *Foreign trade increased on average by 14% in 1995-2006*

## **Reliable financial regulations**

- *Regulated inflation (on average 5.4% during last 5 years)*
- *Developing bank sector*

## **Favourable investment climate**

- *The highest per-capita foreign direct investment in the region*
- *Improved legislation*

## **Rich natural resources**

- *Oil and natural gas*
- *Fossils and useful fields*
- *Peculiar climate*

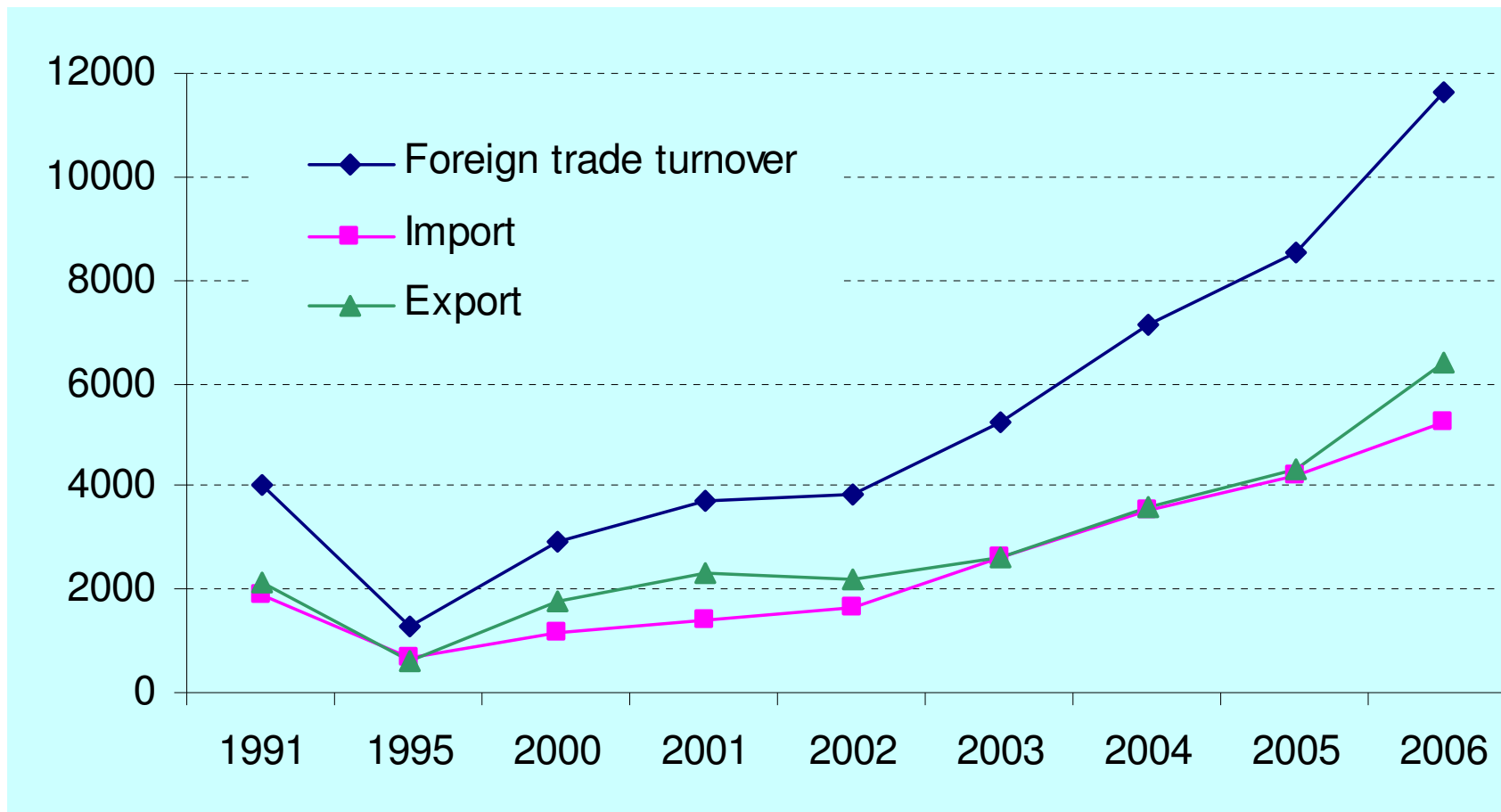
## **Strategic location**

- *Caspian Sea border*
- *Bridge between Europe and Central Asia*
- *Fast development towards Europe*

## **Competitive production costs**

- *Cheap and skilled work force*
  - *Industrial traditions*
-

# FOREIGN TRADE RELATIONS OF AZERBAIJAN



# FOREIGN TRADE WITH CENTRAL ASIAN COUNTRIES IN 2006

|             | Volume of foreign trade turnover, thsd. USD |          | Foreign trade balance, thsd. USD | Share in overall foreign trade, % |
|-------------|---|----------|----------------------------------|-----------------------------------|
|             | Import                                      | Export   |                                  |                                   |
| Afghanistan | 1.6   | 32209.6  | 32208.0                          | 0.3                               |
| China       | 222493.1                                    | 6382.5   | -216110.6                        | 2.0                               |
| Kazakhstan  | 127252.0                                    | 105656.0 | -21596.0                         | 2.0                               |
| Kyrgyzstan  | 0.4   | 6.4      | 6                                | 0.0                               |
| Mongolia    | -   | -        | -                                | -                                 |
| Tajikistan  | 289.4                                       | 130897.3 | 130607.9                         | 1.1                               |
| Uzbekistan  | 25  | 4.4      | -20.6                            | -                                 |

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# ATIB VISION



ATIB sees Azerbaijan as a leading country of the region and among one of the emerging economies of the world.

ATIB's strategic vision is to assist the development of economic, social and cultural relations between Azerbaijan and other countries.

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# UNION OF BLACK SEA AND CASPIAN CONFEDERATION OF ENTERPRISES (UBCCE)

UBCCE is a non-governmental organization founded with the aim of bringing together the businessmen of the Eurasia Region.

ATIB introduced the project of “Eurasian Economic Cooperation” during the 5th World Turkish Businessmen Congress in 2004. This concept was the first step in the realization of a businessmen union like UBCCE.

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# UBCCE COVERAGE

UBCCE aims to cover 20 countries of the Region who have significant economic potential, which can be improved further by joint action.

A population of around 470 million (7.1 % of the world total)

A GDP of 2.2 trillion USD (4.4% of global GDP)

An annual trade of 1 trillion USD (9.9 % of global trade)

FDI reaching 50 billion USD (5.4 % of global FDI)

*And last but not least...*

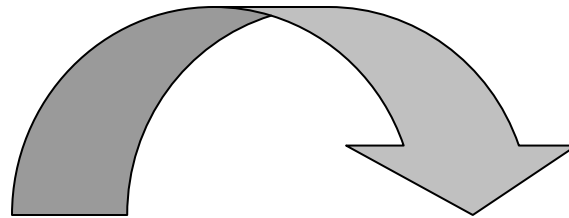
One of the most important energy hubs and transcontinental transport corridors of the world.

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# UBCCE

The private sector organizations in these countries may contribute to activate this potential through working together with a strategic view



UBCCE aims to be the platform for dialogue and cooperation with the aim of assisting economic and social development of the region

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# THE PRIMARY GOALS OF UBCCE:

- To establish institutionalized cooperation and to facilitate communication among business organizations of member countries
  - To assist the economic and social development of the region through fostering trade and investment activities and the entrepreneurial spirit
  - To promote the social and economic interests of the companies represented by the member organizations
  - To contribute to the functioning of free market economies in the member countries
  - To cooperate with other international regional business organizations (Signature of a MoU with Union of Mediterranean Confederation of Enterprises – UMCE on October 2 in Baku)
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# THE MAIN FIELDS OF ACTIVITIES OF UBCCE:

- UBCCE will work to create a favorable business environment in the region, to discover the impediments to the private sector's growth and report them to the authorized governmental and inter-governmental bodies
  - UBCCE will work to increase awareness among its members about trade and investment potentials within the region
  - UBCCE will support joint investment and trade activities within the region
  - UBCCE will provide its members with information services, undertake studies, adopt positions and actions to promote them
  - UBCCE will provide technical assistance and training for member organizations
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# UBCCE FOUNDING MEMBERS

16 Business Organizations from 12 Countries

|                   |  |
|-------------------|--|
| <b>Albania</b>    | Albanian Confederation of Industrialists (KISH)                                  |
| <b>Azerbaijan</b> | Azerbaijan Turkey Businessmen Association (ATIB)                                 |
| <b>Bosnia</b>     | Association of Employers of BIH (APBIH)  |
| <b>Bulgaria</b>   | Bulgarian Industrial Association (BIA)   |
| <b>Georgia</b>    | Federation of Georgian Businessmen (FGB)<br>Georgia Employers' Association (GEA) |
| <b>Greece</b>     | Federation of Greek Industries (FGI)   |
| <b>Iran</b>       | Iran Confederation of Employers' Association (ICEA)                              |

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# UBCCE FOUNDING MEMBERS

16 Business Organizations from 12 Countries

|                       |  |
|-----------------------|--|
| <b>Kazakhstan</b>     | Kazakhstan's Union of Industrialists and Entrepreneurs (KUIE)<br>Kazakhstan Association of Oil-Gas and Energy Sector Organizations (KazEnergy) |
| <b>Macedonia, FYR</b> | Confederation of Employers of Republic of Macedonia (CERM)   |
| <b>Romania</b>        | Alliance of Romanian Employers' Confederation (ACPR)<br>Turkish Businessmen Association of Romania (TIAD)                                      |
| <b>Serbia</b>         | Union of Employers of Serbia (UES)   |
| <b>Turkey</b>         | Turkish Industrialists' and Businessmen's Association (TUSIAD)<br>Turkish Confederation of Employer Associations (TISK)                        |

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# MEMBERS

|                     |  |
|---------------------|--|
| <b>Armenia</b>      | Union of Manufacturers and Businessmen of Armenia (UMBA)   |
| <b>Croatia</b>      | Croatian Employers Association (HUP)   |
| <b>Moldova</b>      | National Confederation of Employers of the Republic of Moldova (CNPM)  |
| <b>Russia</b>       | Russian Union of Industrialists and Entrepreneurs (RUIE)<br>Coordinating Council of Employers' Union of Russia (CCEUR) |
| <b>Ukraine</b>      | Ukrainian League of Entrepreneurs (ULIE)<br>Federation of Employers of Ukraine (FEU)                                   |
| <b>Turkmenistan</b> | Identification of Business organization in progress  |
| <b>Uzbekistan</b>   | Identification of Business organization in progress  |

## Soon to be members:

|                   |   |
|-------------------|---|
| <b>Montenegro</b> | Montenegrin Employers Federation (UPCG) |
| <b>Austria</b>    | Federation of Austrian Industries (FIV) |

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# UBCCE UPCOMING ACTIVITIES

- UBCCE First Business Forum on  
“Foreign Direct Investment in the Black Sea and  
Caspian Region”  
Baku, Azerbaijan - 2 October
  - UBCCE High Level Visit to Brussels, 10 October
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# UBCCE MEMBERSHIP

- ATIB runs one of the Vice-Presidencies of UBCCE in charge of “Entrepreneurship and Innovation”
  - UBCCE membership is open to all NGOs of the Eurasia Region
  - Contact person for membership and other inquiries:  
**Mr. Murat Zongur**, UBCCE Acting Secretary General  
Tel: + 90 212 249 19 29 Ext. 159  
E-mail: [mzongur@ubcce.org](mailto:mzongur@ubcce.org)
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**THANK YOU FOR ATTENTION!**

