

# Azerbaijan

Global FDI  
REPORTS

## A phoenix rising

While Azerbaijan's pipeline diplomacy has transformed it into a key player in Europe's quest for energy security, its government's canny oil revenue reinvestment strategy has seen its economy diversify rapidly, opening up new opportunities for cooperation. Building on its close commercial ties with the UK, which accounts for over 51 percent of foreign investment, Azerbaijan hopes to expand the range of its partners, and sees the inaugural European Olympic Games in Baku as an opportunity to show the world what it has to offer.

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Something for everyone



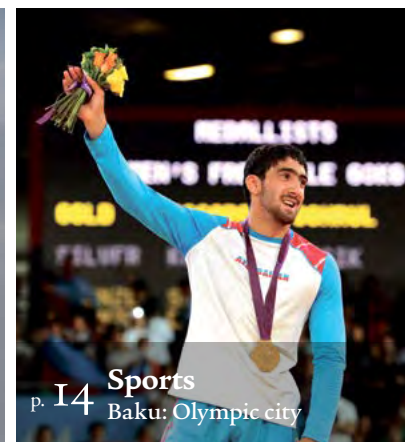
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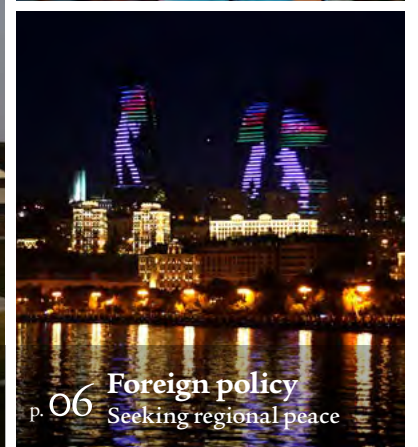
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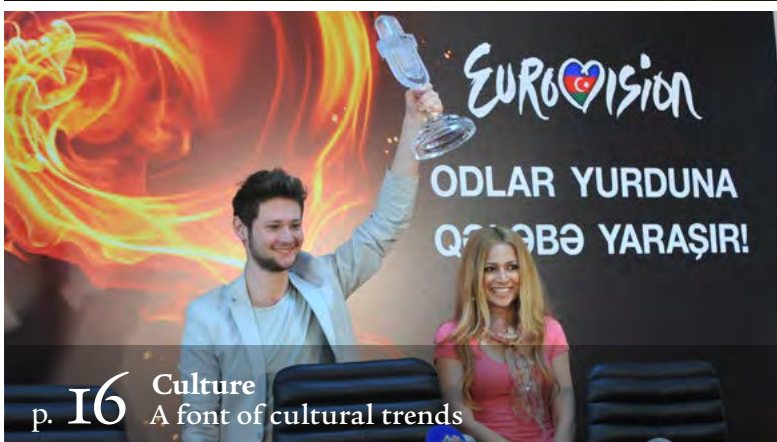
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# From ancient land of fire to modern powerhouse

Writer: Oliver Moss



**A** Standing at the crossroads of Europe and Asia, Azerbaijan has been the world's fastest growing economy over the past decade and is set to become a key regional partner for the west.



#### At a glance:

**340%**  
Estimated GDP growth  
over the past decade

**US\$144.4 billion**  
Investment received  
between 1995-2012

**7 billion barrels**  
Estimated oil reserves

**476**  
British companies  
registered in Azerbaijan  
today

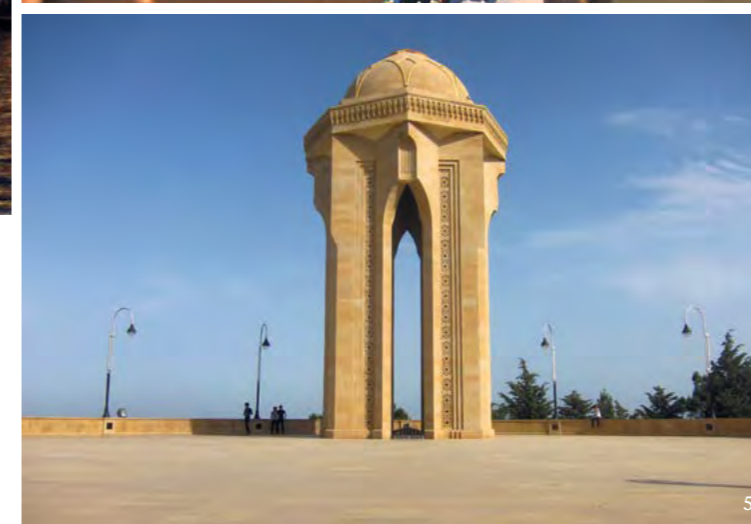
Azerbaijan is a name that conjures images of the exotic but until recently was little known. However, this republic in the Caucasus is becoming a rising star on the international stage and is developing into a key energy, security and trade partner for Europe. In 2012 Azerbaijan's booming capital Baku played host to the Eurovision Song Contest and in 2015 will host the inaugural European Olympic Games. A non-permanent seat on the UN Security Council has given it further international standing while a series of oil and gas pipeline projects and ICT and transport corridors look set to place Azerbaijan firmly at the junction of east and west. Finally sealing its independence in 1991 with the break-up of the Soviet Union, Azerbaijan, under its former national leader Heydar Ali-

ev, began using its vast oil and gas wealth to set the country on a new path to rapid growth and development. Between 1995 and 2012, US\$144.4 billion was invested in the country, with almost half coming from foreign investors – the large majority of them British. But with over 7 billion barrels of proven oil reserves, what steps is the government taking to re-invest the oil wealth in emerging sectors and ensure the nation's future wealth? In 2003 current President Ilham Aliyev spoke of the need to turn oil capital into human capital with ICT, infrastructure and education pushed to the forefront of the government's agenda. The figures have been astonishing: over the past decade Azerbaijan's GDP has more than tripled, with a 34.6 percent growth in GDP registered in 2006 alone. This year it came

39th out of 144 countries in the World Economic Forum's Global Competitiveness Report and has been ranked 1st among CIS countries four years in a row. Today, the nation is undergoing a transition from a purely oil-based economy to one which encompasses agriculture, industry, culture, tourism and much more. UK investors are already taking note: Anglo-Asian Mining has developed the country's first operating gold and copper mine, while shoppers in Baku can buy clothes from both Debenhams and Stella McCartney. Meanwhile, the country's tourism sector received a massive boost after it hosted the Eurovision Song Contest. With nine of the world's 11 climatic zones, almost anything can, and does, grow in Azerbaijan – a boon to farmers, while solar panel and wind turbine makers are

eyeing the government's incentives for the production of renewable sources of energy. Azerbaijan has shaken off its Soviet past to become an exporter of peace, security, stability and tolerance in the region through dialogue, engagement and co-operation. Today, its goal of obtaining developed country status by the mid-2020s looks ever more achievable. «

## Over the past decade Azerbaijan's GDP has more than tripled



#### Azerbaijan's strategic importance

##### Unique geopolitical position

Sitting between Russia and Iran, Azerbaijan's stability in a traditionally volatile part of the world is a shining example to the region. The country's determination to maintain an independent foreign policy has contributed greatly to facilitating its economic development, and as a member of the UN Security Council, this robust, secular state seeks to maintain positive relations both within and outwith its immediate surroundings.

##### Western European energy security

Along with state-owned SOCAR, BP is leading a consortium to develop Azerbaijan's Caspian Sea gas field and has confirmed the Trans Adriatic Pipeline as the means to link it to the rest of Europe. No longer leaving much of the west reliant on Russian supplies, the pipeline will bring gas into south-east Europe and, crucially, to Italy, from where it will compete for the French, German Swiss and UK markets.

##### Cultural diversity

Azerbaijan's culture is one of the most diverse in the world – combining aspects of its European and Islamic heritage, as well as its more recent Soviet and Western influences. The country's diversity and secular approach to religion is one of its great strengths and the constitution it adopted in 1995 clearly states that nobody should be deprived of the right to speak their native language. In 2012, a conference at Westminster concluded that Azerbaijan's example should be used to promote religious tolerance throughout Central Asia and the world.

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## About the author

Fuad Ramiz oglu Akhundov was born in 1962 and graduated from the Azerbaijani University of Construction Engineering in 1984. In 1990, he defended his thesis on applied mechanics and obtained his DPhil in physics and mathematics. Since the mid-1980s, he has published analytical articles on a wide range of issues in the field of the socio-political life of Azerbaijan, and has produced dozens of brochures, books and TV documentaries.



Fuad Akhundov  
Political scientist



## 1.1 million jobs created between 2004 and 2012

Through economic diversification and establishing an economic and legal environment which is conducive to private sector development, the government of Azerbaijan has been slashing poverty and creating sustainable employment opportunities, adding over a million jobs between 2004 and 2012.

# Azerbaijan has seen a tremendous reduction in poverty during the last decade

## “A politician thinks of the next election; a statesman of the next generation”

James Freeman Clarke

### Opinion by Fuad Akhundov

# An economic miracle

The Azerbaijani people are proud of their country, and believe President Ilham Aliyev's development plan could be a model for other nations to follow.

Since taking power in 2003, President Ilham Aliyev has implemented forward-looking initiatives and projects in energy, social welfare, education and the economy, which improve the quality of daily life in Azerbaijan, strengthening the image of the country worldwide and changing the face of its regions and capital city. Aliyev has extremely high approval ratings – in a survey of 1,000 adults carried out by British polling company Populus in September 2011, he scored 95 percent trust and 96 percent approval rates, with respondents saying they generally think that Azerbaijan is secure, improving, stable, successful, and strong.

The survey also showed that 79 percent of respondents think that in general, Azerbaijan is developing in the right direction, while 70 percent felt the economy was on the right track.

In late 2012, the European Union's Neighbourhood Barometer – an opinion polling and media monitoring device which is part of the EU-funded Regional Communication Programme – indicated that 92 percent of Azerbaijan's population trusts its government. Azerbaijanis questioned in the poll were optimistic about their lives – much more so than other countries in the region – with 65 percent satisfied with the life they lead and life satisfaction at its highest level among young people. Economic sentiment was also high: 69 percent of the respondents consider the economic situation to be

good, while 60 percent are satisfied with the results of ongoing democratic processes.

### A growing economy

Over the last decade, Azerbaijan's economy has increased by 3.5 times, hitting US\$68.8 billion in 2012. This success has not gone unnoticed: despite a gloomy international outlook during the global economic and financial crisis, the country's credit rating was boosted from stable to positive by Fitch Ratings, Moody's and Standard & Poors due to low indices of public debt and favourable medium-term and long-term prospects.

Meanwhile, the World Economic Forum's global competitiveness index placed Azerbaijan 1st among CIS countries, while in 2008, Azerbaijan was cited as the top reformer by the World Bank's Doing Business report as a result of its broad economic reforms. The country has laid the foundations for the strengthening of its non-oil sector through economic liberalisation and improved conditions for business.

### Socio-economic development

Azerbaijan has seen a tremendous reduction in poverty during the last decade and has a burgeoning middle class – pegged at 20 percent of the population according to International Labour Organization (ILO) figures. Its GNI per capita leapt from US\$720 in 2002 to US\$5,290 in 2011,

1. Azerbaijan has made significant progress in recent years in caring for the internally displaced persons (IDPs) who were forcibly evicted from Nagorno-Karabakh and seven surrounding districts by ethnic Armenian forces nearly two decades ago, and has so far granted state-funded housing, schools and hospitals in villages such as the one pictured to more than 150,000 IDPs and refugees. Today in Azerbaijan there are about 1.2 million refugees, IDPs and asylum seekers.

2. President Ilham Aliyev (right) in 2011, spending his 50th birthday with the first lady Mehriban Aliyeva visiting IDPs in the remote Aghjabedi region.



propelling it into the ranks of the World Bank's Upper Middle-Income Countries (UMI) group. Today, Azerbaijan is a country with high human development potential.

The president's term in office has been characterised by dedication to his country's development. The country's internally displaced persons (IDPs) and refugees are an important cause to him – he chose to celebrate his 50th birthday not with an extravagant party but instead by visiting the remote Aghjabedi region, home to thousands of refugees from the Armenian-occupied Lachin region. The following year, he spent his birthday at Sumgait, where he awarded new apartments to 411 families of disabled veterans of the Karabakh war, bringing the total apartments provided by his government to the veterans to five thousand.

Another key initiative has been the state funding of cars for low-income social groups. More than 3,500 citizens have been provided with cars so far under the plan. Car ownership continues to rise, and Azerbaijan has seen the number of cars on its roads double between 2003 and 2012 to 1.1 million – an unequalled figure in the CIS, central and eastern European countries. Car ownership is expected to reach 72 cars per 100 families by 2020, in-line with the most developed countries in Europe, and the USA.

The implementation of various state socio-economic development programmes

in the regions from 2004 to 2013 has led to the creation of 1.1 million jobs. The state has a strong social welfare policy and provides free public healthcare and education – including scholarships for overseas students, who currently number over two thousand.

Azerbaijan's outdated and poorly-maintained water and sanitation infrastructure has also become a major focus for the president, and the government is working to reconstruct and develop the water supply and sewerage system in every major settlement and regional centre by the end of 2013.

### A key energy player

In the energy sector, Azerbaijan made key progress in the transportation of Caspian gas to European markets in the signing of an agreement on TANAP (the Trans Ana-

tolian Gas Pipeline) between Baku and Ankara, which is the starting point for the creation of the Southern Gas Corridor. With the decision by the Shah Deniz consortium to approve the construction of TAP (the Trans Adriatic Gas pipeline) to transport Azerbaijani gas to EU countries via Turkey, Azerbaijan has become a key guarantor of the EU's energy security. Despite its long history as a producer of gas, until recently Azerbaijan's regions had no gas supply. Today, 95 percent of homes in the country are connected to natural gas networks, compared to just 70 percent in western countries.

Meanwhile, Azerbaijan's Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum gas pipeline have laid the foundations for a new transport corridor in the region. The construction of the Baku-Tbilisi-Kars international railway – tipped as the rebirth of the Silk Road – is about to be completed.

### An important regional investor

Azerbaijan's non-oil sector continues to expand. Last year saw the economy receive more than US\$20 billion of investment and over 100,000 new jobs were created. Massive construction projects are being carried out across all of Azerbaijan's cities, and new industries have emerged.

Once such new industry is the space industry: in February 2012, Azerbaijan's first telecommunications satellite, Azerspace 1, was launched and is expected to bring in US\$600 million in revenue over the next 15 years. The country plans to launch a second telecommunications satellite in two years, with four research satellites – to be utilised in the fields of agriculture and meteorology – also in the pipeline.

A high-tech military industry has also been created; 21 companies now produce 750 types of defence technology from un-

## Azerbaijan is now an emerging regional power that is transitioning from an industrial to a knowledge economy

manned drones to grenade launchers.

Azerbaijani investment is not limited to within its borders. The country has emerged as an important regional investor, as the second-highest investor in the Georgian economy and with US\$17 billion expected to be invested into Turkey over the coming years.

Despite the global financial crisis, Azerbaijan became the first CIS state to repay its debt to the International Monetary Fund (IMF) in 2008 and is the first CIS state to become a donor country to both the World Bank and IMF, allocating significant funds for the financing of projects in the Sahara region.

### Continued progress

Through his initiatives, Ilham Aliyev has become the author of an Azerbaijani economic miracle; no mean feat in a country with 1 million refugees after it suffered the loss of 20 percent of its territory as a result of Armenian occupation. Azerbaijan, which gained the votes of 155 countries to become a non-permanent member of the UN Security Council in October 2011, is now an emerging regional power that is transitioning from an industrial to a knowledge economy.

Aliyev plans to provide his people with a modern lifestyle – perhaps best illustrated by the ultra-modern architecture of the national capital Baku. “Our goal is for Azerbaijan to join the ranks of the developed countries,” he said. “I am sure this will happen as we have talented people, economic potential and natural resources as well as an excellent geographic position. We provide transparency and political reforms are underway.”

## Briefs

### Azerbaijan goes to the polls today

Campaigning in Azerbaijan's presidential election kicked off in September, and voting by the approximately five million citizens who are eligible will take place today – a week earlier than usual due to the Muslim festival of Eid Al-Adha.

Both local and international observers will monitor the country's presidential election, and the Azerbaijani government has invited groups, including the Organisation for Security and Co-operation in Europe (OSCE) Office for Democratic Institutions and Human Rights, to be present. The Central Election Commission will also be providing webcam coverage of polls throughout the country.

So far, polls indicate that Aliyev will be re-elected: 81.2 percent of people questioned by the Ryay Monitoring Centre of Azerbaijan say that they will vote for him.

Meanwhile, in a survey carried out among 100 British MPs by UK polling organisation Dods, almost three-quarters of the respondents reportedly said they “appreciated Azerbaijani President Ilham Aliyev's activity,” adding that he is a reliable partner of the west, particularly of the UK. The MPs polled by Dods also said they supported Azerbaijan's integration into Europe.

### Azerbaijan strengthens its position with the EU

Azerbaijan and the EU are tipped to sign an agreement on strategic cooperation in a number of spheres, including visa system facilitation and readmission, during the Eastern Partnership (EaP) summit, which will be held in Vilnius, Lithuania on 29th - 30th November.

The EaP is an EU initiative directed at six countries of Eastern Europe and the South Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine and aims to tighten the relationship between the EU and the Eastern partners by deepening their political cooperation and economic integration.

Visa facilitation and readmission is a step preceding visa liberalisation, which relaxes visa requirements so that certain groups, like students and businesspeople, can obtain multiple-entry visas.

As well as the visa deal, Azerbaijan and the EU are set to sign a protocol expanding the country's participation in EU programmes, as well as an agreement on cooperation between the agencies of Azerbaijan and the EU. This will contribute to institutional reforms and staff training in the country.

### Azerbaijan takes on the UN Security Council presidency

This month, Azerbaijan takes on the UN Security Council presidency for the second time since becoming a non-permanent member in January 2012. The presidency of the Council is held by each of the members in turn for one month, and the country hopes its turn at the helm will give it the opportunity to make itself better known globally and increase its reputation.

## In numbers

### Poverty level in Azerbaijan



### Number of cars per 100 families



### Annual residential development



\*Over 17 million m<sup>2</sup> of residential development projects were completed from 2003 to 2012



## Q&A

**Elmar Mammadyarov**  
Minister of Foreign Affairs

The policies of Azerbaijan's minister of foreign affairs Elmar Mammadyarov could hardly be more important at a time when the country is looking to assert itself on the world stage. Having taken a non-permanent seat on the UN Security Council in 2011, the key now is for Azerbaijan to forge strong economic and political relations with both east and west.

**What have been the country's main achievements on an international level since independence?**

Azerbaijan has become a regional leader and reliable partner in international relations, significantly increasing its influence to now play an active role in the international arena. As the president said during his address to the UNSC, Azerbaijan will always support international law and justice, and we have actively contributed to discussions on global issues ranging from international terrorism and crises to environmental protection.

**Azerbaijan is located in a very sensitive region; what is the likelihood of a full resolution of the Armenia-Azerbaijan conflict?**

The conflict over Nagorno-Karabakh threatens the security and stability of the region and beyond. Peace talks have been ongoing for more than twenty years with no concrete outcome but Azerbaijan continues to show its commitment to a peaceful solution.

**What can Azerbaijan offer the UK as a partner in the region?**

The two countries have developed a strong and reliable partnership, the core of which is in energy and trade. However, as with the European Union, the scope of our relations expands into new areas. We value the UK's support of our efforts to integrate into European structures and have been cooperating with the UK in energy, international security, trade and business. UK energy firms, in particular BP, have been at the forefront of the implementation of large-scale regional energy projects and looking ahead, new opportunities are emerging to further deepen this cooperation.



Azerbaijan is a member of the United Nations, the Non-Aligned Movement, the Organisation for Security and Cooperation in Europe, NATO's Partnership for Peace, Euro-Atlantic Partnership, the World Health Organisation, the European Bank for Reconstruction and Development; the Council of Europe, CFE Treaty, the Community of Democracies; the International Monetary Fund; and the World Bank.

# Seeking regional peace for global gains

Writer: Doug Gray

In the two decades since its independence from the Soviet Union, Azerbaijan has become an important strategic partner for both east and west and a symbol of Eurasian stability.

With an economy heavily fuelled by plentiful natural resources, Azerbaijan is determined to utilise its current buoyancy as a platform for greater internal, regional and even global stability. Part of the USSR until 1991, upon its independence Azerbaijan emerged as an important gateway to east and west, and a link between Russia, Turkey and Iran at one of Europe's more volatile extremities. Hamstrung by porous borders and the ongoing conflict with Armenia, however, regional factors have produced testing conditions in which to try and ground a solid foreign policy in the last 20 years.

Of growing importance within Europe, Azerbaijan is well aware of its worth to the UK and United States.

At a time when the weakness of much of Europe makes it susceptible to a powerful Russia determined to keep a tight grip on gas supplies heading west, viable alternatives are thin on the ground. Antagonism with neighbouring Armenia remains a critical flashpoint however. US secretary of state John Kerry is a leading figure in the OSCE Minsk Group which seeks the resolution of a dispute that forms the highest priority for foreign minister Elmar Mammadyarov and which would further boost the whole region's stability.

"As a fundamental principle we strive to make our own contribution to maintaining

peace and stability and expanding prosperity. Further integration into Euro-Atlantic structures is a strategic path consistently pursued by Azerbaijan... and we want this strategic partnership to expand into various other areas," says Mammadyarov. As the largest foreign investor in the country, the UK is increasingly focussing its attentions on Azerbaijan as an energy provider and business partner. With hundreds of British companies registered in the country today, the conflict's swift and peaceful resolution has important repercussions further west. Christopher Pincher MP, chairman of the UK parliament's All-Party Parliamentary Group on Azerbaijan certainly believes that the UK should firmly "encourage the authorities in Baku to continue to look west." "Sandwiched between the power players Russia to the north and Iran to the south, and with Nagorno-Karabakh as a bruise that just will not fade," he says, "there remains the possibility that Azerbaijan might choose a different route. And that would be a mistake for all."

"The solution of the conflict will open up opportunities for the long-term economic development of the countries in the region," explained Ali Hasanov, Azerbaijan's deputy prime minister, whose post was established by former president Heydar Aliyev to oversee the government's reaction to the needs of the people displaced by the conflict.

Indeed resolving the Nagorno-Karabakh question is the key starting point for a nation looking to assert itself on the world stage and one that the foreign minister believes will be helped by its influence on the UN. "Our seat at the UN Security Council has put Azerbaijan's foreign engagement on a different level," says Mammadyarov. "We will redouble our efforts in reaching out to new countries and regions to raise awareness about the conflict and will stick to our position that the Armenian armed forces must withdraw from the occupied territories."

Non-permanent membership of the UN Security Council was a big step forward for the country's global esteem, a recognition both of its geography and the progress of a once little-known country now being cited as a culturally rich tourism centre and

## "Our seat at the UN Security Council has put Azerbaijan's foreign engagement on a different level"

**Elmar Mammadyarov**  
Minister of Foreign Affairs

"The IBA actively promotes the country's integration into the world community, systematically expanding its presence abroad and enjoys international banking ratings."

**Jahangir Hajiye**  
Chairman of International Bank of Azerbaijan



## Profile Ali Hasanov

Deputy Prime Minister of the Republic of Azerbaijan



In November 1998, former president Heydar Aliyev created the position of deputy prime minister – acting at the same time as a chairman of the State Committee on Refugees and IDPs – to oversee the government's response to the problem of refugees and IDPs since the Nagorno-Karabakh conflict.

Deputy prime minister Ali Hasanov works in cooperation with state structures, international organisations and NGOs to improve hous-

**"The solution of the Nagorno-Karabakh conflict will open up opportunities for the long-term economic development of the countries in the region."**

**Ali Hasanov**  
Deputy Prime Minister

ing and employment opportunities for the refugees and IDPs, and pushes for their return to their homeland. "The government has done a lot to meet the demands of this sensitive segment of the population and continues to do so," he says, pointing out that it is impossible to put a price on the damage done, both material and psychological, as a result of the conflict.

But without a resolution to the conflict, the fate of these displaced people is uncertain, and

Azerbaijan cannot fix this issue without international support. "We would like the international community to take more decisive actions and have a more consistent position towards the fair resolution of the conflict, and urge Armenia to work on the final peace agreement based on the fundamental principles set out by the OSCE Minsk Group," says Hasanov. "We have been impatiently waiting for this for 20 years and hope that the world community will at last take a just position."

example of religious tolerance. Military support for the UK in Afghanistan and the opening of the country's airspace to NATO supplies in and out is evidence of a determination to take part in international peacekeeping operations.

The fostering of trade links is another important mechanism to create closer ties with the West, and Azerbaijan needs to extend beyond hydrocarbon reserves to exert a lasting influence. Along with its neighbour Turkey, the country today represents one of the world's few secular Muslim states, with a long history of cultural and religious tolerance as well as women's rights. One element of those trade links influencing foreign policy is the re-establishment of the Silk Road, the historic commercial route that once thrived off the back of east-west trade and whose connections helped the early dissemination of religion and philosophies throughout the region. That backdrop of history has been used to convene important international forums discussing transport policy and trade tariffs between Asia and Europe, but strong international relations are the only way to successfully see through Azerbaijan's role as a crucial bridge for routes between China, Turkey and on to France and the UK. Due in part to its geopolitical position and hydrocarbon riches, Azerbaijan's global influence is steadily increasing, and the EU and US are actively courting the state to promote regional stability, provide alternative gas supplies and become a new market for business. Meanwhile, Azerbai-

jan is seeking intermediary help to finally resolve its own disputes and position itself within the extended UN framework, with the shared goals that will continue to make the nation a crucial Eurasian crossroads.

**A partner for the UK**

With over 5,000 British expatriates working in the country, mostly centred on the capital Baku, UK-Azerbaijan trade ties are very visible. British companies outnumber those of any other Western country operating in the nation and range from FTSE 100 firms, such as BP, Petrofac, AMEC, Rolls Royce and GlaxoSmithKline, to small and medium enterprises. UK businesses are highly regarded in Azerbaijan, and the country remains the largest foreign investor. In fact, according to Azerbaijan's State Statistical Committee, UK investments made up over 51 percent of all foreign inflows in 2012, with a similar figure expected for 2013, and the country has consistently been in the top five countries exporting goods to Azerbaijan. The opening up of other, non-oil, sectors of the economy – whose year-on-year growth had topped 10 percent as at 1st September, versus the 5.2 percent overall GDP growth in the same period – is set to provide plenty of opportunities to consolidate that position.

The UK is seeking to leverage its City of London expertise to help with the development of Azerbaijan's nascent financial services sector, while industrial parks such as the Information and Communications Technology (ICT) High Tech Park and the Sumgayit Chemical

Industrial Park (SCIP), just outside of Baku, represent real opportunities for UK companies to get involved in areas from project management to telecommunications. English is rapidly becoming the language of business, especially amongst the younger generation, while a new drive from Azerbaijan's education ministry to bring the level of education in the country in line with European and international standards has created openings for UK educational institutions. The British Council, which will host the first and biggest Education UK fair in the country in November 2013, is working to bring together British universities and their Azerbaijani counterparts. The UK and Azerbaijan have enjoyed diplomatic relations since 1992, and both sides take pains to ensure that this relationship continues to blossom. Last month, UK foreign secretary William Hague met with foreign minister Elmar Mammadyarov in London where they discussed issues ranging from the two countries' collaboration in Afghanistan to the opportunity for the UK to share its experiences from the London Olympics with Azerbaijan ahead of the 2015 European Games.

Azerbaijan values the UK's support in the conflict over Nagorno-Karabakh, and the UK has also been supportive of Azerbaijan's integration within European structures, welcoming the Association Agreement that is currently being negotiated between the EU and Azerbaijan, which will significantly deepen Azerbaijan's political association and economic integration with the bloc of nations. «

## Azerbaijan's place in the world



**A handful of crucial international relations have forged the basis of Azerbaijan's foreign policy, but one in particular must be resolved for progress to follow freely.**

**Armenia: a frozen conflict**

Nagorno-Karabakh is the focus of an ongoing dispute between Azerbaijan and a Russian-backed Armenia that began in 1987 and erupted into war in 1991, displacing hundreds of thousands of Azerbaijanis. The region together with seven neighbouring districts, while internationally recognised as Azerbaijani sovereign territory, are to this day occupied by Armenian armed forces. Four UN Security Council Resolutions, and similar statements from the EU, NATO and Organisation of Islamic Cooperation, which have called for the withdrawal of Armenian forces have so far gone unanswered. "Overall, as a result of Armenian military aggression, 20 percent of Azerbaijan's land – Nagorno-Karabakh and seven adjacent regions – has been occupied," says deputy prime minister Ali Hasanov, who points out that independent international experts put the loss to the economy of Azerbaijan at over US\$300 billion. "The number of internally displaced peoples (IDPs) and refugees in Azerbaijan has reached 1.2 million over the last 20 years," he adds. Elmar Mammadyarov's foreign ministry is working to return the land and bring lasting peace to the area, while the OSCE Minsk process, led by the US, Russia and France, is heading up international efforts to broker a peaceful solution and bring assistance to the thousands of displaced Azerbaijanis forced into refugee camps. The precarious ceasefire continues to be punctuated by skirmishes, and a swift solution is essential to the long-term development of the region.

**EU relations**

Brussels has been discussing with Baku the feasibility of the Southern Gas Corridor since talks at a 2009 summit in Prague. Azerbaijan clearly wants to maximise income from its resources and the European Union desperately wants to loosen Russia's grip on its fuel supply, but meaningful negotiations have been slow to emerge with important external criteria still to be met first. Meanwhile a growing number of companies from EU countries, most significantly Holland and Belgium, are following the UK's lead and setting up in Baku to take advantage of a booming economy and widespread redevelopment at a time when much of Europe remains grounded for investors.

**UK relations**

As well as being the biggest overseas investor in the country, the UK's aid organisations including Oxfam and United Aid have been carrying out projects to help internally displaced Azerbaijanis. Christopher Pincher heads up a Westminster group dedicated to improving ties between the two nations, extending the UK presence therein as well as paving the way for an important energy agreement as North Sea gas reserves continue to rapidly decline.

**UN Security Council**

Azerbaijan's emergence as an influential global player was recognised in October 2011 when it was offered a non-permanent seat on the United Nations Security Council ahead of Slovenia and Hungary. The Council has already called for a speedy and peaceful resolution of the Nagorno-Karabakh conflict and, like the EU, the UN has formally recognised the territorial integrity of Azerbaijan. In October, Baku will host the International Model UN Security Council Conference for the first time, with the graduates of 45 universities from 15 UN member states taking part in the event.

**Turkey relations**

Turkey was the first nation to recognise Azerbaijani independence in 1991 and a shared linguistic heritage, culture and history, as well as a short border, continue to make for close relations between the two. Turkey also, therefore, has a vested interest in the peaceful settlement of the conflict with Armenia, and a strategic partnership for the movement of gas to the west sits at the heart of their politics.



The Deepwater Gunashli Complex. Massive investment and new technologies have enabled Azerbaijan to tap its offshore oil and gas reserves



**Q&A**  
Natig Aliyev  
Minister of Energy and Industry

**Azerbaijan's hydrocarbon industry is driving both foreign and domestic policy.**

**How important is Azerbaijan's oil and gas sector to the country and the region?**

The sector has created great opportunities for us to establish strategic relationships at a global level and to create and broaden new collaborations. It is impossible to imagine the energy map of our region and Europe without Azerbaijan.

**How much foreign participation is there in the sector?**

Today, dozens of British companies participate in construction, energy, commerce and other sectors of Azerbaijan's economy as investors and contractors. A striking example of that is the BP-SOCAR energy cooperation.

**What is Azerbaijan's approach to environmental protection?**

Traditional energy sources are not inexhaustible and a number of state-run programmes have already been implemented in alternative and renewable energy. We also cooperate with the IFC to encourage small and medium businesses to use alternative energy sources. Azerbaijan also successfully cooperates with the World Bank, Asian Development Bank and German Development Bank in this area. We are also a member of the International Organisation for Alternative and Renewable Energy Sources.

## Stabilising the pipedreams of Europe

**A** The Southern Gas Corridor, an initiative started by the European Commission in 2009, will open up Azerbaijan's landlocked gas reserves to markets across Europe. By attracting foreign expertise and investment and creating the transport links to reach its markets, the country is now reaping huge rewards from its abundant natural resources.

Writer: Doug Gray

**A** Azerbaijan's existing pipelines have long propped up energy supplies in much of Europe, and its future networks can offer a solid backbone to Europe's energy security. A multibillion dollar deal signed with Turkey means the recently approved Trans-Adriatic Pipeline (TAP) will carry gas from the Shah Deniz fields to Italy before going on to consumers in Germany, France, Switzerland and, potentially, the UK. Providing energy is a familiar role for the country. As long ago as the turn of the last century, Azerbaijan supplied approximately half of the world's oil needs, while today international

companies such as BP are flocking to the country to participate in its thriving oil and gas industry. The state-run energy giant SOCAR stands at the heart of the sector's growth, with US\$60 billion invested in the sector since the country's independence and continuing expansion into Europe. According to OPEC figures, Azerbaijan's oil reserves amount to 7 billion barrels as of last year. The country also boasts 2.6 trillion cubic metres of proven natural gas reserves, and SOCAR's investments have been invaluable in tapping into the nation's vast hydrocarbon wealth.

### Briefs

#### Shah Deniz

The huge gas field under the Azerbaijani sector of the Caspian Sea holds an estimated 1.2 trillion cubic metres of gas, of which 10 billion a year will be made available to European consumers. First gas from the TAP pipeline is expected in 2019.

#### Azeri-Chirag-Guneshli

Since the 30-year production-sharing deal between BP-led AIOC and the Azeri government – dubbed the 'contract of the century' – in 1994, the underwater oil field ACG has been developed in three phases, producing over one million barrels of oil equivalent per day from all wells by 2009.

### Perspectives: TAP



**"We will frequently find Azerbaijani gas being used in the UK in the future"**

Kjetil Tungland  
Managing Director of  
Trans Adriatic Pipeline

**What do you believe were the key factors and advantages that resulted in TAP's selection for the Southern Gas Corridor?**

TAP's offer was an extremely strong one. Our route is not only the shortest and most cost effective of the different options; it also delivers to Europe's third largest gas market, Italy. Our shareholders E.ON and Statoil have world-leading technical expertise in developing and constructing projects like this, so we were able to demonstrate the technical capability to build the TAP pipeline. In addition, the strength

of their collective balance sheets means that we were the only pipeline which doesn't rely on public subsidies. In a time of global recession, this was an important factor.

**What will be the benefits of TAP in the regions it passes through?**

In Greece we expect the TAP project to cost approximately €1.5 billion – one of the largest foreign direct investments in the country. In Albania we estimate that we will create in the region of 2,000 jobs during construction alone. And of course there's the impact of the gas itself, helping to

reduce the price of energy and improve supply security for the entire region of south-eastern Europe.

**What is the estimated timeframe for the completion and implementation of TAP and the Southern Gas Corridor Project?**

We've very deliberately synchronised our project with the Shah Deniz consortium's own delivery timetable. When gas is delivered to TAP, which is expected during 2019, we will be ready to ship it to markets in south-east Europe, Italy and on into western Europe.



## SOCAR has invested US\$60 billion in the sector since the country's independence

"Everything has to be completed by the end of 2018," insists SOCAR vice-president Elshad Nasirov of the TAP project which was approved back in June. "The first flow of gas will be one billion cubic metres. It will then take several years to reach peak production of 16 billion cubic metres, out of which six billion will be sold in Turkey and ten billion will be available for the gas consumers in Europe." Leading foreign investment has been BP who, together with SOCAR, represents more than one third of the Shah Deniz consortium that in June chose the TAP project to eventually deliver up to ten billion cubic metres of natural gas to Greece, Italy and

Tungland, the company's managing director. "Once in Italy, TAP will plug into the Snam Rete gas network from where gas can then be supplied to Switzerland, France, Austria, Germany, Belgium and the UK through various pipeline systems. As more and more gas interconnectors are built, Europe's energy market will become even more integrated with the result that I'm sure we will frequently find Azerbaijani gas being used in the UK in the future," he added. Delivery of gas to the pipeline is expected in 2019, with close to 900km of construction to be carried out to realise the new corridor project, and the increase

in competition to Russian and Norwegian supplies will be key for countries like the UK and Germany to be able to drive down energy costs. The mature Azeri-Chirag-Guneshli (ACG) oil field is another key part of the Azerbaijani energy makeup. Dubbed the 'contract of the century' when it was signed in 1994, the deal between the government and BP (as part of the Azerbaijan International Operating Company) enabled efficient exploration of the vast oil reserves. ACG's fields, holding an estimated 5-6 billion barrels of oil, account for the vast majority of Azerbaijan's total output, which is then pumped to the Sangachal Terminal south of Baku and sent along another series of key pipelines including Baku-Tbilisi-Ceyhan (BTC). Partly funded by the World Bank and opened in 2006, the BTC was widely considered one of the most important projects the region had ever seen, providing a crucial Mediterranean port outlet in Turkey via Georgia and another much-needed alternative to Russian supplies. «

## + Oil and Gas in numbers

### 165 years

How long Azerbaijan has been producing oil. The country was the world's biggest petroleum producer at the start of the twentieth century.

### 2.6 trillion m<sup>3</sup>

The proven reserves held in Azerbaijan's enormous gas fields.

### Cleaning up the Black City

An unfortunate legacy of Azerbaijan's rapid Soviet industrialisation and oil development is the pollution and environmental damage to Baku and the Absheron peninsula. The government, as part of a wider national mood of ambition and renewal, is making a serious attempt to deal with these issues, with initiatives ranging from the planting of trees to the replacement of topsoil, while also seeking ways to avoid future hazards arising from the continued development of its energy resources. The efforts are paying off: the 2012 Yale Environmental Performance Index ranked the country as having made the second-best progress on environmental standards of all countries surveyed over the past decade.



**Q&A**  
Elshad Nasirov  
Vice-President of Marketing  
and Investments at SOCAR

**Through important partnerships and investments, SOCAR, Azerbaijan's state-owned oil company, is at the forefront of the industry's development.**

**What is behind SOCAR's heavy overseas investment?**

As a landlocked country, it is very important we reach other markets, so for us it's essential to construct pipelines to the European Union. We have invested half a billion dollars into the Georgian market constructing ports on the Black Sea. In Turkey, we have invested in infrastructure and have purchased a petrochemical complex. We also have commercial enterprises in Romania, Greece and Switzerland, so we're growing internationally.

**How do you see UK-Azerbaijan relations developing?**

Without this relationship there would be no support for the investments made here by BP, and as an enabler of the Southern Gas Corridor we rely on the further support of the UK. Nobody can be secure when the supplier of energy itself is not.

**Does SOCAR take environmental concerns seriously?**

In 1848, Baku was the first city in the world to start oil production. We have now been instructed by the government to clean up the effects of 165 years of oil production. We're spending billions of dollars on the re-cultivation of soil, the cleaning up of the Caspian Sea and on planting thousands of trees.

### Renewable energy

#### What's the alternative?

Like many oil-producing countries, Azerbaijan is keenly aware of the environmental threats caused by the hydrocarbon industry, and has made the conscious decision to apply new technologies to reduce of pollution and promote new, clean ways of powering the nation. To this end, Azerbaijan established in 2009 the State Agency for Alternative and Renewable Energy Resources (SAARES), which is dedicated to exploring and producing environmentally sustainable energy, from solar to wind power.

Akim Badalov, head of SAARES, calculates that renewable energy could comfortably make up to 20 percent of the

country's overall energy mix. By 2020, he estimates that the country will be able to take advantage of its 2,400-3,200 hours of sunshine per year to boost its solar production capacity to 600MW, while waste-to-energy, biomass and thermal sources are also being looked at. In addition, Azerbaijan's rivers have a hydropower potential of 40 billion kWh, of which 16 billion kWh would be economically viable. Preferential tariffs are already in place for the development of small hydropower plants.

Meanwhile the country – whose capital city's name Baku is widely believed to be derived from Persian words meaning "wind-pounded city" – is starting to harness its considerable wind power potential, estimated by the European Bank

for Reconstruction and Development to be around 1,500MW.

Azerbaijan hopes to raise over US\$7 billion in alternative energy investments by 2020, with opportunities ranging from the construction of wind power plants in the Absheron Peninsula, the installation of small hydropower plants in the Nakhchevan Autonomous Republic, the building of solid waste recycling plants around Baku, to supply residential settlements with electricity and heat, and the development and production of renewable energy technology – including photovoltaic panels and wind turbines – at the Sumgayit Technologies Park, taking advantage of the financial incentives, tax exemption and infrastructure offered by the state.



The Gobustan experimental hybrid polygon is a test site for alternative energy, 50 miles from Baku.



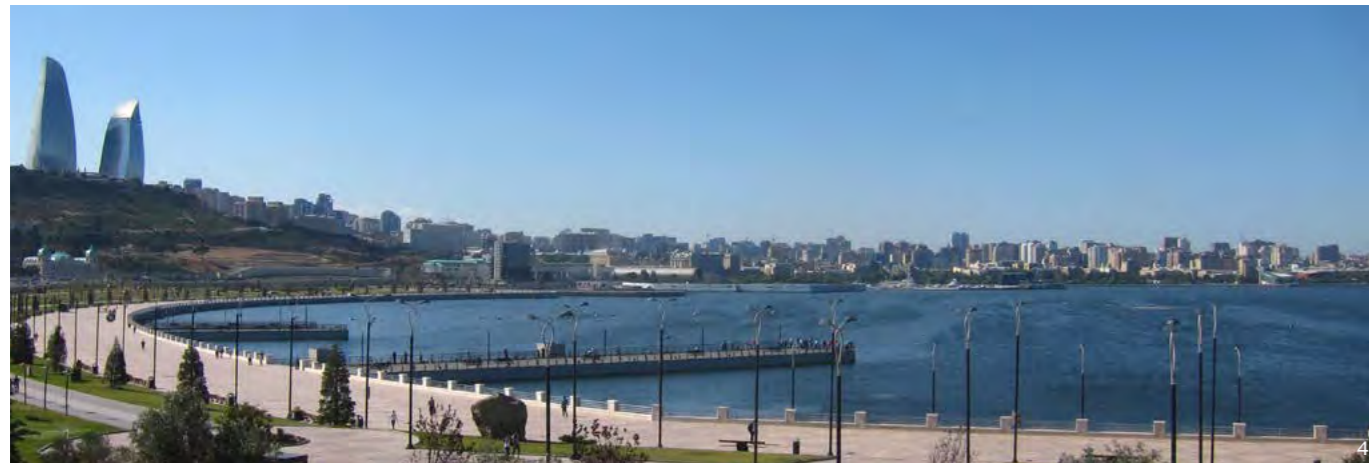


# Baku

## Investment capital

Writer: Oliver Moss

Baku has been undergoing an enormous transformation in recent years. The city's skyline is changing dramatically as increasingly ambitious mega-projects spring up, juxtaposing old and new and attracting plaudits and visitors alike.



### A New Baku

The face of Baku is changing rapidly as a series of mega-projects push architectural boundaries, all part of the greater Baku regional development plan, which is a sustainable vision for the future sustainable growth and development needs of the city and its surrounding areas. The plan, which envisages over US\$6 billion of investment into Baku, includes the expansion of the street and road network by hundreds of kilometres, the introduction of new types of public transport such as light rail, skytrains and metrobuses, the reduction of pollution and the creation of parks and public gardens in an area of 34,000 hectares.

**1. Heydar Aliyev Centre**  
Designed by renowned British-Iraqi architect Zaha Hadid, the curved, pearl-white cultural centre was named as one of the best architectural projects of 2012 and was built to reflect the philosophy of post-independence leader Heydar Aliyev.

**2. Khazar Islands**  
Spread over 55 different artificial islands to the south of Baku, this project is the most ambitious yet and will become a city accommodating up to one million people over its four stages of development. The centrepiece will be the world's tallest building, Azerbaijan Tower, at 1,050 metres.

**3. Flame Towers**  
These three towers shaped as flames resemble the 'land of fire' that is Azerbaijan. The towers have quickly become a modern emblem of Baku and host offices, apartments and the five-star Fairmont Hotel. Completed in 2012, the towers cost an estimated US\$350 million.

**4. Baku Boulevard**  
Originally established as a promenade in 1909, Baku's Caspian seafront is being expanded along the city's entire shoreline and is a popular place for an evening stroll.

**5. Maiden Tower**  
Built in the 12th century and located in the Old City, the Maiden Tower is one of Azerbaijan's most recognisable emblems and is also inscribed on the UNESCO World Heritage list.

**6. White City**  
Designed by Atkins and Foster+Partners, the award-winning White City Project will transform the formerly run-down 'Black City' area of East Baku into a thriving and sustainable business and residential community spread over 220 hectares.

**7. Palace of the Shirvanshahs**  
Similarly recognised by UNESCO, the palace was the seat of power of the Shirvanshah dynasty, prominent in the region in the 15th century and a classic example of medieval Azerbaijani architecture.

**8. National Flag Square**  
National Flag Square in Baku covers 60 hectares and features the state symbols of Azerbaijan, a map of the country, and most notably the country's 70 metre by 35 metre flag, flying on a pole 162 metres high.

**9. Baku Taxis**  
A curious sight for Londoners, 1,000 TX4 cabs, in purple, currently serve Baku and thousands more are being ordered in preparation for the European Olympic Games in 2015.

### Profile



Read the full Q&A  
the-report.net/  
azerbaijan

"The development plan for the metro envisages the construction of more than 50 metro stations and 165 km of tunnels in the next 20 years."

**Khagani Guluzade**  
Chairman of the Board and General Director of Akkord Industry Construction Investment Corporation

### Akkord

Azerbaijan's infrastructure boom and Baku's mega-projects provide fantastic opportunities for construction companies. Akkord has become a construction giant within Azerbaijan and its surrounding region, with ongoing large-scale infrastructure projects worth US\$2 billion, including the expansion of Baku's metro system and the Gazakh Cement Plant, which has a production capacity of 3 million tonnes per year.

In real estate, the corporation has constructed and commissioned 10 housing estates covering a residential area of more than 775,000 square metres, and more than 56,000 square metres of commercial space in Baku. Recently, Akkord has moved into the construction of water supply and sewerage

infrastructure systems and has 11 projects underway in six regions of Azerbaijan, with a total contract value of almost US\$400 million. "Through heavy investments into industry and manufacturing, the introduction of new technologies and know-how, and the creation of new workplaces, Akkord Corporation makes a substantial contribution to the development of the non-oil sector," says Guluzade.

Building on the success it has achieved in its home market, the company is now active in several countries including Turkey, Georgia, Kazakhstan, Uzbekistan and Ukraine. In addition, in 2012 the corporation opened a representative office in Frankfurt, Germany. "Our current portfolio of ongoing road infrastructure projects in foreign countries amounts to US\$1.1

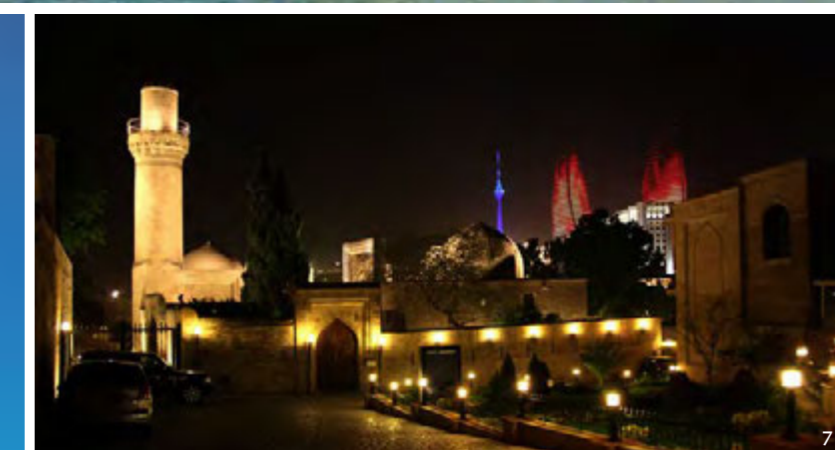
billion," points out Guluzade, who says the company's aim is to "expand beyond Azerbaijan and become an internationally competitive transnational corporation."

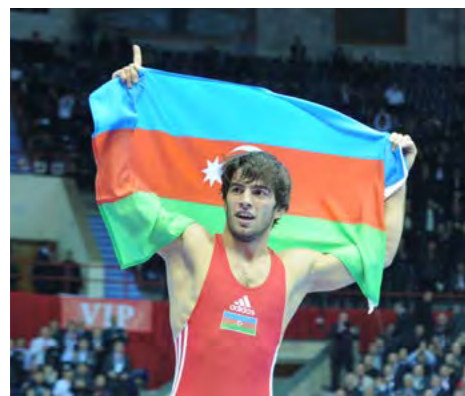
It's already well on the way: in April 2012, Akkord was awarded Best Enterprise in the Field of



Akkord owns and operates several cement plants within Azerbaijan.

Construction in South Caucasus and Central Asia at the Institute of Directors by the Europe Business Assembly in London, while in 2013, the company became a corporate affiliate member of the International Tunnelling and Underground Space Association (ITA-AITES) and World Road Association (PIARC).





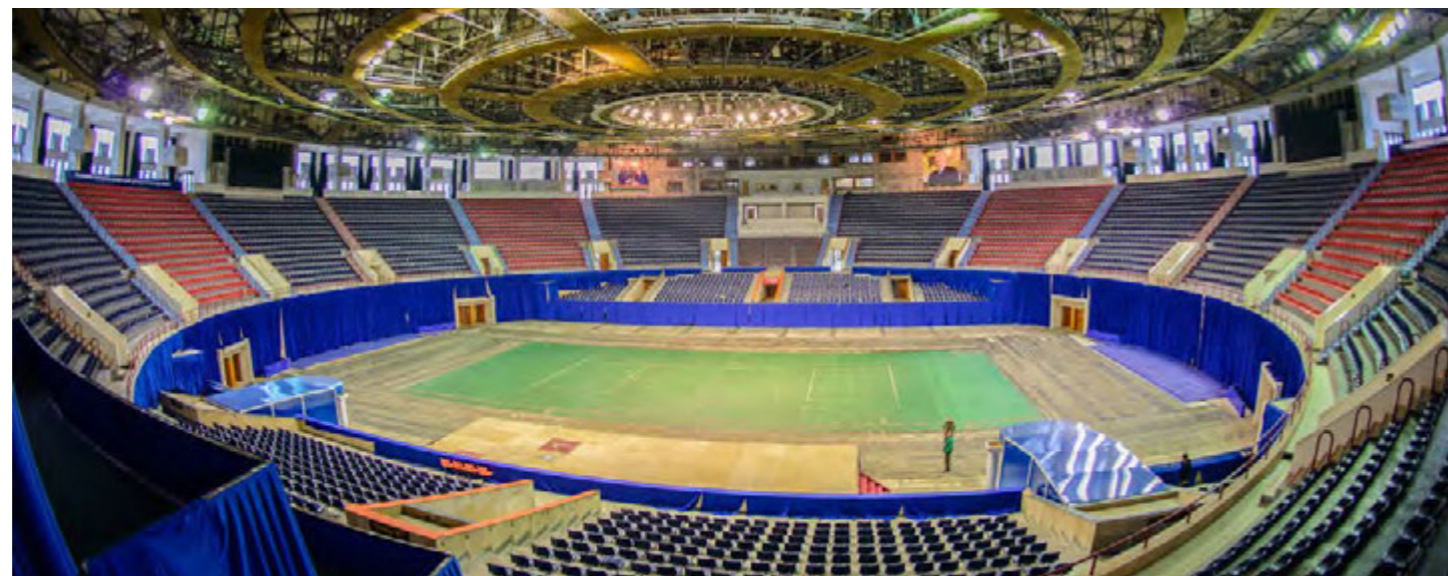
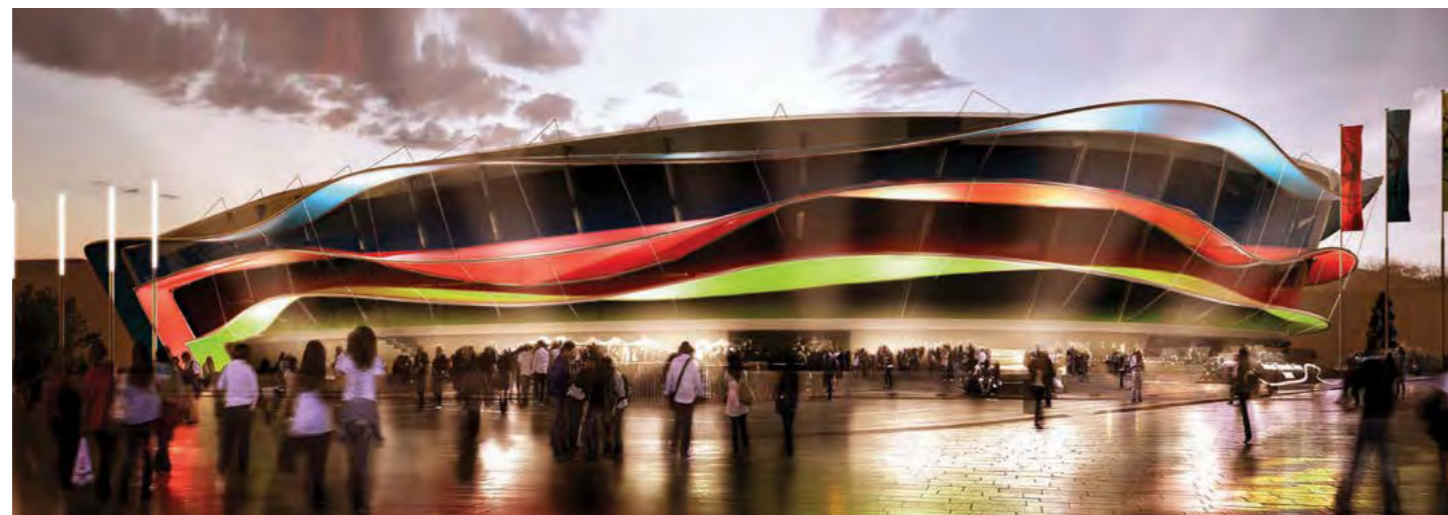
Azerbaijan won 10 medals at London 2012



Baku's Tofik Bakhamrov football stadium



Rhythmic gymnastics is one of Azerbaijan's most successful sports



New stadia, gymnastics and sporting facilities are being constructed as Baku builds up to Europe's first Olympic Games in 2015

## Baku: Olympic city

Writer: Oliver Moss

In recent years, Azerbaijan has been increasingly successful in the field of sports and is now looking forward to 2015, when its capital Baku will play host to the inaugural European Olympic Games.

### Factbox

1996

Azerbaijan wins just one medal at the Atlanta 1996 Olympic Games

2012

Azerbaijan achieves its best medal haul yet at London 2012, bringing home 10 medals and finishing 30th in the medals table

2015

Baku will hold the inaugural European Olympic Games in June

2020

Baku is bidding to become one of the host cities for the Euro 2020 football championship

On December 8th 2012, the European Olympics Committee (EOC) voted to hold the inaugural European Olympic Games in the Azerbaijani capital Baku in 2015. The event, which will be held between the 12th and 28th of June, is seen as a major coup for Azerbaijan and further evidence of its increasing role and exposure on the European and international stage.

"Azerbaijan will ensure excellent organisation of this event, and Baku will be part of the history of the European Olympic Games", announced President Ilham Aliyev when Baku was chosen by the EOC.

The European Olympic Games were devised to run parallel to other continental games such as the Pan-Asian, Pan-American and All African Games every four years. The in-

augural games in Baku will cover 19 different sporting disciplines and incorporate an estimated 6,351 athletes. The ministry of youth and sports estimates that the total investment will come to between US\$200-300 million and will attract 15,000-20,000 visitors to Baku.

Since the announcement, the authorities in Azerbaijan have set about developing major sporting infrastructure to accommodate the event, with an eye on hosting further major international sporting events in the future. The main Olympic stadium will hold some 68,000 spectators while an Olympic Village and various other major sporting complexes are being built.

But although the announcement came in December, the development of Azerbaijan's sporting infrastructure has been quietly tak-

ing place for many years, as part of efforts to re-invest Azerbaijan's oil and gas wealth in other areas of its economy and development. "We have opened 36 Olympic sport complexes since 2000 and every year two or three are being built", explains Azad Rahimov, Azerbaijan's minister of youth and sports. This investment in sports and infrastructure has led to great improvements on the international stage for Azerbaijan's athletes. After picking up just one medal in the 1996 Atlanta Games, Azerbaijan's medal haul began to improve and they won ten in London 2012, finishing 30th in the overall medals table.

"For a small country like Azerbaijan to have won ten medals in the Olympic Games really shows a logical development of sports in our country," Rahimov highlights. «

#### How does the UK assist Azerbaijan in areas of investment in sport?

We are very grateful for the assistance we have received from Lord Sebastian Coe. Immediately after we won the bid for the European Games, he visited the country and offered his expertise and knowledge. Some of this team are now here on the ground in Baku working with us.

#### What does Baku have to offer as an international Olympic city?

Baku is the world's best-kept secret. It's a

real crossroads between north and south, west and east. Azerbaijan is located on the Silk Road and we can deliver culture, history, tradition and cuisine to the world. The Olympics are very important to us because they can actually change the face of the city. We have created the infrastructure in Baku. At the moment we have three huge sport venues under construction; one is a swimming pool complex, the second is a football stadium of more than 65,000 seats and the third is a gymnastic complex.

#### What is your key objective?

The 2015 Games. That's what's on my mind all the time. It's very important to organise these inaugural Games correctly. Everything depends on the first event. I want to create very modern conditions, from the sport venues to the medical support and doping control. I want more people to get involved in sport and I want to achieve more success in team sports. A very important point for us and for the Olympic family is building a legacy.



O&A

Azad Rahimov  
Minister of Youth and Sports

### Luxury option



"The five-star hotel sector has flourished over the last 18 months with most of the major hotel companies establishing themselves in Baku."

Mete Atakuman  
General Manager of Jumeirah Bilgah Beach Hotel

Read the full Q&A  
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#### Jumeirah Bilgah Beach Hotel

In 2012 Dubai's Jumeirah hotel group became the latest five-star brand to open a hotel in Azerbaijan's tourism and hospitality sector. Set on the Caspian Sea, just 35 kilometres from the centre of Baku, Jumeirah Bilgah Beach Hotel offers 176 luxurious rooms and suites and a vast array of facilities for business conferences or family holidays. As the only luxury international city resort in Baku, the Jumeirah Bilgah Beach Hotel has been able to tap into both the business and leisure traveller segments and sees Baku as a gateway to the CIS region.

How would you describe the current investment climate within

the Azerbaijani tourism sector? Azerbaijan is recognised for its rich energy resources and all the business opportunities related to the oil and gas industry. It is now very encouraging to see the world coming to Azerbaijan for different purposes, hence the progress and development within the tourism sector. Baku is at the forefront but due to Azerbaijan's many unspoilt nature reserves, parks and the genuine culture of hospitality in the regions you see more and more investment in the areas outside of Baku which is a very promising sign for everybody involved. A few years ago no-one would have thought of coming to Azerbaijan for a skiing holiday;

now this is possible. If the positive economic climate continues then investor confidence in the tourism sector will grow.

#### How would you characterise the five-star sector in Baku?

The five-star hotel sector has flourished over the last 18 months with most of the major hotel companies establishing themselves in Baku. Baku is not only a business destination but a city with a fascinating history, a vibrant arts and cultural hub and a remarkable balance of old and new architecture. As Jumeirah, we consider it both a privilege and an opportunity to be in Baku in such exciting times.



www.jumeirah.com



1. Azerbaijan recently inaugurated the Shahdag Winter Complex and ski resort as it looks to diversify its tourism offerings
2. Baku's Old City forms the walled historic core of Baku. Some researchers believe that it dates as far back as the seventh century. In 2000 it was included on the UNESCO World Heritage list



### Tourism in numbers

27%

Annual growth in tourism arrivals in 2012

1,986,000

Inbound tourists in 2012

US\$2.4 billion

2012 international tourism receipts

Source: UNWTO

## Something for everyone

Writer: Oliver Moss

Attracting over two million visitors in 2012, Azerbaijan is set to become a rising star in international tourism rankings as it seeks to attract visitors to its diverse landscapes and ancient culture.

Packing nine of the world's eleven climate zones and several UNESCO World Heritage sites into an area slightly bigger than Scotland, Azerbaijan, with its 2010-2014 state programme for tourism development, has made great strides in recent years to develop its tourism potential and place this country in the heart of Eurasia on the international travellers' circuit. "Azerbaijan has all the necessary elements to become a successful tourism destination: hospitality, a rich history and cultural heritage, beautiful natural landscapes, delicious cuisine and at the same time a very favourable geographical location," high-

lights Abulfaz Garayev, minister of culture and tourism.

Recent events such as the 2012 Eurovision Song Contest have had a positive effect on attracting international attention. According to the United Nations World Tourism Organisation (UNWTO), over 2 million foreign tourists visited Azerbaijan in 2012 and the authorities are hoping for a 70-80 percent increase in tourist flow over the next five to six years. New offerings such as the Shahdag ski complex add to the country's diverse attractions. Another of the jewels in Azerbaijan's tourism crown is Gabala, which was the capital of Caucasian Albania until

the ninth century and boasts a mountainous resort area known for its extraordinary natural beauty. Known locally as the 'Switzerland of the Caucasus', Gabala offers an abundance of attractions, including the stunning five-star Qafqaz hotel complex and the 3,000-capacity Tufan Alpine Skiing Summer and Winter Recreation Complex, which began construction in February 2013. As a member of UNWTO's Silk Road Programme, Azerbaijan today plays a vital role in boosting the region's tourism industry by enticing increasing numbers of visitors to this ancient and distinctive part of the world. «

#### What aspects of Azerbaijan will you highlight at the World Travel Market in London?

This year, we will emphasise the cultural and historical uniqueness of Azerbaijan. We are planning the involvement of national dancers. We consider our participation at the WTM as a great opportunity to expand our international networking, to exchange knowledge and to attract more international tourists to Azerbaijan.

How would you like Azerbaijan to be

#### perceived by tourists and business travellers?

Azerbaijan has the potential to develop various types of tourism, from sun and beach tourism to meetings, incentives, conferencing and exhibitions (MICE). We established the Azerbaijan Convention Bureau on 10th June 2013 to attract congresses and conferences to Azerbaijan and increase the MICE tourism segment.

What sets Azerbaijan apart as a tourism destination?

Azerbaijan is situated at the crossroads of the continents, between West and East. Our country boasts nine of the world's 11 climate zones and a very rich and ancient culture. On the territory of the present-day republic, which, in ancient times, was a junction of trade routes from Asia to Europe, more than 7,000 historical, archaeological and architectural monuments have been found. The famous archaeological reserve of Gobustan and the Old City of Baku were both recently incorporated into the UNESCO World Heritage List.



O&A

Abulfaz Garayev  
Minister of Culture & Tourism

# A font of cultural trends

Writer: *Oliver Moss*



Located on the ancient Silk Road, Azerbaijan's centuries-old cultural heritage is experiencing a renaissance as recent events place Baku centre-stage.

Azerbaijan and its people and culture rarely fail to impress and surprise those who venture to these ancient lands at the crossroads of Europe and Asia. Situated on the historic Silk Road, Azerbaijan has for centuries been a melting pot of different cultures, traditions, peoples and religions that have given it a rich and diverse cultural heritage.

Over millennia, Azeri culture developed under Turkish, Islamic, European, Russian, and Persian influences and today all of these elements can be found. "Azerbaijan's culture and heritage is very diverse," explains minister of culture and tourism Abulfaz Garayev, "ranging from Stone Age petroglyphs and burning mountains to the 12-hectare Old City with its city walls, bastions, gates, narrow

streets and unique architectural patterns."

Many sites and traditions have been recognised in recent years by UNESCO, with the Old City of Baku, including Shirvanshah's Palace and the Maiden Tower, and the Gobustan petroglyphs added to the World Heritage list. Similarly the *mugham* and *ashugs* dances, the *tar* performance art, Azerbaijani carpets and the Nowruz spring holiday are all on UNESCO's Intangible Cultural Heritage list. The government has moved to recognise these aspects of Azeri culture by building a carpet museum and *mugham* centre as Baku experiences an oil-fuelled cultural renaissance.

Azerbaijanis are justifiably proud of their cuisine and foreign visitors will likely be treated to their legendary hospitality at family feasts involving an array of delicious foods, from grilled meats to unique Caspian Sea fish, giant organic vegetables and herbs, the ever-present plov rice dishes and all washed down

with sweet Azeri wine, fresh green lemonade and the ubiquitous tea, poured straight from the samovar. Azerbaijan seized its chance in 2012 to put its country and culture in the spotlight by hosting the Eurovision Song Contest, watched by an estimated 200 million people. "The country understood that this was a unique chance to present to Europe its culture, arts and traditions," reflects Garayev. "Since the event Azerbaijan's tourism industry has not had to explain what Azerbaijan has to offer to foreign visitors."

Azerbaijan is also one of the world's few genuinely secular Muslim states and religious and social tolerance is a key part of its culture. Walk around Baku and you will pass mosques, synagogues, churches and Zoroastrian temples. Women were given the right to vote in 1918 – before the UK.

"The Azerbaijani government is determined to protect and promote its secular approach to right of worship," says Christopher Pincher MP, chair of the Azerbaijan All-Party Parliamentary Group. "The place has a rich culture and history and the people are fiercely proud of that." «

**"Azerbaijan has a rich culture and history and the people are fiercely proud of that."**

**Christopher Pincher**  
Chair of the Azerbaijan All-Party Parliamentary Group

## A varied culture

### 1. Eurovision madness

Baku's Crystal Hall hosted the glitz and glam of Eurovision in 2012. The event was designed around a fire theme as a reference to the country's nickname 'The Land of Fire'. Forty-three countries participated, with Sweden eventually winning first place with 'Euphoria'.

### 2. Alim Qasimov

Winner of the 1999 International Music Council-UNESCO Music Prize, internationally-renowned Alim Qasimov is Azerbaijan's best-known mugham singer and featured as part of the opening act of the grand final of the Eurovision Song Contest in 2012.

### 3. Azerbaijan carpets

Azerbaijan is an ancient centre of carpet weaving, and in November 2010 the Azerbaijani carpet was proclaimed a Masterpiece of Intangible Heritage by UNESCO.

### 4. Traditional instruments

Azerbaijan's musical traditions date back to antiquity. Today, the mugham trio (tar, kamancha and gaval) play a significant

role in the development of the country's musical heritage.

### 5. Azerbaijan's troubadours

The art of Azerbaijan's troubadours, the *Ashugs*, combines poetry, storytelling, dance and vocal and instrumental music into a traditional performance art. Characterised by the accompaniment of the saz, a stringed musical instrument, the clas-

sical repertoire includes 200 songs and nearly 2,000 poems. It was inscribed on the Representative List of the Intangible Cultural Heritage of Humanity by UNESCO in 2009.

### 6. Celebrations

Each year, on the first day of spring, *Novruz Bayram* is celebrated throughout Azerbaijan with music, food and games.