

Summary of JIIA Forum Presentation

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“Azerbaijan at the Crossroad of East and West and Its Role in Regional Security and Prosperity”

I am very grateful for having had the opportunity during my current visit to Japan to meet with the Crown Prince, Prime Minister Aso, Foreign Minister Nakasone, and other distinguished figures. In our discussions yesterday, the foreign minister and I exchanged views on the worldwide political situation and on UN reform. I informed him that Azerbaijan is in agreement with Japan on the need for UN reform and declared our support for making Japan a permanent member of the UN Security Council. On the Nagorno-Karabakh issue between Azerbaijan and Armenia, I received support for Azerbaijan's stance on the territorial/border issue emphasizing the peace proposals put forth when the ceasefire was negotiated.

Today I would like to talk about the priorities for Azerbaijan's foreign policy: regional security and prosperity. Azerbaijan is situated at the junction of Central Asia and Europe, bordered by Russia to the north and Iran to the south, and it has access to the Caspian Sea and a wealth of energy resources. As you no doubt know, our country serves as a corridor in the southern Caucasus region for the transport of energy from Central Asia to Georgia and Turkey. Determining how to supply the natural resources our country possesses and to which international markets to supply them have become foreign policy issues.

In the religious makeup of our country Muslims account for the majority, but there is toleration for other religions and Azerbaijan serves as a bridge between cultures. For nearly a century already, ethnic groups adhering to a variety of religions have co-existed peacefully among Azerbaijan's population of 8.5 million. However, approximately 20% of the territory under Azerbaijan's control at the collapse of the Soviet Union fell under the control of Armenia as a consequence of the Nagorno-Karabakh War. Ethnic cleansing and destruction of all varieties of transport and communications infrastructure took place, and not a single Azerbaijani now lives in the enclave. The diplomatic issue of greatest concern to our country is the full restoration of Azerbaijani territory and the peaceful resolution of the territorial issue.

Azerbaijan would like to contribute as a UN member to international peace and security as well. We would like not only to engage in a variety of UN peacekeeping activities but also, for example, to provide financial assistance for the reconstruction of Afghanistan to improve social infrastructure, establish schools and kindergartens, revive business, and aid companies. We also hope to contribute to international security through other international organizations in which our country is a member, such as the OSCE (Organization for Security Cooperation in Europe), GUAM and the CIS. Looking to the countries of Europe as models, we would like to adopt democratic approaches to promoting domestic reform in our country, improving our human resource capabilities, establishing a civil society, strengthening the rule of law, and reinforcing our national sovereignty as an independent state in order to strengthen the cooperative bonds we have with Europe.

Energy supply to Europe and energy transport routes have played decisive roles in our country's sustained development. Azerbaijan has a wealth of natural resources, and petroleum production on the Absheron Peninsula, developed since the mid-19th century, plays a leading role in the world's resource markets. The Azeri-Chirag-Gunashli oilfield located offshore in the Caspian Sea has been

under development since 1994 and has total reserves of 1 billion tons or more; it has also been recently determined that this oilfield contains in excess of 2 trillion cubic meters of natural gas. These energy resources have brought tremendous benefits to Azerbaijan's economy and spurred rapid growth. Azerbaijan has seen double-digit GDP growth rate over the past 13 years, with GDP increasing by 35% in 2006 and by 25% in 2007. In fact, GDP doubled between 2004 and 2008 – total GDP in 2008 came to US\$50 billion – marking the highest rate of growth among all CIS countries. Despite the worldwide economic crisis, the GDP growth rate for the first quarter of this year was 4.1%.

In addition to the extraction of petroleum from the Azeri-Chirag-Gunashli seabed oilfield, a large-scale petroleum pipeline development project also helped spur this rapid growth. This BTC Pipeline (Baku in Azerbaijan, Tbilisi in Georgia, and Ceyhan in Turkey) Project is a gigantic undertaking, with construction costs totaling more than US\$4 trillion, that will have the capacity to transport one million barrels a day regularly and 1.2-1.5 million barrels at its operational peak. Future plans have this pipeline transporting petroleum from Kazakhstan as well as from Azerbaijan to the Mediterranean. Work is also underway on natural gas pipelines and a railway network. We are already accessing and using the BTE (Baku-Tbilisi-Erzurum) Pipeline running parallel to the BTC Pipeline for supplying natural gas to the Turkish market. In the meantime we have a variety of attractive options, such as the Trans-Adriatic Sea Pipeline that runs from Greece to Albania and Italy, and the Nabucco Pipeline that runs from Italy to Switzerland. To supplement the Baku-Tbilisi-Kars (Turkey) Railroad, a US\$1 billion+ railway construction project is planned for the southern Caucasus region. Azerbaijan has already provided \$320 million in funding to the Georgian government and Georgian companies for laying railway track between Georgia and Turkey. Our country thus always has a variety of opportunities to generate profits in the international markets.

The non-petroleum sectors of our country account for about 40% of GDP, and are creating opportunities for major development and for investment from both home and abroad. The government is seeking to simplify and streamline start-up procedures for both foreign and domestic companies looking to begin doing business in our country, and it has adopted a system that enables companies starting up businesses to complete all relevant procedures in no more than three days. The agricultural sector, too, has been almost 100% privatized and, thanks to farm machinery, fertilizer, and other factors provided by the government, agricultural production has grown dramatically; agricultural produce is now being exported to major markets in Russia, Ukraine, Kazakhstan and other nearby countries. Significant investment opportunities also exist in domestic communications infrastructure.

In closing, I would like to touch on bilateral relations between Japan and Azerbaijan. Economic cooperation between our two countries dates back to 1973 with the opening of an air-conditioner factory in Azerbaijan by a Japanese home appliance manufacturer. Since then, we have seen dynamic technical cooperation in hi-tech industries and, in particular, the expansion of Japanese companies into our country's energy sector. Azerbaijan is presently focusing a great deal of attention on solar power, wind power and other forms of renewable energy as well as on development technology to ensure stable water supply. To give more structure to these efforts, build the necessary plants and engage in technical cooperation, we will pursue greater economic cooperation with Japan, which boasts some of the world's most cutting-edge technologies. As a result we anticipate ever closer relations between Azerbaijan on the one hand and the Japanese government and Japanese companies on the other.