

Economic growth and stability

PROFILE OF HE ILHAM ALIYEV

PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

The reform-minded, pro-business President Ilham Aliyev has sought to drive political change through economic growth

President Ilham Aliyev has enjoyed considerable recent success on account of two key events over the last year: a resounding win in the 15th October 2008 presidential elections, bringing him his second mandate.

Mr Aliyev owes much of his popularity to Azerbaijan's phenomenal economic growth. The country, newly wealthy from oil, has enjoyed the fruits of being the world's fastest growing economy over the last three years: more than 23 per cent a year; and whose budget has grown twelve fold since 2003.

Progress has been rapid since October 2003, when still in his early forties, Ilham Aliyev was elected President of Azerbaijan – a position of great responsibility and with a remit to represent a young independent state on the world stage and to guide Azerbaijan into the 21st century. President Ilham Aliyev has continued to implement the policies of his father thereby ensuring progress, stability and prosperity in the country. Ilham Aliyev believes, that “policy should not be based on words, not on slogans, but on real actions”. Much of the President's work is guided by his political experience and long-term strategic vision of international and domestic politics. Ilham Aliyev benefits from the knowledge and skills of Heydar Aliyev which were passed to him over a long period of time.

The reform-minded, pro-business President Ilham Aliyev has sought to drive political change through economic growth. He has continued to attract foreign direct investment: in the first six months of 2008, almost US\$4.4 billion poured into the country, a 31 per cent increase over the same period the previous year. Furthermore, in spite of the global economic slowdown, Azerbaijan remains one of the fastest growing economies in the world, thanks mainly to its energy exports. The economy has grown threefold over the past five years and GDP for the first half of 2008 was up 15 per cent.

Speaking during his 2006 state visit to the United States, President Ilham Aliyev spoke of the changes that have swept through Azerbaijan since the collapse of communism. “It's already 15 years since the country became independent, and the process of development continues in stages. In those first years, Azerbaijan's future was under question. Civil war, the occupation of Nagorno-Karabakh, and an

economic crisis all threatened the very existence of Azerbaijan as an independent state,” he said. “But our strategy of attracting foreign investment, along with economic reforms, has given Azerbaijan a strong regional position, and we are well-integrated in the international family. We are members of important international and European organisations, and the political and democratic reforms in the country run parallel,” he added.

Upon taking office Ilham Aliyev continued to strengthen the state institutions, promoted government reforms and created an effective system to ensure the equal distribution of oil-derived income. He has placed particular emphasis on the development of the regions, including job creation and improving social infrastructure. These objectives have been successfully achieved.

One of the most important successes has been the provision of proper accommodation for one million refugees and internally displaced persons who lost their homes as a result of Armenian action against Azerbaijan. This social programme was, to a large extent, financed internally from oil exports accumulated in the State Oil Fund. President Ilham Aliyev's key domestic priorities have been to continue the economic reforms needed to create a viable, long-term non-oil sector, principally in agriculture, construction, tourism, and petrochemicals.

In the first term of his presidency, some 705,000 jobs were created in the non-oil sector. Over the same period, poverty levels fell from 49 per cent to 15.8 per cent, and have continued to drop.

In the meantime, Azerbaijan can rely on increasing income from oil. In 2005, 14 years after the so-called *Contract of the Century* that brought in foreign companies to help develop the country's hydrocarbons resources Azerbaijani oil started to flow on to world markets through the Baku-Tbilisi-Ceyhan (BTC) pipeline. The pipeline will pump a million barrels of oil a day by 2008.

President Ilham Aliyev is committed to developing Azerbaijan's policy as an international energy player. “We have worked with companies from the United States, from Britain, from other European countries since 1994 in a spirit of friendship and goodwill. And due to this cooperation, we managed to attract US\$70 billion of investments into the oil and gas

HE Ilham Aliyev
President of Azerbaijan
(photograph by
Stephan Schacher)

Multi-cultural, and multi-ethnic, Azerbaijan enjoys religious freedom

◀ sector. Of course, investments in oil and gas help to attract investments in other sectors – in services, in infrastructure, in education and other sectors,” says the President.

“But we need to upgrade our infrastructure. We need new roads, new water pipelines, we need gas distribution systems, power stations, we need schools and hospitals,” insists President Aliyev.

Political, social, and religious freedoms

The government of President Ilham Aliyev has pursued a policy of building political reform on the foundations of economic growth. “History shows us that economic reforms without political reforms and democratisation of society lead to serious problems,” says the President. “A lot has been achieved in making the country more open, more democratic and free. We have all the major freedoms – freedom of speech, freedom of expression.”

President Ilham Aliyev believes that a successful state cannot be built without public control, no matter how many hydrocarbons the country has. At the same time, he accepts that democratisation means little until a significant percentage of the population enjoys prosperity and wellbeing. “The level of development of Azerbaijani society today, of course, does not allow for the political standards of Western Europe and North America to be transferred to it. But a policy of development must be pursued; the lack of readiness today cannot justify maintaining the status quo. For a person who knows the real world, moving in reverse – toward conservatism and the isolation of our country – is, well, simply disastrous,” he said in a 2003 interview.

Multi-cultural, and multi-ethnic, Azerbaijan enjoys religious freedom. “The Vatican sees Azerbaijan as a model of religious tolerance,” said Vatican Foreign Minister Cardinal Tarcisio Bertoni earlier this year at a ceremony in Baku. The president and first lady of Azerbaijan joined Cardinal Bertoni in celebrating the inauguration of the first Roman Catholic Church in this Muslim country of eight million, a debunking of the myth of the clash of civilisations. As the West struggles to find a solution to the threat posed by Islamic radicalism, the Azerbaijan model of religious tolerance promises hope.

The premise for this model is enshrined in Article 48 of the Azerbaijan Constitution that guarantees, “Everyone has a right to choose any faith, to adopt any religion, to express one’s view on his or her religion and to spread it.” The constitution goes on to say that “religion acts separately from the government but each religion is equal before the law.” Not surprisingly, members of Azerbaijan’s Christian, Jewish, Zoroastrian and Muslim faiths live, work and play side-by-side. ▶

Opposite: HE Ilham Aliyev President of the Republic of Azerbaijan in his office in Baku (photograph by Stephan Schacher)





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Ilham Aliyev is sworn in as Azerbaijan's President during an inauguration ceremony in Baku

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Nagorno-Karabakh

Since the breakup of the Soviet Union, 20 per cent of Azerbaijan's territory has been occupied by neighbouring Armenia. Close to one million Azerbaijanis have been displaced and left homeless as a result of this occupation.

“We hope that the current framework of negotiations will create opportunities for a just, long-lasting peace based on the principles of international law. And of course we hope that the United States, as a superpower, as a country that is co-chair of the OSCE Minsk Group, will contribute to the resolution of the conflict, and we will finally have peace in our country and in our region,” President Ilham Aliyev stated in 2006. “Our position is very clear, and I think it's fair. And it's based on the principle: every dispute, conflict or any kind of a disagreement has to be resolved in a framework. In this case, we have well-established norms of international law.

Armenians who live in Nagorno-Karabakh, about

60,000 people, have a right to a high level of autonomy inside the territorial integrity of Azerbaijan as we see in many other places, including in Europe. There are very good examples of economies in Europe where minorities live peacefully without any problems. There should be a very strong political guarantee that peace will preserve forever in the region, and our refugees, which are about a million people and 700,000 are internally displaced, should have a right to return to their homes.”

Key foreign policy priorities are to develop a pluralist democracy based on a market economy and the supremacy of the law; to follow an independent foreign policy with the aim of restoring the territorial integrity and sovereignty of Azerbaijan; and to overcome challenges to Azerbaijan's security, political independence, sovereignty and territorial integrity.

The President has also resolved to find a solution to the Armenian-Azerbaijan conflict of Nagorno-Karabakh via negotiations based on the principles of the Lisbon summit and within the framework of the OSCE Minsk Group, thereby eliminating the consequences of Armenian military aggression towards Azerbaijan.

Ilham Aliyev also stresses the importance of developing friendly and mutually advantageous relations with neighbours as well as ensuring the security and stability of the region. Other priorities include preventing the illegal transport of weapons in the region and the demilitarisation of the Caspian Basin. The President encourages the pursuit of a nuclear free zone in the South Caucasus and supports global efforts to prevent the spread of nuclear weapons. A key tenet of Azerbaijan's foreign policy is to integrate with European and Transatlantic security organisations such as NATO, the European Union, the Union of Western Europe and the Council of Europe. Azerbaijan's foreign policy is also designed to ensure the country's continued economic development based on her important strategic geographic position as the gateway between East and West as well as developing the Eurasian transport corridor.

Key role in negotiating the ‘Contract of the Century’

On 20th September 1994, after three and a half years of difficult talks, Azerbaijan and a consortium of foreign oil companies signed a production sharing contract in Baku's Gulistan Palace to develop Azerbaijan's Caspian oil reserves. As vice president of SOCAR, at the time, Ilham Aliyev played a key role in the negotiations.

On 4th February 1994, President Heydar Aliyev had issued a decree to speed up development of Azerbaijan's off-shore oil and gas fields. This strategic document formed the basis of the negotiations that SOCAR was conducting. By May of 1994, progress on basic issues had been made, and the task facing the Azerbaijani



team and the oil industry delegation, headed by Amoco's Tom Doss and BP's Eddie Whitehead when they met in the Istanbul Hilton that month was to draft a basis agreement, consisting of guidelines for oil field development and the division of profits.

President Heydar Aliyev had only taken office the previous October, and the new SOCAR team was very unhappy with the conditions that their predecessors had accepted. The terms would have been crippling for Azerbaijan, but advantageous for themselves. Ilham Aliyev was insisting that "Azerbaijan will receive 80 per cent of the profit in the course of thirty years, and foreign companies as a whole, just 20 per cent."

He remembers the negotiations: "Each of the parties naturally wished to promote their interests to the utmost. Sometimes we ended up a cul de sac. The final stages in the spring and summer of 1994 were especially difficult. There were also critical moments in the course of the negotiations. And the Azerbaijan side was on the verge of terminating the talks, since regarding certain terms as unacceptable for the country's national interests, it could not accept them. We said to the foreign companies: 'You uphold the interests of individual companies, but we uphold the interests of the country and of the Azerbaijan people. If you make an error, that will affect your company's one project. If we make an error, that will have a negative effect on the interests of the Azerbaijani people. In other words, we cannot afford any error'"

In all, ten companies representing six countries, including neighbouring Turkey, would sign the deal. And so, on 20th September 1994, President Heydar Aliyev sat behind a long table inside Baku's Gulistan Palace for the signing of what a banner proclaimed the *Contract of the Century*. Alongside him were oil company executives and government officials from the United States, Britain, and Russia. Top management of the leading oil companies admitted, "The investments will open new possibilities for Azerbaijan and will ensure thousands of occupations for all people. It will be one of the greatest projects in the history of Azerbaijan."

Regional role

Azerbaijan's stature in the international community is a reflection of the astute policies that President Ilham Aliyev has pursued. With Russia to the north, Iran to the south, while enjoying good relations with the United States and Europe, the country's location is a case study in geopolitics. "Our policy of EuroAtlantic integration is very clear; and remains unchanged. We are working with NATO on the individual partnership action plan. We hope to be part of the EU's new neighbourhood strategy because the borders of the EU are coming closer to ours," says President Ilham Aliyev.

Over the last five years, trade between Russia and

Azerbaijan has doubled, while the two countries cooperate on a range of issues. "We have a very high level of political dialogue between Russia and Azerbaijan. We meet on a regular basis and discuss various issues on our bilateral relations," said President Ilham Aliyev in 2006.

Azerbaijan joined Washington and London's anti-terror coalition early on, opening its air space, and cooperated actively on security issues in the region. "We have troops in Kosovo, Afghanistan, and in Iraq from the very beginning," says the President. At the same time, he has made it clear that he takes an independent and objective approach to international relations. "We are pursuing a realistically independent foreign policy and it is balanced with regard to our neighbours. In general, the most important thing in our region is to maintain a balance."

President Aliyev can take credit for Azerbaijan's sustained high rates of economic growth and he is in an enviably strong position to continue economic reforms with the mandate of his recent electoral successes show. All the indications suggest that President Ilham Aliyev will continue to intensify the economic development of the country as well as to seek improvements in crucial spheres such as healthcare and education. **F**

By Nick Lyne, Contributing Editor, FIRST

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President Ilham Aliyev with his father, the late President Heydar Aliyev, National Leader of Azerbaijan

