

A long standing relationship

THE RELATIONSHIP BETWEEN THE UNITED KINGDOM AND AZERBAIJAN IS BASED ON SHARED INTERESTS

Azerbaijan has been one of the fastest growing producers of both oil and gas in recent years

Britain's ties to Azerbaijan go back to the first days of the Caspian nation's independence, with London recognising the country in December 1991 and establishing diplomatic relations in early 1992. The first resident ambassador, Tom Young, took up his post in 1993, and a year later, Azerbaijan opened its embassy in London.

Relations between Azerbaijan and the UK have been marked by a number of high-level visits from trade, energy and Europe ministers. British Ministers have also regularly attended the annual Caspian Oil and Gas Show in Baku. Former President Heydar Aliyev visited the UK as a Guest of Government from 19th-24th July 1998. During the visit he had an audience with Her Majesty The Queen and talks with the Prime Minister at Downing Street, after which a political declaration was signed. Three major commercial agreements were also signed after this meeting, witnessed by the Prime Minister and Heydar Aliyev, between the State Oil Company SOCAR and BP, RAMCO, and Monument Oil and Gas.

President Ilham Aliyev paid an official visit to the UK as a Guest of the British Government from 13th-14th December 2004. He met the Prime Minister, Foreign Secretary and Defence Secretary. The Prime Minister and the President reaffirmed the Joint Declaration on Friendship and Co-operation signed in 1998. They expressed their support for further expansion of bilateral relations in support of the development in Azerbaijan of a market economy and multi-party democracy based on the rule of law and promotion of human rights and liberties. During the visit, the Prime Minister and President Aliyev issued a Joint Communique outlining the basis and future direction of the bilateral relationship.

His Royal Highness the Duke of York has visited Azerbaijan several times in his capacity as roving ambassador for British business. He attended the 'First Oil' celebrations on 25th May 2005 and returned in 2006 to mark the completion of the Baku-Tbilisi-Ceyhan (BTC) pipeline and again in September 2007, and visiting the country most recently in June.

During his last visit the His Royal Highness attended the official opening of the 16th Caspian Oil & Gas Exhibition, where he delivered a message from Prime Minister Gordon Brown. He also met senior Government figures including HE President Aliyev,

the President of SOCAR, the Chairman of the Central Bank and the President of the International Bank of Azerbaijan. His Royal Highness promoted trade links between the UK and Azerbaijan in all of these meetings. Commenting on the role of British companies in Azerbaijan, the Duke of York said: "British companies are keen to work in all areas within Azerbaijan, not only the oil sector. I would like to see more UK businesses working alongside Azerbaijani partners - creating new jobs and opportunities for both countries."

Over the last two decades, the UK has become the largest foreign direct investor in Azerbaijan. Exports of UK of goods were valued at £304m in 2008. Azerbaijan has been one of the fastest growing producers of both oil and gas in recent years, and there are strong current and long-term prospects in all areas of the economy given the government's efforts to provide a stable climate for overseas investment. BP is the dominant operator in Azerbaijan, and the majority of the 150 or so British companies active in Azerbaijan form part of their supply chain.

Azerbaijan is an important energy partner for the UK. Baku marks the departure point for the BTC pipeline project, and together with the offshore Azeri-Chirag-Guneshli oil field and the Shah Deniz gas field and associated South Caucasus Pipeline, these projects represent BP's largest overseas investment. But there are increasing opportunities in other areas of the Azerbaijani economy such as financial services. This is one of the most dynamic sectors, with huge growth in banking, insurance, leasing, and other areas. The banking sector is comparatively under-developed and the UK, with City of London expertise, is well placed to help the development of financial services within Azerbaijan.

The government in Azerbaijan is also investing heavily in infrastructure projects, including power generation, utilities, transportation, and construction projects. Azerbaijan is a fast-growing market for consumer goods. Many top brand names from Europe have already opened franchises in Baku such as Burberry, Giorgio Armani, and Cartier, as well as mid-range brands aimed at the growing Azerbaijani middle-class such as UK firms Mothercare and Accessorize. The government of Azerbaijan is keen to attract foreign investment in areas including agriculture, telecommunications and IT, and tourism. There is also increasing interest in the education sector. 