

COUNTRY COMMERCIAL GUIDE AZERBAIJAN 2004

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Foreword

This Country Commercial Guide (CCG) presents a comprehensive look at Azerbaijan's commercial environment using political, economic, business and market analyses. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency U.S. government task force, to consolidate various reporting documents prepared for the American business community. CCGs are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

CHAPTER 1: EXECUTIVE SUMMARY

Azerbaijan, a newly independent country with vast potential energy resources, presents opportunities and challenges for U.S. business. Slightly smaller than the state of Maine, Azerbaijan is a republic with a presidential form of government headed by Heydar Aliyev, a former Azerbaijani and Soviet Communist Party leader and the country's strongest and most visible political leader. Azerbaijan is at the geographical crossroads of the Middle East, Europe and Asia – an element that is reflected in its political, economic, and commercial development.

Azerbaijan's macroeconomic picture has continued to improve in 2002-2003 as a result of responsible fiscal and monetary management and favorable global economic trends. GDP grew by 10.6% in 2002, and is expected to grow by 9-10% in 2003. The Azerbaijani currency, the manat, is stable. Inflation is under two percent. A transparent and stabilizing Oil Fund has been created. In July 2002 the country maintained its BB minus long-term credit rating, with an improvement in the outlook from stable to positive. The Azeri government recently revived its privatization efforts by preparing the national airline and the telecommunications sector for private ownership. The U.S.-Azerbaijan Bilateral Trade Treaty, ratified in April 1995, is in effect. A U.S.-Azerbaijan Bilateral Investment Treaty, signed in August 1997, went into effect in August 2001. The IMF continues its three-year \$100 million Poverty Reduction and Growth Facility loan to support the government's economic reform efforts. Given Azerbaijan's strong support for the international coalition against terror, in January 2003 President Bush reissued a waiver of Section 907 of the FREEDOM Support Act, thus removing a major obstacle in U.S.-Azeri relations and allowing direct U.S. assistance to the Azeri government in the areas of economic reform, border security, and rural development. In Fall-Winter 2002, President Aliyev issued a series of decrees to remove obstacles to doing business in this country, with some consequent improvements, including in tax administration and the creation of an Entrepreneur's Council reporting to President Aliyev. Despite Azerbaijan's macroeconomic successes and initial efforts to take on structural economic reform, this country remains a difficult place to do business given arbitrary customs administration, a weak court system, monopolistic regulation of the market, and corruption.

President Heydar Aliyev continues to dominate the country's politics, however continued concerns over the President's health, in light of planned October 2003 presidential elections, are a factor in the Azeri polity. Following a period of instability that threatened civil war, President Aliyev came to power in 1993 and was returned to office in a controversial October 1998 election. President Aliyev and his supporters dominate the multiparty, 125-member parliament. President Aliyev is a registered candidate in the

October 2003 presidential election. A vocal but fractious opposition has stated its intention to field candidates, and the upcoming presidential elections will be closely monitored by international observers.

Since gaining independence in 1991, Azerbaijan has faced a complex set of nation-building issues including a war with Armenia, tense relations with its neighbors, management of world-class energy reserves, a dramatic economic downturn following the collapse of the USSR, and slow market reform. The smoldering conflict with Armenia since a 1994 cease-fire presents a major challenge. Armenian forces of the self-styled "Republic of Nagorno-Karabakh" (which is not recognized by any government) occupy about 16 percent of Azerbaijan's territory. Some 800,000 Azeri refugees and internally displaced persons (IDPs) cannot return to their homes in occupied lands and put an enormous political and economic burden on the Azeri government. Beginning in 1999 and under the auspices of the OSCE Minsk Group co-chairs (U.S., Russia and France), the presidents of Armenia and Azerbaijan held a series of direct meetings to discuss a compromise resolution. While high-level dialogue has continued into 2003, a settlement of the conflict over Nagorno-Karabakh has yet to be achieved.

Azerbaijan has enormous economic potential, particularly in the energy sector. Industry experts suggest that Caspian reserves as a whole may approach those of the North Sea. As a result, virtually every major oil company in the world has an interest in Azerbaijan. To help in developing this potential, the Azeri government has signed a number of Production Sharing Agreements (PSAs) with consortia comprised of the oil majors. The first PSA was inked with the Azerbaijan International Operating Company (AIOC) in 1994 to develop the offshore Azeri-Chirag-Guneshli (ACG) field. Since then, the Azerbaijan parliament has ratified a total of 21 PSAs (three of which have since dissolved/terminated). These PSAs provide a solid foundation for foreign investment in oil and gas-related sectors of the economy. Phases One and Two of ACG full field development were sanctioned in Fall 2001 and 2002 respectively, with Phase Three to be sanctioned in 2003-4. ExxonMobil plans to launch the first new semi-submersible drilling rig in Summer 2003, the first new rig on the Caspian sea since the collapse of the former USSR. The delimitation of the Caspian seabed and resources remains a contentious issue that could affect development of the region's considerable energy resources. However important progress was seen in bilateral agreements between Russia and Azerbaijan and Azerbaijan and Kazakhstan recognizing the median-line principle.

The development of pipelines will be key to Azerbaijan's ability to export oil and gas. A northern route for early oil was opened in November 1997 to move Azerbaijani crude to the Black Sea port of Novorossiysk. The sanctioning of the Baku-Tbilisi-Ceyhan (BTC) pipeline in September 2002 was a landmark event for the region's economic development, with over \$4 million to be spent daily on BTC construction in 2003-2004. The \$2.9 billion pipeline will transport Caspian crude to the Mediterranean by 2005. Limited amounts of Kazakh crude have been shipped via barge and rail through Azerbaijan to Georgian ports on the Black Sea, and negotiations continue to bring Kazakh producers into BTC. The Shah Deniz gas pipeline from Baku to Turkey was sanctioned in Spring 2003, with construction to begin in 2004.

Given these recent advancements in Caspian energy development, over USD10 billion in business opportunities are expected during the next 12-36 months in Azerbaijan and the Caucasus, with many billions more to be invested in Kazakhstan's eastern Kashagan

and other oil and gas fields. Over 95 American companies, primarily in the oil and gas sector, are now resident in Baku. The American Chamber of Commerce in Azerbaijan boasts over 120 members and is working actively to improve the business climate, most notably in a White Paper presented to the Azerbaijan government. Recommendations for improvements in tax collection and administration, creation of an independent judiciary, streamlined customs procedures and others areas were noted in the White Paper.

Best prospects for U.S. products and services in 2004 include oil/gas field machinery and services; architectural, and construction, engineering services; building materials; telecommunications equipment and services; and food processing/packaging equipment. Imported consumer goods have become increasingly available, although less expensive Russian and Turkish goods predominate in the market. The United States is the sixth largest exporter to Azerbaijan, with 5.9 percent of total exports to Azerbaijan in 2002. Not included in these statistics is the re-export of U.S. products through Turkey and Dubai, which account for a significant, unrecorded market share.

CHAPTER 2: ECONOMIC TRENDS AND OUTLOOK

Azerbaijan continues to demonstrate strong economic growth and macroeconomic stability. For over a century, oil has been the backbone of Azerbaijan's economy, and higher world oil prices and direct investment in the oil sector helped to fuel GDP growth of 10.6 percent in 2002. Azerbaijan's success in attracting investment to and in developing its energy sector has not, however, extended broadly to the non-energy sector. Azerbaijan's future economic development depends on the government's ability to implement reforms, which will create a functioning market economy based on competition and rule of law. Without a stable investment climate in the non-energy sector, the government will not be able to create the employment opportunities needed to improve the conditions for the nearly 50 percent of Azerbaijanis living in poverty. The ability of the U.S. to support Azerbaijan in making needed reforms was greatly enhanced when, on January 25, 2002, President Bush waived sanctions imposed on Azerbaijan by Section 907 of the FREEDOM Support Act. The U.S. government now provides technical assistance to the government of Azerbaijan in areas such as trade/WTO accession preparation, tax administration and implementation of the country's new budget law.

In 2002-2003, the government of Azerbaijan took important steps to ensure the country's continued development. Azerbaijan remained on track with a three-year IMF Poverty Reduction and Growth Facility (PRGF) program, and disbursement of a third tranche of \$18 million was approved in May 2003. Under the PRGF, the IMF will make available up to \$100 million to support the government's economic program, subject to Azerbaijan's continued progress in implementing structural reforms. In March 2002, the government of Azerbaijan reached agreement with the World Bank on a \$60 million second Structural Adjustment Credit (SAC-II) program supporting reforms in public financial management and governance.

A key focus of Azerbaijan's PRGF program with the IMF is developing financial discipline in the domestic energy sector. In January 2002, the government of Azerbaijan eliminated preferential consumer tariffs for electricity, gas heat, and transportation

services. The 2003 state budget includes the subsidies provided to state utility companies; making these subsidies explicit is an important step in a long-term process of reducing massive energy subsidies. In addition, in February 2003, the government issued a decree to bring domestic prices for gas, crude oil, and most oil products into line with long-run world prices.

Other actions taken by the government in 2002-2003 to meet IMF and World Bank program conditions include: implementation of a new budget systems law, which requires parliamentary approval of expenditures at a greater level of detail; agreement on a timetable for privatization of two state-owned banks; continuation of a reform program for the State Customs Committee; acceleration of restructuring of the State Oil Company (SOCAR); and requirements that expenditures from the State Oil Fund be made through the state budget with the approval of parliament.

With considerable international assistance, the government adopted a comprehensive State Program on Poverty Reduction and Economic Development (SPPRED) for 2003-2005 and established a secretariat to oversee the program. The SPPRED identifies priority public investment projects and provides a framework for donor assistance and government expenditure to promote economic development in the non-energy sector. Following meetings between the president and the foreign and domestic business communities in Spring 2002, the government issued a series of pro-reform decrees in August-October 2002 to address business climate concerns. The decrees reduced the number of activities subject to licensing and streamlined the licensing procedure; created an SME Entrepreneur's Fund; improved tax administration; and restricted harassment of businesses by government authorities. An Entrepreneurs' Council, consisting of domestic and foreign companies and reporting to the president, first convened in July 2003. As a result of these and other reforms, there have been improvements in the business and investment climate.

Azerbaijan's macroeconomic situation continued to be strong, despite a global economic slowdown in 2002. Higher world oil prices for much of the year and increased oil production fueled GDP growth to 10.6 percent for the year; real GDP growth is projected at 9.2 percent for 2003. Inflation remained low, averaging less than 3 percent in 2003. The national currency, the manat, was stable against the US dollar, with an exchange rate of approximately AzM 4900 per USD (July 2003). Higher oil prices and growth in non-oil exports (led by agricultural and chemical products) resulted in a trade surplus of approximately \$502 million, down from \$883 in 2001, according to government statistics. According to the IMF, foreign direct investment more than financed the current account deficit, which had resulted largely from oil-sector related imports. Gross reserves totaled approximately \$651 million as of April 2003, in addition to nearly \$810 million in the country's State Oil Fund (July 2003).

The energy sector continues to dominate Azerbaijan's economy, with oil and oil products accounting for approximately 90 percent of Azerbaijan's exports. With full development of the Azerbaijan International Operating Company's (AIOC) Azeri-Chirag-Guneshli fields and development of other new fields, oil production is projected to peak at between 1.5 and 2 million barrels per day somewhere between the years 2010 and 2020. Construction of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline began in Fall 2002, and the sanctioning of the Shah Deniz gas project took place in February 2003. Providing supplies and services to support the oil and gas sector is a growing area of

economic activity, as is planned construction of the infrastructure needed to transport oil and gas production as it comes on-stream.

Agriculture is Azerbaijan's next largest sector after energy, and further development of agribusiness is essential to creating employment opportunities and increasing family income. Agriculture employs more than 35 percent of the work force accounts for approximately 15 percent of GDP. While production of previously key crops such as cotton and grapes has fallen dramatically, small and medium size farms, ranging from one or two hectares to several hundred hectares, have increased production of nuts, fruits, vegetables, grain, dairy products, meat, and some poultry under labor-intensive conditions. The sector presents potentially profitable business opportunities, but the country's regulatory system must become more transparent and less arbitrary if the government is to attract significant foreign investment to the sector. Corruption is a problem. Several foreign investors in the agricultural sector have been forced to halt operations when powerful, well-connected groups with a vested interest in preserving or establishing private monopolies have interfered with their business operations.

Another problem facing agricultural enterprises of all sizes is lack of available credit. Although many international assistance organizations have micro-credit and small business loan programs, Azerbaijan's banking system does not provide adequate, affordable credit to agricultural and other sectors. The U.S. and other international donors have directed assistance to development of small and medium size enterprises, focusing on the agribusiness sector. Assistance has supported training in business management and planning, use of improved technology, training in finance, credit, international accounting standards, marketing and development of agricultural associations. New USAID programs will focus on developing markets for fertilizers and other inputs needed to improve agricultural productivity.

Azerbaijan's production of transportation services increased with the continued development of the region's energy sector. Production at the Baku steel mill doubled from 2001 to 2002 to approximately 250,000 tons. Construction services associated with development of Azerbaijan's energy transportation infrastructure present some of the best commercial opportunities.

The national infrastructure, built in the Soviet period, is generally in poor condition and deteriorating due to insufficient investment and maintenance. Roads are inadequate, but several World Bank and EBRD-financed projects to upgrade roadways, railways and ports have begun to address serious infrastructure needs. The government is upgrading its transportation system in conjunction with the EU's TRACECA (Transport Corridor Europe Caucasus Asia) program. The railroad still needs to upgrade its safety systems, buy new rail cars, as well as build new track. There has been no progress on completing a north-south transportation corridor between Russia and Iran. The irrigation system serving about 60 percent of arable land also needs rehabilitation. In June 2003, the World Bank announced a \$35 million credit for irrigation improvements. In January 2002, the government transferred the Baku electrical distribution network to long-term private management; other regional electrical distribution networks were placed under private management in 2002.

In the telecommunications sector, the Ministry of Communications has retained a 51 percent share in most telecommunications enterprises. This fact, as well as regulatory interference from the Ministry, has hindered investments in broadband and wi-fi

technology. Internet access is adequate in Baku, but many outlying regions of the country, where landline telephones need modernization, still do not have access to the internet. E-commerce does not yet exist in any meaningful way in Azerbaijan.

CHAPTER 3: POLITICAL ENVIRONMENT

Azerbaijan straddles a strategic crossroad between east and west. Occupying an area slightly smaller than the state of Maine, Azerbaijan is bordered by Russia, Georgia, Turkey, Armenia, Iran and the Caspian Sea. Azerbaijan has a population of about eight million, slightly more than half of which live in urban areas. Located on the western shore of the Caspian on the Apsheron peninsula, the capital city of Baku is poised to become a regional transportation and communications hub for the Caucasus and Central Asia -- if the Azeri government takes steps at true economic reform.

Following a series of coup attempts after his return to Baku in 1993, President Heydar Aliyev was able to consolidate power and establish a stable political environment by the mid-1990s. Re-elected in 1998, the president enjoys broad powers and dominates Azeri political life. The current parliament consists of Aliyev's supporters, who hold an overwhelming majority, as well as opposition and independent deputies. A lively, critical opposition exists. However, their efforts have been hurt by factional struggles, insufficient financial resources, and efforts by some in the government to restrict their activities.

Although substantial political pluralism exists, Azerbaijan's record of administering elections has been flawed. Presidential elections in 1998 and parliamentary elections in 2000 did not meet international standards. A national referendum in August 2002 on changes to the constitution also met with U.S. and international criticism. The next major contest will be the presidential election scheduled for October 2003. As a condition of its accession to the Council of Europe in January 2001, Azerbaijan undertook important commitments in the areas of democratization and human rights. While some progress has been made to improve democratic institutions, much work remains.

The United States enjoys close relations with Azerbaijan. U.S. policy aims to support Azerbaijan's independence, sovereignty and territorial integrity by helping build market-oriented, democratic institutions, secure peace and cooperation in the region, and facilitate Azerbaijan's integration into the Euro-Atlantic community. Following the September 11 attacks in the United States, Azerbaijan offered strong support to the international coalition against terror. Azerbaijan committed peacekeepers to assist the reconstruction efforts in both Afghanistan and Iraq. As a result of Azerbaijan's support in the coalition against terrorism, in January 2002 President Bush waived Section 907 of the FREEDOM Support Act of 1992, which restricted direct U.S. government assistance to the government of Azerbaijan. The waiver of Section 907 has created new opportunities for U.S.-Azeri cooperation in the areas of economic reform, law enforcement, military assistance, border security, and rural development.

CHAPTER 4: MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

In many cases, local companies are distributors for products of different brands. Turkish, European, U.S. and Russian products tend to dominate this price-sensitive market. Several well-established Azeri firms in the information technologies and construction sectors have successfully sold U.S. and European equipment and services in Azerbaijan. Due diligence should be done on any potential Azeri distributor before concluding an agreement or shipment given the risks inherent in doing business in Azerbaijan.

U.S. firms looking for opportunities in Azerbaijan should focus on medium-sized, private Azeri firms with a minimum three-year track record and credit history. State enterprises are unlikely candidates for performing distribution and sales activities on behalf of U.S. firms; these enterprises lack the resources to cover the costs of maintaining U.S. product inventory for the local market. Azeri firms generally have poor cash flow, given the lack of affordable credit and other structural disincentives. Training and flexible stock/inventory options will help U.S. goods and services penetrate the Azeri market. Given Baku's dominance of the market, it is best to work with a Baku-based firm for onward distribution throughout the country.

B. Use of Agents and Distributors

Western entrepreneurs act as agents for U.S. companies in Azerbaijan, and an increasing number of Azerbaijani trading firms have established solid track records as partners with Western firms. For U.S. firms not willing to commit resources to the relatively small market of Azerbaijan, an agent or representative may be the best initial approach. An agent will work better if the U.S. good/service is relatively unknown or untested in the market, as the agent will have limited overhead and inventory to test a new product in the market. For more competitive, developed market segments, a distributor provides the best option for business development. Verifying the financial bona fides of prospective partners is difficult. Given this challenge, potential exporters should plan to visit Azerbaijan to build personal relationships, set up local sales networks, or establish partnerships with local agents or distributors.

C. Franchising

Franchising is largely an unknown concept in Azerbaijan. McDonalds has directly owned and operated a restaurant in Baku since November 1999 and opened a second restaurant in Baku in December 2002. The supermarket chain Ramstore (Turkey) has several outlets in Baku. The future development of franchising will hinge on the overall economy, progress on key reform issues, and establishment of a firm legislative basis for franchising.

D. Direct Marketing

In Baku, B2B fax marketing to potential customers is common but not necessarily effective. By contrast, person-to-person direct marketing works well (e.g., with health and beauty products). Other direct marketing channels (catalogs, e-commerce and

regular mail) are still in their infancy. Many shippers are reluctant to send goods without prepayment. The number of customers with credit and debit cards is increasing, but card scarcity remains a key constraint on the growth of catalog orders and e-commerce. Nevertheless, sales through these channels are expected to grow in coming years because they bypass the relatively high costs of retail distribution. The U.S. Embassy Commercial Service, as part of a joint venture between IBM and the U.S. Commercial Service, launched BuyUSA.com in Azerbaijan, which will allow for direct, online marketing and sales of U.S. goods and services to Azeri consumers. To register your U.S. or Azeri firm for BuyUSA.com, go to www.buyusa.com.

E. Joint Ventures/Licensing

Given weak shareholder rights, an underdeveloped legal system, and poor understanding of Western business practices, U.S. firms considering joint ventures (JVs) should consider the deal structure very carefully before committing to a JV. This is particularly true in the non-energy sector, which is unprotected by the PSAs that shield the longer-term oil and gas sector investments. While U.S. firms will be encouraged to take on a local partner on the front end of the deal, experience has shown that a number of these transactions find problems later in the life of the JV. Should a JV be considered optimal in its proposed deal structure, U.S. firms should ensure tight management control, clear capital increase and cash call provisions, iron-clad confirmation of share increases and decreases, clear procedures for calling shareholder meetings, and an exit strategy should that become necessary.

Licensing presents obstacles for some firms in Azerbaijan. However, a September 2002 Presidential decree, "Activities Requiring Special Permission (Licenses)," reduced the number of activities subject to licensing from 270 to 30 with the term of all licenses increased to five years. While this step has been welcomed by the business community, as of August 2003, it remains unclear as to what practical, day-to-day effect this decree will have on business.

The following is a non-exhaustive list of activities subject to licensing (current as of Summer 2003) based on the authority responsible for issuing the license.

1. Chamber of Auditors
 - auditing activities
2. City and region executive organs (with the exception of city districts)
 - sale of ethyl alcohol and strong drinks
 - sale of tobacco goods
3. Ministry of Communications
 - Communication services (telephone, cellular, paging, radio relay, installation and operation of cable television, express postal service)
4. Ministry of Ecology and Natural Resources
 - Storage and disposal of radioactive and ionized waste

- Utilization and neutralization of toxic waste
5. Ministry of Economic Development
 - Purchase, processing and sale of non-ferrous metals and industrial waste including precious metals and stones
 - Production and import of ethyl alcohol and strong drinks
 - Production and import of tobacco goods
 - Activities of labor exchange
 6. Ministry of Education
 - Activities of educational institutions (secondary, vocational schools and academies)
 7. Ministry of Finance
 - Activities of non-governmental social funds
 - Insurance activities
 - Production of controlled accounting forms
 8. Ministry of Fuel and Energy
 - Sale of oil products
 - Sale of gas products
 9. Ministry of Health
 - Medical activities
 - Pharmaceutical activities
 10. Ministry of Internal Affairs
 - Production of various seals and stamps
 11. Ministry of Labor and Social Protection of People
 - Assistance for Azeri citizens to identify employment in foreign countries
 12. Ministry of National Security
 - The use, production, sale, purchase, import and export of technical means for illegal intercepts of information by juridical and natural persons not authorized for the execution of investigatory activities;
 - Activities in the field of design and production of data protection facilities
 13. Ministry of Transportation
 - Transportation of passengers and goods by sea
 - Transportation of passengers and goods by air
 14. Ministry of Youth, Sports and Tourism

- Tourist activities
15. National Bank of Azerbaijan
- Banking activities
16. State Committee for Construction and Architecture
- Design of buildings and construction of the Level I and II responsibility in accordance with state standards; search and identification of engineers
17. State Committee for Land and Cartography
- Cartographic activities
18. State Committee for Securities under the President
- Activities of stock exchanges
 - Activities of investment funds
 - Activities of professional participants in the equity market (brokerage, dealer, securities management, determination of mutual obligations (clearing), deposit, registration of holders of securities, organization of trades in the equity market)
 - Activities on production and sale of all types of security forms
19. Nakhchivan Autonomous Republic
- Medical activities
 - Pharmaceutical activities
 - Assistance for Azeri citizens to identify employment in foreign countries
 - Production of various seals and stamps
 - Tourist activities

F. Steps to Establishing an Office

According to the Law on Protection of Foreign Investments, foreign investors may establish the following legal entities:

- Enterprise with participation of foreign investors on a shared basis (joint ventures);
- Wholly foreign-owned enterprise (foreign enterprises);
- Representative office.

Once a U.S. firm has decided to open an office in Azerbaijan, it needs to choose between establishment of a limited presence, a joint venture or a wholly foreign-owned enterprise for entrepreneurial activity. A limited presence is possible in the form of a representative office or a branch. A representative office and a branch that are subdivisions of a foreign legal entity are not considered to be an Azerbaijani legal entity, but both are still subject to taxation. A full legal presence as an Azerbaijani legal entity may be achieved through establishing the following forms of legal entities:

- Joint Stock Company
- General Partnership
- Limited Partnership
- Limited Liability Company
- Additional Liability Company

The Registration Department of the Ministry of Justice of the Azerbaijan Republic (further referred to as MoJAz) is authorized to register all types of legal entities. It is important to understand the steps to be undertaken by the foreign investor in order to establish a legal entity in Azerbaijan.

1. A letter from the founder or another authorized person requesting registration of the legal entity (one copy).
2. Charter of the legal entity (5 notarized copies).
3. Resolution or foundation agreement stating its intent to establish a legal entity in Azerbaijan (2 copies).
4. A receipt evidencing payment of the state registration fee in manat (payment should be made to the State Budget Fund at the National Bank of Azerbaijan, Account 30100062, code 501004).
5. A copy of a lease agreement or other document certifying the entity's legal address in Azerbaijan.
6. If the foreign founder is a legal entity, a document verifying that the entity is duly registered in the U.S. must be submitted. If the founder is an individual, then documents identifying his character and entrepreneurial activity are to be acquired. Both documents first must be certified by the consular section of the Azerbaijani Embassy in the United States and then presented to the MoJAz (two copies).
7. For joint ventures, the MoJAz also requires two copies of the founding contract.

The list of documents to register a company branch or representative office (further referred as "CB/RO") of a foreign legal entity (further referred as "FLE") differs from the one described above. Along with the documents necessary for the registration of a wholly owned subsidiary listed above under points 1, 4, 5, and 6, the following are to be additionally collected for the registration of a CB/RO:

1. The FLE's company charter and certificate of incorporation or equivalent. Both sets of documents must be notarized and then certified by the consular section of the Azerbaijani Embassy in the United States (two copies).
2. A statement of credit-worthiness from the FLE's bank (one copy).
3. A notarized power of attorney issued by FLE to the head of the CB/RO (two copies).
4. A resolution from the FLE's authorized body stating its intent to open an office in Azerbaijan (2 copies).
5. The CB/RO regulations signed and sealed by an authorized body of the FLE stating the purpose and objectives of the CB/RO and setting the operating principles of the organization, including the responsibility and power of the CB/RO chief executive/head (5 copies).

The registration fee for a branch office is approximately \$180 and for a representative office is \$2000, to be remitted in manat, to the account noted above.

The MoJAz may also request additional documents indicated below while registering either a company branch or representative office:

1. Two copies of the representative's identification documents/passport and three photos.
2. Sample of the FLE's seal and/or stamp (2 copies).
3. The FLE's tax identification number in the United States.

Although the MoJAz has decentralized and opened district offices, FLE's must continue to submit their registration documentation to the Ministry's central office. In compliance with the Law on State Registration of Legal Entities, the Ministry of Justice must complete the registration procedure within 10 days after all required documents are presented. In case of any problem with a company's submitted documents, the MoJAz must issue a letter within five working days describing the problem. Otherwise, the company's registration application goes directly to the Ministry Collegium and should be approved at the next registration board meeting. Following board approval, the Ministry will issue a registration certificate. The U.S. Embassy Commercial Service in Baku understands that the registration process often takes much longer and is less than transparent. Delays are common and sometimes unexplained. As of Summer 2003, the MoJAz was considering some improvements to speed the registration process. U.S. firms that experience registration problems are advised to contact the U.S. Embassy in Baku (see contact information in Chapter 11).

Once a registration certificate is obtained, there are certain post-registration procedures to be carried out by the newly registered legal entity:

- Obtain an official seal;
- Register at the Ministry of Tax;
- Register at the State Committee for Statistics;
- Register at the State Social Protection Fund;
- Register at the Employment Fund;
- Register at the Fund of Social Protection of Invalids; and
- Open a bank account in manat and U.S. dollars.

U.S. firms should remember that all documents from the FLE must be notarized and legalized in the United States. It is also important to know that according to the constitution and the Law on the State Language, Azerbaijani is the official language of administration, legislation, record keeping in all state bodies, enterprises and organizations in Azerbaijan. Therefore it is compulsory to accompany any document written in English with its notarized translation into the Azeri language.

The above information is provided solely as general advice. Laws and regulations including registration are subject to change. For detailed registration, legal, and tax counseling, U.S. firms are advised to contact tax and legal professionals resident in Azerbaijan to receive expert advice (see Chapter 11 below).

G. Selling Factors/Techniques

Azerbaijan is primarily a trading country, with the retail business largely unregulated and of the “street” variety. There are three primary market segments: (1) the largest share of the population earning the average monthly wage of \$65 or less; (2) a small but growing middle class with occasional disposable income; and (3) “new Azeris” noted for conspicuous consumption of top-priced items. The first two segments primarily focus on the unregulated yarmarki (street trade fairs) for cheap Turkish, Iranian, and Russian goods. U.S. consumer products firms should focus on the higher end of the market through retail outlets in Baku given the small but growing number of consumers with money to spend and interest in higher quality goods and services. Azeri shoppers are price-sensitive but extremely brand conscious. U.S. goods and services are lesser known than their Turkish or European competitors but are generally well regarded and thought to be reliable – a key factor in the Azeri shopping mentality. Counterfeiting of consumer goods is a problem. Well-heeled Azeri shoppers are known for their impatience and desire to buy immediately and in cash rather than wait weeks for shipments from warehouses in nearby countries.

H. Advertising and Trade Promotion

Advertising is still in its infancy in Azerbaijan and is largely confined to newspapers, television and billboards. Outdoor billboards and lightboxes are widely used in Baku for advertising and trade promotions. Outdoor advertising for tobacco and alcohol products is prohibited. Newspapers in Azeri and Russian are published daily, except Sunday. English-language papers are published weekly. Newspapers are widely sold and read and represent a good channel to reach Azeri consumers who have disposable income. Television advertising is possible on Azerbaijan’s two state-run and four private TV networks. In addition, Baku receives two Russian and three Turkish TV channels. There are seven private FM radio stations. For alcoholic products, advertising is allowed on local TV and radio stations after 10:00 p.m. with some restrictions. A number of Baku-based trade shows also provide an excellent opportunity to market U.S. goods and services. Please see Chapters 11 and 12 for a complete listing of major Azerbaijani newspapers, business journals, TV and FM programs, and trade events.

I. Pricing Product

Prices may be quoted in U.S. dollars. However, in accordance with Azerbaijani law, actual sales are officially quoted in manat. In practice, U.S. dollars are widely accepted. Azeris expect to bargain over prices. With the exception of goods such as gasoline and certain other products, the government does not set retail prices. Prices include the 18 percent value added tax (VAT).

J. Sales Service/Customer Support

While systemized customer service is still only developing, more local firms are developing a Western-style customer service approach. Cellular operators and information technologies firms in Azerbaijan are known for their high-quality service and customer support. Product guarantees are generally still rare, but are becoming more common.

K. Selling to the Azerbaijani Government

Selling to the central government or to state enterprises is difficult because government funds are scarce. Except for World Bank and EBRD-funded projects, financing for major capital projects is not available. At present, the government is running arrears in payments to domestic suppliers. Inter-enterprise debts are massive with little prospect of being reduced. State enterprises are often late paying their employees. Firms selling to the Azeri government should be particularly careful to specify beforehand how the 18 percent VAT will be levied. In short, absent external financing such as tenders backed by development bank financing, selling to the government should be approached with extreme caution.

L. Protecting Products from IPR Infringement

Azerbaijani law protects copyrights, patents, trademarks, and industrial designs. The U.S.-Azerbaijan bilateral trade treaty also covers intellectual property rights (IPR). Azerbaijan belongs to the World Intellectual Property Organization (WIPO). In reality, Azeri government mechanisms to enforce IPR laws are minimal and copyrighted products are often sold in markets and stores with no provision to pay royalties to copyright holders. CDs and Western videos, dubbed in Russian or Azeri, are sold at less than 15 percent of their market value in the West. True IPR enforcement remains a long-term prospect in Azerbaijan.

M. Need for a Local Attorney

Given the challenges of doing business in Azerbaijan, U.S. clients are advised to retain strong, in-country legal counsel. This especially includes at the outset of any transaction involving investment, structuring of joint ventures, and the like. The Azerbaijani legal system does not yet contain a transparent body of commercial law, and implementation of court decisions is haphazard at best. A new civil code was adopted in September 2000 and has, to a certain extent, improved the legal environment for commercial activity. Please see Chapter 11 for a list of law firms and consulting companies with offices in Azerbaijan.

CHAPTER 5: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

The market for U.S. goods and services in Azerbaijan can be divided between (1) selling to the international oil consortia and (2) sales outside the international oil consortia. There is significant demand for the products and services listed below, particularly among companies operating with a PSA. Sales outside the PSA structure to private local companies and government agencies are more complicated. Purchase contracts with Azeri government involvement are coordinated and awarded according to governmental priorities and available financial resources. These may change from year to year. As a result, forecasting future sales can be difficult. Statistical data is limited or unreliable. Products manufactured in Russia or other countries of the former Soviet Union may be preferred by some state agencies because they are more compatible and less expensive with existing Soviet-era production lines. Competition from Europe and Asia is intense and often tied to foreign aid or financing. U.S. suppliers offering attractive financing will be more successful in Azerbaijan than those seeking cash sales only. The

U.S. Export-Import Bank (Exim) should be brought into a deal at an early stage for any public sector transaction or transactions that contemplate an Exim insurance product.

A. Best Prospect Sectors for Non-Agricultural Goods and Services:

1. Oil/gas field machinery (OGM)

Major opportunities exist in 2003-2005 for U.S. oil and gas field equipment producers given the expansion of AIOC's offshore oil and gas production, representing upwards of \$10 billion in procurement opportunities. Included in this sector are winches, capstans, jacks, and their parts; rotary and stationary air and vacuum compressors, and parts; and fixed overhead cranes ranging from 20MT to 100MT, hydraulic cranes ranging from 25MT to 100MT, crawler cranes ranging from 100MT to 400MT, high capacity hydraulic trailers, loading and transportation prime movers; and reciprocating positive displacement oil well and oil field pumps. Due to extensive onshore and offshore development, this sector remains at the top of the Best Prospect Sectors List that includes most types of equipment related to the exploration, extraction and transportation of oil and gas.

Phase one of AIOC's full-field development of Azeri-Chirag-Guneshli (ACG) is expected to increase oil production to 350,000 barrels per day (bpd) by 2004 over current levels of 100,000-130,000 bpd. AIOC sanctioned the first phase of the full-field development of the ACG fields in August 2001, and Phase Two was sanctioned in September 2002. ACG Full Field Development Phase One envisages the construction of a drilling platform for 48 wells, a gas compression facility, an underwater pipeline from the Azeri field, and modernization of the Sangachal terminal. Phase Two will include the drilling of additional wells, the development of the Azeri structure and underwater transportation pipelines. Phase Three will be announced later in 2003. The construction schedule for Central Azeri, (CA Phase 1), and CA pre-drilling program, which included drilling of 12 pre-drill wells, is now complete. Construction works within the West Azeri and East Azeri (Phase 2) Project, which was sanctioned in September 2002 are currently underway. The West Azeri pre-drilling program will commence in Summer 2003 following installation of the West Azeri template by the derrick barge Azerbaijan. The ACG fields have taken on added importance since disappointing exploration results have been reported at other offshore fields. The Shah Deniz gas field, expected to come on line later in the decade, contains large amounts of gas and condensate and will require about 30 wells, with an additional 15 to 20 wells to be drilled as gas sales require additional production. In summer 2003, BP and its Shah Deniz partners awarded Technip-Coflexip a contract worth about \$300 million for the Stage One development of the Shah Deniz gas field in the Azerbaijan sector of the Caspian Sea. This contract includes the design, engineering, procurement, assembly, installation, hook-up and project management assistance for a TPG-500 drilling and production platform.

In late 2001 - early 2002, McDermott (MCCI) began refurbishment of the pipe-laying vessel "Israfil Husseinov" which will be used in ACG Phase One full field development. McDermott was identified as AIOC sub-contractor for the offshore pipelay (186 km long) and a 12 km-long pipeline from the compressor platform, along with water injection equipment. This work will be finished in May 2005.

The Baku-Tbilisi-Ceyhan (BTC) oil pipeline was sanctioned in September 2002, and included the following awards:

Azerbaijan pipelay:	CCC (Greece)
Georgia pipelay and facilities:	Spie Capag/Petrofac joint venture (France/U.S.)
Turkish "A" pipelay:	Tepe/Nacap joint venture (Turkey/Netherlands)
Turkish "B" pipelay:	Spie Capag/Alsim Alarko joint venture (France/Turkey)
Turkish "C" pipelay:	Punj Lloyd/Limak joint venture (India/Turkey)
Turkish pump stations:	Tepe (Turkey)
Turkish onshore and offshore terminals:	Toyo/Itochu/Tekfen JV (Japan/Japan/Turkey)

BTC construction started in Spring 2003, while the Shah Deniz gas pipeline is planned to become operational in 2006, capable of pumping 6 million cubic meters of gas annually. Currently, 40 km of pipes per week are delivered to the pipe yards along the BTC route with an estimated \$4 million spend daily. Approximately 39,000 joints of pipe will be needed for the Azerbaijan section of BTC, which is 460 kilometers long. The first joints of pipe for the construction of the BTC pipeline were delivered to Baku in January 2003. The pipe is 42" in diameter and was produced in Japan by Sumitomo. BTC and Shah Deniz pipelines will require Supervisory Control And Data Acquisition (SCADA) systems, including leak detection, operations control centers, pump stations, mainline block valves and tank farms.

Present offshore rig capacity allows for only four to six wells to be drilled per year. Given the small pool of rigs, the major international oil consortia established a Rig Club to combine resources. While some additional capacity will be gained through the construction of a new semi-submersible rig, future needs in the northern Caspian exceed the available equipment pool (see Oil and Gas Services below). A new shallow-water jack-up rig began operation in early 2001, increasing offshore drilling capacity in shallow waters. The DSS-20, a new semi-submersible drilling rig, will be launched in July 2003 from the Baku shipyard – the first new rig to be built in the Caspian in over ten years. The preliminary drilling schedule will have the DSS-20 spud the first exploration well in the Zafar-Marshall structure operated by ExxonMobil (U.S.). SOCAR's share in the project is 50%, and 20% of this deal belongs to ConocoPhillips (U.S.). The rig is built for ExxonMobil, which invested 80% of the project cost. Maersk (Denmark) is the overall contractor. This rig will be the biggest and the most powerful in the Caspian Sea, reaching drilling depths of 9,000 meters.

Operating consortia will pre-qualify equipment and services providers as possible subcontractors and suppliers and award purchase contracts accordingly. Often, a single sub-contractor will be named that will make and coordinate the purchase of all equipment and supplies required by a consortium during the course of a contract. Consortia and their sub-contractors give priority to U.S. firms that have an established presence in Azerbaijan and strong knowledge of local business practices. Companies interested in providing equipment and services to consortia are encouraged to contact them directly, register their companies as future suppliers and demonstrate their presence. If selected, many of the provisions set forth in the respective PSAs, such as exemption from import duties and VAT, will usually extend to subcontractors and suppliers, eliminating the endless tax and customs headaches that can plague operations in Azerbaijan. BP, on behalf of its AIOC partners, maintains an excellent website where U.S. suppliers can learn more about future bid opportunities --

www.ecbaku.com

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	0	0	20
C. Total Exports	0	0	0
D. Total Imports	N/A	N/A	N/A
E. Imports from the U.S.(in millions)	N/A	22.84	N/A

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

2. Oil, Gas, Mineral Production/Exploration Services (OGS)

Development of AIOC's Azeri-Chirag-Guneshli (ACG) fields, the Shah Deniz gas field, and two major oil and gas pipelines present major opportunities for U.S. construction, engineering, and oil field services companies. Additional geophysical support will be needed for further onshore/offshore exploration. Geophysical services for the oil consortia for acquisition and processing of 2D/3D seismic data are in demand, however the drilling of several "dry holes" in 1999-2002 dampened business somewhat. Caspian Geophysical, a joint venture between Schlumberger and SOCAR, operates two state-of-the-art seismic vessels, the "Baki" and "Galivar" as well as a world-class data processing center. The Japan Azerbaijan Operating Company (JAOC) decided to downsize its operation in Azerbaijan, after results received from exploration drilling at the Yanan Tava and Ateshgah offshore structures. In 2002-2003, JAOC carried out exploration drilling works and did not complete drilling of a first well, due to high well pressure. The well was not drilled to its planned depth and therefore did not reach a productive layer. Despite this string of non-productive wells, all eyes are now on ExxonMobil's drilling program to begin in Fall 2003 on the Zafar Mashal block. Drilling on this PSA block will be closely monitored by industry given recent disappointing results. Several onshore PSA's are also in operation, including recent buy-ins by Chinese upstream producers. Other independents have looked at the viability of onshore blocks, including recovery of marginal fields and other production enhancing technologies.

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	0	0	0
D. Total Imports	N/A	N/A	N/A
E. Imports from the U.S.	N/A	N/A	N/A

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

3. Architecture/Construction/Engineering Services (ACE)

The construction market in Azerbaijan has rapidly evolved from a state controlled monolith to one marked by upstart architectural, design and building firms with a thirst for the latest Western technologies and building materials. The construction sector is still heavily dependent on the development of the oil and gas sector, the backbone of Azerbaijan's economy. The lack of acceptable financing (i.e., bank loans and working capital on reasonable terms) forces Azerbaijani construction companies to rely on private capital. However, for targeted proposals backed by trade financing, there is potential business growth for U.S. firms with interest in this challenging market. Apartment and commercial renovation, construction related to the oil and gas sector, and demand for modern construction equipment and materials are key elements of future market growth, with government estimates of 240% growth in the construction sector in 2003. Large-scale development projects, particularly pre-fabricated housing and warehousing for the oil and gas industry portend huge potential in procurement needs from 2003 to 2004. Project pipelines involving international financial institutions as well as sub-contracted turn-key projects for the international oil consortia in the Caspian region should also be considered.

Throughout 2003, there has been a significant construction boom in Azerbaijan, primarily confined to Baku and its environs. Residential construction, whether multi-story, multiple dwelling units, or detached houses, are being built throughout the capital -- almost exclusively with private money. U.S. suppliers are advised to create medium-term buying relationships with leading Azeri construction firms, particularly in the area of security/CCTV systems, automatic gates/garages, brick manufacturing equipment, and other area of construction and building materials.

Over \$10 billion in procurement opportunities for U.S. oil and gas service firms and subcontractors are expected over the next 6-36 months in the Caspian region. These opportunities cover mainly subcontracting to oil companies in construction, engineering, and telecommunication sectors, as well as operational support and supplies (e.g., pre-fabricated housing, warehouses, supply of tools and materials, etc.).

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	N/A	N/A	N/A
D. Total Imports	N/A	N/A	N/A
E. Imports from the U.S.	N/A	N/A	N/A

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

4. Telecommunications equipment (TEL)

With the rapid growth of oil and gas investment in Azerbaijan since 1994, the telecommunications sector has attracted increasing foreign supplier interest. Oil and gas production and pipeline development will also create opportunities for U.S. telecommunications equipment suppliers, operators, and system integrators. Telephone usage remains low in Azerbaijan, with the number of domestic fixed line telephones totaling just over 900,000 as of Summer 2003. Azerbaijan has 56.4 telephones per 100

persons and 11.11 per 100 families. In Azerbaijan's capital of Baku, this indicator is 99.8 telephones per 100 families. The continued tight control and monopolistic practices of the Ministry of Communications, however, will affect overall development of the sector and medium-term opportunities for U.S. telecom equipment providers. Continued delays in privatization of the telecoms sector create uncertainty for all market players, and affects further market opportunities for U.S. firms.

Clear opportunities exist for U.S. firms as equipment providers or subcontractors for ICT solutions on behalf of major multinational oil firms active in Azerbaijan and lately state entities, which with financial support of international financial multipliers tend to computerize their outdated communication networks. Procurement of telecommunication equipment is usually conducted based on tender procedure with representatives of international financial multipliers that finance the project monitoring selection process. U.S. companies are advised to check for the latest tender announcements at <http://www.bisnis.doc.gov/bisnis/tradeleads1.cfm> - website of BISNIS, the U.S. Government's primary market information center for U.S. companies exploring business opportunities in Russia and other Newly Independent States.

2003 has seen some positive changes in telecoms infrastructure, however continued monopolistic control of the telecoms sector has curtailed real growth. In Summer 2003, the Azerbaijani sector of a regional fiber-optic cable was put into operation, with cable laid from the Baku railway station to Boyuk Kasik on the Georgian border. This project was done within the framework of the TRACECA [Transport Corridor Europe-Caucasus-Asia] program and the European Union allocated a total of EUR 15 million for the project. The length of the fiber-optic cable is 550 km with the capacity of 47 up-to-date telecommunication stations. Several telecommunications and Internet service providers (ISPs) are planning to expand, increase the number of local subscribers, improve quality of communications, and offer new services, such as ISDN, PBX, DECT wireless communications, as well as hardware and software. These expansion plans include renovation of automatic telephone exchanges, supply of modern technology, consolidation of telephone stations into single networks, and increased points of presence for ISPs in different regions of the country. Internet use in Azerbaijan is growing daily, although the overall estimated 50,000 internet users remains small per capita. Actual implementation of expansion plans is tied to separating the regulatory and commercial conflict of interest posed by the Ministry of Communications.

Azercell, a joint venture of Turkcell and the Ministry of Communications for cellular service with over 700,000 cellular subscribers throughout Azerbaijan has invested more than USD 179 million since 1996. Azercell currently holds 85% of cellular telephony market share in Azerbaijan. Bakcell, which includes Motorola as a shareholder, has also seen increased sales in 2003 and has more than 200,000 cellular subscribers. Overall, Azerbaijan is the leader among the former Soviet states in cellular subscribers, which totaled about 900,000 in July 2003. The Ministry of Economic Development has discussed the possibility of a third GSM provider in coming years, but local experts find this unlikely given the structure of the local cellular market. U.S. suppliers should monitor developments in mobile communications for future sales opportunities.

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	N/A	N/A	25
B. Total Local Production	N/A	N/A	0
C. Total Exports	N/A	N/A	0
D. Total Imports	N/A	N/A	25
E. Imports from the U.S.	N/A	N/A	7

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

5. Telecommunications services (TES)

Further economic development and expansion of petroleum operations will create new opportunities and demands in the market for complete telecommunications solutions. However, until Azerbaijan takes decisive steps in reforming the legal/regulatory framework and executive bodies responsible for telecom operations, limitations will remain and hinder rapid development, especially in the area of international telecommunications. In 2003, U.S. firms should monitor direct contract and sub-contracting opportunities to the international oil consortia, which will require expanded telecommunications services, particularly for data transfer.

The Law on Communications is the main legislative act regulating the industry. Telecommunications services must be licensed. The Ministry is required to keep a register of telecommunication licenses that have been issued, registered, suspended, or renewed. Under the Communications Law, the state has exclusive ownership of the spectrum of radio frequencies. The State Radio Frequencies Commission is authorized to issue radio frequency use permits to telecommunications businesses. This Commission also prescribes the rules and procedures for obtaining such permits and for operating at various frequencies.

Aztelecom is the national telecommunications operator for stationary lines. Aztelecom has a monopoly on long distance and international calls, including leasing of intercity and international channels. The Ministry of Communications regulates Aztelecom. It offers the following services: local, intercity, and international telephony; data transmission; telegraph; telex; TV and radio broadcasting; cable transmissions; leasing of frequencies; Internet access; and a telephone pay-card system. The Presidential Instructive Order, "On the Privatization of Certain Enterprises and Facilities of the Ministry of Communications of the Republic of Azerbaijan," dated March 29, 2001, announced the Azeri government's intention to privatize state-owned shares of joint ventures. As a matter of policy, the government plans to privatize Aztelecom, but the timing and methods are unclear. Azerbaijan's telecommunications system, with a few notable exceptions such as Bakcell, Azercell and Azeurotel, is in need of capital and strong Western management. Key issues that need to be addressed prior to privatization include: improving the range and quality of services; review and commercialization of the tariff system; further regulation of settlements between operators and networks; and creation of a proper legal and normative basis in the telecommunications industry. The Ministry of Communications acts both as a regulator of the industry and a joint venture participant in a telecom business, usually holding majority shares in these ventures. In early 2003, a European-Azeri consortium won a tender to become the Ministry of Communication's consultant for privatization of

Azerbaijani telecom enterprises. The consortium also advises the Ministry of Economic Development on privatization of state shares managed by the Ministry of Communications, including private joint ventures. As of Summer 2003, valuation of these enterprises was being finalized. Investment plans for each enterprise are currently being prepared, however timing of actual privatization remains unclear.

Other efforts of the government to improve investment climate in telecom sector include a presidential decree to approve the "National Information Communication Technology Strategy" (NICTS) for 2003 - 2012." According to the decree, a National Action Plan will consider improvements in information and communication technologies; development of IT-related fields; development of communication infrastructure, e-government, e-economy and information security.

Internet usage in Azerbaijan is poised for strong growth in 2003-2005. Currently there are about 50,000 Internet users in Azerbaijan, and Internet usage is increasing, especially in informal Internet cafes. Some Internet firms have begun to roll out points of presence in various Azeri cities. The regulatory environment is key to Internet development. The Ministry of Communications has been roundly criticized by ISPs for its continued interference in this sector, including a controversial September 2000 decree "On Introducing Additional Payments for Using Fax Communications and the Internet." Despite obstacles created by unnecessary government interference in this sector, U.S. telecom/IT services firms should position themselves with strong ISPs that will see a growing number on Azeris on-line in 2003-2005.

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	N/A	N/A	150
B. Total Local Production	N/A	N/A	140
C. Total Exports	N/A	N/A	0
D. Total Imports	N/A	N/A	10
E. Imports from the U.S.	N/A	N/A	6

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

6. Building Products (BLD)

According to several Azerbaijani construction firms, today's market is more results-oriented, time-sensitive, and largely rejects low quality materials and workmanship. Stock is also a key element for Azerbaijani firms because clients want timely delivery of building materials and services. Inventory requirements are a financial challenge and risk for construction firms operating in this country. According to several leading Azeri firms, the following construction materials are now considered to be in demand and represent opportunities for U.S. business:

- Assortment of different colored woods for parquet floors and finishing;
- Brick making equipment;
- Ceramic products (tiles, mats, etc.);
- Doors, insulated windows and American style window frames, automatic gates/garage doors
- Drywall;

- Heat, ventilation, and air conditioning systems;
- Security systems
- Building materials suited for extreme temperatures;
- Open vinyl sidings;
- U.S. standard sanitary engineering and lighting accessories;
- Varnish paints;
- Various types of wallpapers; and
- Water and sound proofing materials.

These building materials can be found on the Azerbaijani market, mostly sourced out of Turkey and Dubai and perceived to be of lesser quality. U.S. and European materials enjoy a stronger reputation for quality and, while more expensive, are preferred by Azeri consumers that are in a position to pay. Local sources report that sales are often dependent on product availability in Baku, and that Azeri consumers are often the “cash and carry” type who will rarely suffer long supply lines from the United States or Europe.

Long-term leasing of construction equipment also presents opportunities for U.S. construction equipment firms. However, current legislation governing leases does not adequately ensure lessor rights and requires further review. Leasing of earthmovers, bulldozers, small forklifts, etc. -- particularly in support of hydrocarbon production and pipelines -- can be a commercially viable business. Leasing will become increasingly prevalent over the 2003-2004 period, when major design and construction sub-contractor tenders for hydrocarbon and pipeline work are expected to be announced.

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	N/A	N/A	N/A
D. Total Imports	N/A	N/A	N/A
E. Imports from the U.S.	N/A	N/A	N/A

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

7. Food Processing and Packaging Machinery (FPP)

Azerbaijan's food processing and packaging industry has seen a slight recovery in 2002-2003, but many hurdles must be overcome to make Azerbaijan competitive with Russian, Iranian, and Turkish competitors. A wide variety of crops are grown in Azerbaijan, such as fruits (apples, cherries, grapes, olives, lemons, persimmons, melons, raspberries, strawberries, currants, plums, peaches, pears, pomegranates and tomatoes), vegetables (potatoes, carrots, beets, cabbage, cucumbers, and onions), grains (wheat, maize, barley), tea leaves, and nuts. As a result, Azerbaijan can become a supplier of processed and packaged food products in former Soviet markets, but it lacks marketing, processing and packaging technology to achieve this potential.

After the collapse of the Soviet Union only a handful of the 43 canning factories that existed in Azerbaijan during Soviet times were operating. One was located in Quba and the other in Salyan. They produced primarily tomato paste, natural fruit juices, and apple concentrate. They did not work to full capacity, and their equipment was outdated

and needed to be replaced. However, 2002-2003 has brought nascent improvements in agribusiness development. While the above mentioned factories still continue to use glass jars and bottles, both existing and green-field processors are gradually switching to plastic containers or tetrapacks that are less susceptible to damage in transit, have greater shelf-life, and store better. Importantly, a handful of food processing plants has begun operations in rural areas, taking advantage of low production costs and tax benefits. In Fall 2003, Azersun Holding, a Turkish-Azeri joint venture, will open a canning factory in Khachmaz, with state of the art German and Italian equipment. Azersun also has three tea packaging plants in Astara, Lenkoran, and Baku, and a Baku-based margarine/butter packaging plant. Azersun also intends to build a sugar refinery, the first in Azerbaijan. Another upstart Azeri firm and dairy processor, Mpro Ltd., boasts a dairy processing plant in Baku and in 2002 opened a dairy and juice processing plant in Geokchai, located in northeastern Azerbaijan. Agro Yurd, an Azeri agribusiness, supplies iceberg lettuce to the McDonald's chain of restaurants in Baku and is considering expansion. These greenfield investments are the first shoots of a revival in Azerbaijan's agribusiness and packaging sector, which will present opportunities for U.S. suppliers.

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	1.4	1.7	10
B. Total Local Production	0	0	0
C. Total Exports	0.012	0.015	0
D. Total Imports	1.4	1.7	10
E. Imports from the U.S.	0	0.1	.5

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

B. Best Prospects for U.S. Agricultural Exports

Azerbaijan's agricultural sector has undergone a dramatic transition since the breakup of the collective/state farm system and the privatization of agricultural lands starting in 1996. Today, 98 percent of the nation's agricultural land is in private hands. Farmers have moved away from traditional crops such as wheat and cotton in favor of fruit and vegetables. These crops require less fertilization and mechanization, can be cultivated in small plots, and can be marketed directly. As a result, the nation's demand for imported grains is growing, and cotton is no longer a significant source of foreign exchange revenue. Azerbaijan faces an annual wheat deficit of 600,000 tons. To compensate for its shortfall, the country traditionally imports wheat from Russia, Ukraine, and Kazakhstan.

In 2002-2003, the Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture approved the International Bank of Azerbaijan's participation in a GSM-102 export credit guarantee program to support U.S. exporters and minimize American company risk. This three-year, \$14 million program provides coverage for up to 98% of principal and 70% of interest for CIF or FOB transaction value and encourages exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees. Under GSM-102, CCC does not provide financing, but guarantees payments due from foreign banks. The

program operates via irrevocable letters of credit through approved banks. Although exporters must pre-qualify before registering a sale, the process is quite simple. In addition to GSM 102, CCC also approved \$5 million in Supplier Credit Guarantees (SCGP) for U.S. agricultural product exports to Azerbaijan. The three-year GSM 102 program, which is bank-to-bank and operates on confirmed l/c's, differs from the 180 day Supplier Credit program, which operates via promissory notes negotiated directly between the seller and buyer. The SCG program covers 65% of the principal and no interest. The program works well for products normally traded on open account and in cases where the exporter and importer have an ongoing relationship.

A broad range of U.S. food, fish and forestry products are eligible for guarantee financing under both programs.

Best Prospects

Wheat (figures are in metric tons)

	<u>2001</u>	<u>2002</u>	<u>2003 (e)</u>
A. Total Market Size	1,600.000	1,600,000	1,600,000
B. Total Local Production	1,000,000	1,000.000	1,000.000
C. Total Exports	N/A	N/A	N/A
D. Total Imports	600,000	600,000	600,000
E. Imports from the U.S.	0	0	0

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

Poultry Parts

Chicken meat is the most popular and affordable meat in Azerbaijan and is available at open markets, boutiques and supermarkets. The United States is the market leader in chicken parts, primarily leg quarters, because of the product competitive prices. Several firms have started producing whole birds domestically, which despite higher prices, appeal to local tastes and a growing market. Whole chickens are also imported from Turkey, France and South America. Azeri poultry producers, particularly the Siyazan, Merdakan, and Devichi broilers, have invested heavily in recent years on domestic production, however imports still dominate the market.

Metric tons

	<u>2001</u>	<u>2002</u>	<u>2003(e)</u>
A. Total Market Size	N/A	63,000	64,000
B. Total Local Production	N/A	19,000	20,000
C. Total Exports	0	0	0
D. Total Imports	44,000	44,000	44,000
E. Imports from the U.S.	30,000	30,000	30,000

Source: U.S. Embassy Commercial Service. Note: Given the lack of reliable data in Azerbaijan, the above figures represent market approximations.

Retail Foods

Azerbaijan has a number of small-medium supermarkets which stock imported products. Most imported foods are currently sourced from Turkey, Russia or the Gulf. Imports from other countries also arrive through consolidated shipments from Turkey or Dubai. However, several importers have expressed interest in importing American products direct from the U.S. and/or serving as distributors for U.S. products. The USDA's Foreign Agricultural Service retail market report, available on-line at www.fas.usda.gov, provides additional insight into this sector.

CHAPTER 6: TRADE REGULATIONS, CUSTOMS, AND STANDARDS

A. Trade Barriers, including Tariffs, Non-tariff Barriers and Import Duties

There are several barriers to trade with Azerbaijan that make doing business here difficult. Non-tariff barriers include a weak and unpredictable legal regime, arbitrary customs administration, clear conflicts of interest in regulatory/commercial matters, and corruption. The Azeri government's inadequate IPR protections amount to a trade barrier. Alcoholic beverages and tobacco products are subject to both quantitative restrictions and import licenses. In addition to customs duties, an 18 percent VAT was introduced on January 1, 2001. Goods from CIS countries (except Kazakhstan) are assessed VAT in their country of origin, not in Azerbaijan.

On April 12, 2001, Azerbaijan introduced a new tariff schedule, replacing the previous streamlined tariff regime that was established in 1997 and updated in 1999. All imports are subject to duties at uniform rates of 15, 10, 5, 3, or 0.5 percent of the declared customs value, or are duty free. Most goods are subject to the 15 percent maximum.

The following non-exhaustive list provides import tariff rates for a range of goods:

<u>Category</u>	<u>Percent</u>
Live animals (except breeding stock)	15
Grain products	5
Ores	0.5
Organic and non-organic chemical products	mostly 0.5
Fertilizer	0.5
Seeds	0.5 & 3
Tobacco	15
Wood and wood products	mostly 10
Paper and cardboard products and wastes	0.5, 3, 5, 10, 15
Textiles	0.5
Cotton	15
Chemical fibers and fabric	5 & 10

Ferrous metals	5
Articles from ferrous metals	10 & 15
Copper	0.5
Articles from cooper	5, 15
Nickel	0.5
Lead	0.5
Zinc	0.5
Tin	0.5
Some types of vehicles	mostly 15
Ships	mostly 0.5
Medical equipment	0.5
Syringes	0.5

B. Customs Valuation

Valuation of goods imported into Azerbaijan is based on the declared value that appears on the invoice. Import duties of 0.5, 3, 5, 10 and 15% are then assessed accordingly, based on the Customs Tariff schedule of the Azerbaijan Republic.

C. Import Licenses

Azerbaijan requires import licenses for food products of animal origin. The State Veterinary Committee (SVC) issues these licenses (contact numbers are provided in Chapter 11, Appendix E). Large-scale satellite dishes and other communications equipment must receive the permission of the Ministry of Communications.

D. Export Controls

Azeri government regulations prohibit the export of weapons, explosives, radioactive materials and wastes, narcotics, and psychotropic drugs. In addition, it regulates the export of strategic commodities produced in Azerbaijan. At present, strategic commodities include: petroleum products, cotton, electric power, and non-ferrous metals. Potential buyers of such commodities must get the approval of the State Commission on Supervision of Foreign Economic Relations.

E. Import-Export Documentation

Importers are required to provide the Customs Authority with:

1. Signed import contract (and contract number);
2. Customs declaration specifying what goods are being imported;
3. Invoice for the goods imported;
4. Permission from the relevant ministry if imports include pesticides, medicines, or weapons and ammunition;
5. Bill of lading;
6. Sales invoice and packing list;
7. Certificate of origin; and
8. Certificate of quality of the imported merchandise.

Exporters are required to provide the State Customs Committee with:

1. Document verifying the legal status of the business entity;
2. Legal entity's code determined by the State Statistics Committee;
3. Copy of the contract (and contract number);
4. Certificate of origin of the product being exported;
5. Document issued by an authorized bank on the pre-payment or opening of a letter of credit for the exported product;
6. Permission of the Cabinet of Ministers if exporting weapons, ammunition, nuclear technology and explosives, and permission of appropriate ministries if exporting certain animal bones, medicinal raw materials, information about natural resources, inventions, precious stones, and antiques;
7. Sales invoice and packing list; and
8. Customs declaration.

F. Temporary Entry

Personal items, tools of trade, and business samples may be imported with little problem. Goods to be displayed or exhibited may be brought in as temporarily imported goods for a period of time, but must be re-exported within the time stipulated to avoid paying import duties and taxes. U.S. firms planning to exhibit at major trade exhibitions in Azerbaijan need to work closely with the show organizer well in advance to ensure timely and proper temporary declaration of goods to be exhibited. If sending samples via express mail, firms should contact the local office of the courier service to get advice on declared customs value to avoid protracted and costly problems with Customs officials. Business representatives traveling with laptops must declare them at time of entry, but have generally not encountered problems bringing in or taking out cellular phones or laptops. Temporary entry forms covering laptops must be surrendered on departure.

G. Labeling and Marking Requirements

Azeri legislation imposes special rules on labeling of food and agricultural products. The labels must be in Azeri or at least in Russian or Turkish. English labels are also acceptable if information in Azeri is also provided, although compliance, as seen on supermarket shelves, is spotty at best.

Azeri legislation requires the following product information to appear on the label, however compliance is poor:

- Name and brand of the product
- Name and address of producing company
- Country of origin
- Expiration date/shelf life
- Nutrition and caloric values
- Net weight (grams or kilos)
- Usage instructions
- Name and type of packing material
- Storage instructions
- Licensing and certification information etc.
- Special warnings, if applicable

If the product has a shelf life of under three months, it must include the day, month, and year of expiration. If the shelf life is more than three months but less than eighteen months, the month and year are required. Products with a shelf life of more than three years are technically not allowed for sale in Azerbaijan, however compliance is weak. Fruit products must be labeled. Another regulation requires that labels for fruit "juices" specify whether the product contains fruit juice (90-100% concentrate), nectar (25-50% concentrate), or fruit drinks (up to 10% concentrate).

H. Prohibited Imports

Azerbaijan prohibits the import of radioactive materials and wastes, narcotics, and psychotropic drugs. Special permission is required to import weapons, explosives, and certain radioactive equipment used in the oil industry.

I. Standards

Azerbaijan uses the metric system for weights and measures. Small appliances use European standard plugs and electric connectors. The State Veterinary Committee (SVC) is responsible for ensuring basic health standards on imported food and animal products. State plant quarantine inspection laws ensure standards on products that may carry diseases, pests and/or weeds that have quarantine significance for Azerbaijan. Goods subject to inspection include plants, certain foodstuffs, wood, and leather.

Azerdovletstandart, the Azerbaijani State Committee on Standards, was liquidated as a Committee in December 2001. A State Agency on Standards, Patenting and Metrology was created in its place, which inherited functions such as patenting and others standards areas. Defunct Soviet standards will be abandoned and replaced with new Azerbaijani standards and international standards. The Azeri government will also consider adoption of some European Union standards in agricultural products.

J. Trade Zones/Warehouses

The Azerbaijan Customs Code provides for the establishment and operation of bonded warehouses within Foreign Economic Zones (FEZs), however as of Summer 2003 no bonded warehouses were in operation. While legislation in the mid-1990s was to establish a FEZ in Sumgait, this project was never implemented.

K. Special Import Provisions

Imported goods may be kept in a Customs warehouse for up to three years duty-free. Once the goods are released from the warehouse, they are subject to all applicable duties and taxes. The Customs warehouse will also assess charges for demurrage. The rate for this charge should be negotiated with the Customs warehouse prior to consignment to the warehouse to avoid any costly misunderstandings.

Goods imported into Azerbaijan for processing and then re-exported are subject to normal duties and taxes at the time of importation. As soon as processing has been completed and the goods are re-exported, a draw-back

procedure can be initiated to recover the taxes and duty paid. There is no formal procedure for submitting an application. Customs establishes the time for the processing and re-export of the goods, usually within two years. In addition, Customs may also stipulate a minimum amount of finished product to assure that the imported goods are utilized for the purpose intended.

Provisions for the importation of goods and equipment are an integral part of production sharing agreements (PSAs). Goods, tools, equipment, supplies, and services necessary for successfully carrying out the objectives of the PSA are generally exempt from import duties and taxes. By extension, foreign firms registered to do business in Azerbaijan and who provide services for contractor parties (CP) or foreign subcontractors (FSC) participating in PSAs may also be exempt from duties and VAT on imported goods and equipment relevant to their work.

The following is a non-exhaustive list of items exempt from import duties:

- Films for x-rays; medicine for veterinary use; biological preparations and veterinary supplies; packaged baby food; most pharmaceutical goods; prostheses; natural gas; electric power; powder for military purposes; fireworks, rockets, pyrotechnic articles for military purposes; military ships and spare parts; tanks and similar military machines; weapons; wheelchairs and spare parts.
- Goods and property for official use by diplomatic missions and equivalent missions in Azerbaijan and for private use by diplomatic and administrative employees of these missions and their resident family members.
- Humanitarian aid for free distribution delivered by properly registered humanitarian organizations and by other legal entities and physical persons under the permission of State Commission on International Humanitarian Aid.
- Property to be used as contribution by a foreign investor to the charter fund of a joint venture or for the creation of an enterprise fully owned by a foreign investor.
- Goods delivered to Azerbaijan for a limited term and to be returned unchanged to the country of origin under pre-defined conditions (VAT shall be paid at entrance and reimbursed at exit).
- Property of foreign employees of enterprises with foreign investment in Azerbaijan for private use.

Customs duties do not apply to goods imported under bilateral free trade treaties between Azerbaijan and foreign states. Importers are subject to the payment of a customs processing fee in the amount of 0.015 percent of the declared customs value or a minimum of 16,500 manat, whichever is greater. However, it has been reported that the rate of 0.015 percent has not been applied consistently at all ports of entry in Azerbaijan. This fee is payable regardless of whether the goods are exempt from customs duties or VAT. U.S. firms should be forewarned that customs clearances can be problematic, time-consuming, and bribes are often sought from underpaid Customs officers.

L. Membership in Free Trade Arrangements

Azerbaijan has signed bilateral free trade agreements with seven states of the former Soviet Union, although the trade liberalizing provisions of most of the agreements have not yet taken effect. Azerbaijan signed agreements with: the Russian Federation (September 30, 1992); Moldova (May 26, 1995); Ukraine (July 28, 1995); Turkmenistan (March 18, 1996); Uzbekistan (May 27, 1996); Georgia (June 10, 1996); and Kazakhstan (June 10, 1997). Signatories agree not to apply duties, taxes and charges that equally affect exports and imports between them. Currently, Azerbaijan does not apply customs duties to imported goods from Russia, Georgia, Kazakhstan, or Ukraine.

Azerbaijan joined the agreement on the establishment of a free trade zone within the CIS on April 15, 1994. It provides that signatories agree not to apply duties, taxes and charges on exports and imports between them. This agreement and subsequent amendments have not been fully implemented.

In July 1999, Azerbaijan entered into a Partnership and Cooperation Agreement with the European Union. Among its goals is making legislation in Azerbaijan compatible with the EU body of law. This includes the protection of intellectual property rights, assets and investments, and corporate and personal belongings against abuse. It also awarded Azerbaijan most favored nation (MFN) status with the EU. In addition, Azerbaijan is currently seeking WTO membership, however accession is not likely before 2005.

CHAPTER 7: INVESTMENT CLIMATE STATEMENT

Azerbaijan's ongoing transition to a market economy presents both significant prospects and challenges. Since 1994, Azerbaijan has successfully executed a strategy to develop its oil and gas resources and has achieved macroeconomic stability. Much work remains to be done, however, to produce prosperity for the country's population of eight million. This includes improving governance and curbing corruption, diversifying the economy through domestic and foreign investment, and creating jobs. Azerbaijan's long running conflict with Armenia over Nagorno-Karabakh has left the country with hundreds of thousands of refugees and internally displaced persons (IDPs) for more than a decade and constitutes an enormous burden on economic and democratic development.

In 2002-2003, Azerbaijan continued to implement initial steps on a series of reforms designed to make this transition economy more market-oriented and to improve governance. In 2003, it remained on a three-year IMF Poverty Reduction and Growth Facility (PRGF) program. Objectives of this program include establishing financial discipline in the domestic energy sector, increasing the transparency and efficiency of operations at the Ministry of Taxation and the State Customs Committee and the development of a comprehensive anti-corruption initiative. It will also support banking reform, accelerated privatization, improvements in civil service operations and delivery of social services, and judicial and regulatory reform. In May 2003, the IMF approved the third disbursement under the PRGF of approximately USD 18 million. In June 2003, the World Bank announced a USD 35 million credit for irrigation improvements and a 40

million credit for energy sector development. Azerbaijan also reached agreement with the World Bank in March 2002 on a \$60 million second Structural Adjustment Credit (SAC-II) program related to public sector restructuring.

If completely implemented, the reforms envisaged by the IMF and World Bank programs could improve Azerbaijan's investment climate. Effective implementation of the goals Azerbaijan is setting with these institutions will be key to developing a rules-based economy which will attract investment. Creating a stable and predictable business environment is especially crucial for attracting investment to the non-energy sector. At present, however, Azerbaijan remains a challenging market in which to do business.

Azerbaijan's macroeconomic situation continued to improve, despite a global economic slowdown and volatility in world oil prices. In 2002, higher world oil prices for much of the year and increased oil production fueled GDP growth to 10.6 percent for the year; real GDP growth is projected at 9.2 percent for 2003. The national currency, the manat, was stable, and oil helped Azerbaijan register a significant trade surplus throughout 2002 and into 2003. Sound fiscal and monetary policies have kept the budget deficit and inflation low. The National Bank intervened to stabilize exchange rate fluctuations, allowing for modest depreciation of the real effective exchange rate. Gross reserves totaled approximately \$651 million as of April 2003, in addition to nearly \$810 million in the country's State Oil Fund (July 2003).

Implementation of the Azerbaijani government's second stage privatization program, in which many large state-owned enterprises are to be privatized, has been slow. Plans are moving forward for the partial privatization of the majority state-owned International Bank of Azerbaijan, with the EBRD intending to take a 20 percent stake. The Azerbaijani government concluded long-term management contracts for operation of three electricity distribution networks in January 2002 with a Turkish firm, Barmek Holding. In Fall/Winter 2002, Azal Airlines announced its intention to privatize several affiliated companies. Several attempted privatizations or placements of large state enterprises under private management failed for lack of qualified bidders. Other identified privatization projects, such as the sale of the Azerbaijani government's share of joint ventures in the telecommunications sector, have been slow to move forward.

Corruption is a significant deterrent to investment in Azerbaijan, especially in the non-energy sector. Laws and regulations that exist to combat corruption are not effectively enforced. Corruption appears most pervasive in the regulatory, tax and dispute settlement systems. Problems in the quality, reliability and transparency of governance, as well as abuse of the regulatory system and poor contract enforcement, significantly impede the ability of many companies to do business in Azerbaijan and have driven many companies, including some major Western firms, from the market. In the past several years, politically connected businesses appear to have benefited from government regulatory and other decisions to achieve effective control over several lucrative sectors of the economy.

The government is aware that corruption is a serious problem. Having approved in its first reading draft anti-corruption legislation in December 2001, parliament is expected to take up the legislation again in Fall 2003. Azerbaijan plans to reform its civil service, including significant salary hikes for government employees. In January 2003, as part of reforms at the Ministry of Taxes, the government reduced the number of employees by 40 percent but doubled salaries for those remaining. Key business groups, including the

American Chamber of Commerce, report an improvement in tax administration in 2002-2003. The government also raised civil servant salaries by 50 to 100 percent in several other sectors, including health and education. Both the IMF and World Bank programs include reforms aimed at combating corruption and improving governance, including restructuring of the State Customs Committee (SCC) and reform of its operations. Azerbaijan agreed with the IMF to a plan to reform the SCC based on the results of an audit of SCC operations and procedures conducted by an international consulting firm in 2002.

2003 brought continued development of Azerbaijan's energy sector. Baku-Tbilisi-Ceyhan (BTC) main export oil pipeline was sanctioned in September 2002, and construction began in 2003. This pipeline is designed to be the main export route for increased volumes from AIOC's Azeri-Chirag-Guneshli fields, whose production is slated to increase from 145,000 barrels per day in 2002 to an estimated 400,000 barrels per day in 2006, and other Caspian oil volumes. In September 2002, AIOC sanctioned Phase Two of full-field development of its Azeri-Chirag-Guneshli oil field, worth \$3.6 billion. Construction of a South Caspian gas export pipeline from Azerbaijan and Turkey to export natural gas from the Shah Deniz field to Turkey was sanctioned in early 2003. The construction of these oil and gas pipelines offers great opportunities for oil and gas service firms and related infrastructure industries.

On the political front, prospects for a solution to the Nagorno-Karabakh conflict between Azerbaijan and Armenia appear to have receded as attention focused on 2003 presidential elections in both countries. The presence of an estimated 800,000 internally displaced persons and refugees in Azerbaijan exacerbates the serious challenges faced by the Azerbaijani government to combat widespread and persistent poverty. The State Statistics Committee and the World Bank estimate that 49 percent of the population live in poverty, with 17 percent in extreme poverty. Poverty remains particularly acute in Azerbaijan's regions, and developing an environment in which private investors can help create employment opportunities in the regions remains an imperative for Azerbaijani policymakers.

1. OPENNESS TO FOREIGN INVESTMENT

The Government of Azerbaijan officially welcomes foreign direct investment, realizing that it plays a vital role in development of the country's economy. Since 1994, Azerbaijan has attracted significant amounts of foreign investment to develop further its energy sector. However, government bureaucracy, weak legal institutions and predatory behavior by politically connected monopoly interests have severely hindered investment outside of the energy sector. President Aliyev met with domestic and foreign entrepreneurs in spring 2002 to discuss problems and possible solutions to improve the business climate. As a result of these meetings, a series of presidential decrees were issued in August-October 2002 to address business concerns. The decrees called for a reduction in the number of activities subject to licensing and streamlining of the licensing procedure; creation of an SME Entrepreneur's Fund; and restrictions on harassment of businesses by federal and local authorities. An Entrepreneurs' Council, consisting of domestic and foreign companies and reporting to the president, first convened in July 2003. As a result of these and other reforms, there have been improvements in the business and investment climate.

The Law on Protection of Foreign Investments permits foreign direct investment (FDI) in any activity open to a national investor unless prohibited by law. Prohibited areas include those relating to national security and defense. As of Summer 2003, a new law on investment is being discussed; however, the provisions of the new law and its relationship to the Law on Protection of Foreign Investments are not clear. Other key sectors, including energy and mobile telephony, are carefully controlled by the government. Investment in the oil and gas sector has in the past been made by concluding a Production Sharing Agreement (PSA) with the State Oil Company of Azerbaijan (SOCAR) that is subsequently ratified by parliament. The establishment of a Ministry of Fuel and Energy (MFE) has not meaningfully changed this procedure, although the MFE has been given nominal responsibility for conclusion of PSAs. A limitation on FDI in the banking sector was reduced when the National Bank of Azerbaijan (NBA) increased the limit on participation of banks with foreign ownership from 30 to 50 percent of the commercial banking market.

Under Azerbaijani law, foreign investors may participate in the Azerbaijani market through joint ventures with local companies, establishment of subsidiaries wholly owned by foreign investors, and representative offices and branches of foreign legal entities. The Law on Protection of Foreign Investments provides that the Azerbaijani government will treat foreign investors in a manner "not less favored" than the treatment accorded to local investors. This law provides for repatriation of profits, revenues, and other investment-related funds so long as applicable Azerbaijani taxes have been paid. The law also provides a ten-year grandfather clause in the event new legislation less favorable to the foreign investor is adopted. However, this provision does not apply to changes in tax legislation.

While the Azerbaijani government employs no formal screening mechanisms for general foreign investment, the process of registering an enterprise with the Ministry of Justice serves as a de facto screening process. Although by law required only to determine that documents of enterprises seeking registration are in order, the Ministry operates in a non-transparent and arbitrary manner. Credible reports indicate that ministry officials make extra-legal determinations of whether individual foreign investments are of an appropriate nature before making decisions about registration. Some investors have alleged that they have received demands for bribes when attempting to register their enterprises. The Embassy has argued forcefully for full adherence to the Law on Registration and has advocated on behalf of several U.S. firms and NGOs that have encountered delayed registrations.

From 1996 to 1998, Azerbaijan carried out a privatization program focused on privatization of small and medium-sized enterprises. A presidential decree in August 2000 provided for case-by-case sales of some of Azerbaijan's largest state-owned enterprises, and in March 2001, the president issued decrees identifying approximately 450 enterprises that were to be privatized during the second program. Foreign investors may participate, though it is not clear to what extent vouchers and options purchased previously by foreigners will play a role in these and other privatizations. In July 2001, a presidential decree, aimed at making the process more transparent, expanded the list of enterprises that may be privatized via investment competitions. In January 2002, the Azerbaijani government succeeded in placing under long-term private management the Baku electrical distribution network. The Ganja, Sumgait and Alibayramli electrical distribution networks were also placed under private management in 2002.

The Ministry of Economic Development maintains a web site with information about ongoing privatizations available in English, Azeri, and Russian (www.economy.gov.az). Participation in the privatization program continues to be hindered, however, by a lack of resources to properly prepare assets for privatization and insufficient information about the assets of enterprises to be privatized.

In the telecommunications sector, the Ministry of Communications has retained a 51 percent share in most telecommunications enterprises. In March 2001, a presidential decree identified nine enterprises and institutions of the Ministry of Communications for future privatization. As of Summer 2003, little progress has been made in privatizing the state's shares of telecommunications joint ventures or otherwise reducing the state's role in this important sector, although in June 2003 the Minister of Economic Development announced that the state share in the two mobile telecommunication joint ventures would be sold by the end of the year.

2. CONVERSION AND TRANSFER POLICIES

Azerbaijan has a liberal exchange system, and, in general, there are no restrictions on converting or transferring funds associated with an investment into freely usable currency and at a legal, market-clearing rate. Conversion is carried out through the Baku Interbank Currency Exchange Market and the Organized Interbank Currency Market. The Baku Electronic Currency Exchange System (BEST) was launched in July 2002. Cash exchange is carried out at numerous currency exchange points. No difficulties exist in obtaining foreign exchange. The average delay for remitting investment returns is two to three business days. In late 2001, the NBA required that cash transactions be conducted in Azerbaijani manats. Additional requirements relating to the disclosure of the source of currency transfers have been imposed in an attempt to reduce illicit transactions. There have been no recent changes in, nor are there plans to change, remittance policies that would tighten access to foreign exchange for investment remittances. In June 2002, the National Bank of Azerbaijan liberalized some overseas transfer provisions for Azerbaijani legal residents, including an increase of advance payments for import transactions from \$10,000 to \$25,000 and waiver of all restrictions for withdrawing foreign currency in cash. The Tax Ministry has occasionally frozen bank accounts of companies that it believes have failed to meet their tax obligations; however, this problem appears to have receded as of Summer 2003.

3. EXPROPRIATION AND COMPENSATION

The Law on Protection of Foreign Investments protects foreign investors against nationalization and requisition except under certain specified circumstances. Nationalization of property to prevent harm to the population or damage to state interests of Azerbaijan is possible by parliamentary resolution. Requisition by a decision of the Cabinet of Ministers is possible in the event of natural disaster, epidemic, or other extraordinary situation. In the event of nationalization or requisition, foreign investors are entitled by law to prompt, effective and adequate compensation. There have been no cases of nationalization or requisition against foreign firms in Azerbaijan.

A serious investment dispute issue arose in 2001-2002 when the Ministry of Communications (MOC) attempted to reverse a share redistribution in two telecommunications joint ventures, Azercell and Bakcell. Private-sector firms, initially minority shareholders in these joint ventures with the MOC, became majority

shareholders as a result of additional capital investments they made to the ventures. The private-sector partners continue to negotiate a solution to this dispute with the Azerbaijani government.

4. DISPUTE SETTLEMENT

Dispute settlement mechanisms are improving in Azerbaijan, but effective means of protecting and enforcing property and contractual rights are not yet assured. While the Azerbaijani government does not officially interfere in the court system, in practice courts are weak, judges often inexperienced, and progressive new tax and other economic legislation poorly understood. The Economic Court, which has jurisdiction over commercial disputes, is weak, widely regarded as corruptible, and its decisions are often inconsistent. A new Civil Procedure Code, effective September 1, 2000, sets forth basic civil legislation.

Changes in Azerbaijan's legal framework have made arbitration a potentially more effective mechanism to settle disputes. In February 2000, the Law On International Arbitration came into force that provides for the possibility of local arbitration in international commercial matters. In May 2000, the parliament ratified Azerbaijan's accession to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which provides for binding international arbitration of investment disputes between foreign investors and the state. A Bilateral Investment Treaty between the U.S. and Azerbaijan, which came into effect in August 2001, provides foreign investors with recourse to the International Center for the Settlement of Investment Disputes. Azerbaijan is a party to the World Bank Convention on the Settlement of Investment Disputes between States and Nationals of Other States and is also a member of the Multilateral Investment Guarantee Agency (MIGA). The Civil Procedure Code also provides that foreign arbitral awards may be enforced in Azerbaijan so long as they do not contravene legislation or public policy, and if reciprocity exists.

Investment disputes have arisen in Azerbaijan when a foreign investor's success threatens favored, politically connected interests. Resolution of such disputes has occasionally reportedly involved the foreign investor acquiring a local partner with strong ties to influential persons in the government. Azerbaijan's bankruptcy law does not function effectively. Under the IMF's PRGF program, the Azerbaijani government has agreed to review the bankruptcy law and possibly submit revisions to the law to parliament; the current bankruptcy law is rarely used.

5. PERFORMANCE REQUIREMENTS AND INCENTIVES

Azerbaijan has not yet developed effective incentives to attract foreign investment, other than the incentives provided by Production Sharing Agreements in the oil and gas sector. Performance requirements are not imposed on new investment, but investors who participate in the privatization process of enterprises often assume specific obligations regarding future investment and employment. Foreign investors are not required to purchase from local sources or export a certain percentage of output. Except for those state monopolies identified in Section 1 above, there is no requirement that nationals own shares in enterprises. Investors in PSAs assume specified obligations and requirements as provided by the PSA.

There are no legal requirements for employment of host country nationals. Employers wishing to hire foreign workers in Azerbaijan must obtain a license from the Ministry of Labor. Foreigners who wish to work in Azerbaijan must register with local authorities at their place of residence and obtain work permits from the Ministry of Labor. Heads of representative offices and branches of foreign legal entities and their deputies do not require work permits.

6. RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Under Azerbaijani law, foreign investors may engage in investment activities not prohibited by law. Private entities may freely establish, acquire, and dispose of interests in business enterprises. In practice, access to markets, credit and other business operations is often impeded by licensing and other regulatory requirements and by politically connected business interests that can mobilize the powers of the state to their advantage. In sectors of interest to certain senior government and political figures, competition is not tolerated.

Legislation regulating real property rights include the Land Code of the Republic of Azerbaijan (1999), the Law on Land Reform (1996), the Law on Land Leasing (1999), and the Law on Land Market (1999). Azerbaijani citizens and Azerbaijani legal entities, including enterprises with foreign investment, can legally own, buy, sell, and trade property. Foreign citizens and enterprises may lease land, but cannot own it.

7. PROTECTION OF PROPERTY RIGHTS

In the mid-1990s, Azerbaijan began implementing a national system for registering and protecting intellectual property rights with the assistance of the World Intellectual Property Organization (WIPO), of which it is a member. Azerbaijan enacted modern copyright legislation (Law on Copyright and Related Rights) in 1996, patent legislation (Law on Patents) in 1997, and trademark protection legislation (Law on Trademarks and Geographic Names) in 1998. Azerbaijan is a party to the Convention Establishing the World Intellectual Property Organization, the Paris Convention for Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works. In September 2001, Azerbaijan became a party to the Geneva Phonograms Convention.

The State Copyright Agency has formed an anti-piracy commission, with representatives from various ministries. While the Agency has initiated civil court proceedings for violation of copyrights, in practice, there is limited enforcement of intellectual property rights. Pirated software, cassettes and videotapes, as well as knock-off clothing and luxury items, are widely available in Azerbaijan. In 2003, Azerbaijan remained on the U.S. government's "Watch List" of countries that fail to provide adequate and effective protection for intellectual property rights of American companies, as specified by Section 301 of the Trade Act of 1974. Azerbaijan is not yet a member of the World Trade Organization, but the Ministry of Economic Development has retained an advisor to assist in preparing Azerbaijan's bid for accession.

8. TRANSPARENCY OF THE REGULATORY SYSTEM

Although the Azerbaijani government has improved its regulatory system in the past several years, it remains characterized by weak administration, a lack of transparency and widespread allegations of corruption. The lack of transparent policies and effective

laws to establish clear rules and foster competition are particularly serious impediments to investment. While Azerbaijan has adopted laws that conform in varying degrees to international standards, including a Tax Code that went into effect on January 1, 2001, effective implementation and administration will be key to creating a transparent, rules-based economy capable of attracting and retaining investment. In 2003, there have been notable improvements in tax administration. For example, demands for advance tax payments from foreign businesses, a problem in recent years, have largely disappeared.

Information on decisions implementing laws and regulations is frequently difficult or impossible to obtain. Ready access to government rules and regulations is an impediment to doing business. While laws and decrees are usually published in one of the country's official newspapers, implementation is often delayed while regulations are developed. Those regulations often are not published or distributed. Many persons doing business in Azerbaijan complain that bureaucratic procedures contribute to long delays in gaining necessary permits and licenses; however, the recent cut in licensing requirements has had a positive impact.

9. EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

As of Summer 2003, there were 46 banks functioning in Azerbaijan. The banking sector consists of two large state banks, the International Bank of Azerbaijan (IBA) and United Universal Joint Stock Bank (BUS Bank); 14 foreign banks and subsidiaries and 33 private Azerbaijani banks. According to the National Bank of Azerbaijan (NBA), as of Summer 2003, total assets of Azerbaijan banks were about \$890 million. Banking operations are guided by the 1996 Law On Banks and Banking Activities in Azerbaijan. Foreign ownership in the banking sector is limited to 50 percent on an aggregate basis. A new commercial bank law was submitted to parliament in Summer 2003.

In April 2003, new presidential decrees established timelines for the long-delayed privatization of IBA and BUS Bank. According to the decrees, the Azerbaijani government would sell twenty percent of IBA to the European Bank for Reconstruction and Development (EBRD), with full privatization by the end of 2004. Negotiations with EBRD are ongoing. The Azerbaijani government has also announced intentions to privatize BUS Bank, which was established from the assets of three abolished state banks. In February 2002, the Ministry of Finance completed recapitalization of BUS Bank, issuing it state bonds worth 30 billion Azerbaijani manats. The April decree calls for further strengthening of BUS Bank in 2003, with privatization to follow in 2004. BUS Bank is currently prohibited from engaging in lending operations, although it applied to the National Bank of Azerbaijan in June 2003 for a license for lending activity.

The NBA has taken steps to improve bank supervision and raise capital requirements. Minimum statutory capital requirements were raised to \$2.5 million for existing banks in July 2002 and remain \$5 million for new banks. Bank consolidation, which began in the mid-1990s when Azerbaijan had 250 small, illiquid banks, needs to continue. There was one bank merger in 2003. The NBA, which implemented a SWIFT-based Real Time Gross Settlements system in 2001, is now developing a low-value payments system. The Baku Interbank Currency Exchange (BICEX) carries out interbank auctions of foreign exchange. Treasury bill auctions are conducted by the Baku Stock Exchange, which was established in the fall of 2000. Since then, the number of participants and volume of transactions have increased, but this is not yet a truly competitive market.

Following the departure of HSBC British Bank of the Middle East from retail banking operations in Azerbaijan in June 2002, the National Bank issued a license to Turkish Kocbank to accept deposits. Presently, Kocbank and state-owned IBA are the banks most frequently used by foreign enterprises. At the end of 2002, IBA reported assets exceeding \$560 million.

In July 2002, Fitch IBCA upgraded Azerbaijan's long-term foreign currency rating from a BB- with a stable outlook to a BB- with a positive outlook, reflecting progress Azerbaijan made in the previous 12 months, including the Azerbaijani government's focus on improving financial discipline in its domestic energy sector. State Oil Fund assets totaled nearly \$810 million in Summer 2003. In February 2003, amendments to the Budget Systems Law required that all expenditures from the State Oil Fund be made through the state budget, with the approval of parliament. The Oil Fund will contribute approximately USD 100 million to the 2003 state budget. It is expected that future expenditures in infrastructure, social and other priority investments will be largely limited to interest earnings for several additional years until the fund boasts a significantly larger balance.

10. POLITICAL VIOLENCE

There have been no acts of political violence against U.S. businesses or assets, nor against any foreign-owned entity. The risk of political violence affecting foreign investors remains minimal.

11. CORRUPTION

Corruption is a significant deterrent to investment in Azerbaijan, especially in the non-energy sector. Laws and regulations that exist to combat corruption are not effectively enforced. The Azerbaijani government recognizes that corruption is a problem, although it frequently disagrees with the results of international rankings produced by groups such as Transparency International. In December 2001, parliament passed in its first reading anti-corruption legislation. It is expected to take up the legislation again in Fall 2003. Published results of other recent surveys identify the State Customs Committee as the institution of greatest concern of businesses in Azerbaijan, followed by the Ministry of Taxation. Corruption appears most pervasive in the regulatory, tax and dispute settlement systems. Throughout the country, problems in the quality, reliability and transparency of governance, as well as abuse of the regulatory system and poor contract enforcement, significantly impede the ability of many companies to do business in Azerbaijan and have driven many companies, including some major Western firms, from the market.

In the past several years, politically connected businesses appear to have benefited from government regulatory and other decisions to achieve effective control over several lucrative sectors of the economy. This includes in cotton and tobacco, and U.S. investors have been among those victimized. Currently, powerful state-owned enterprises such as the Azerbaijan State Caspian Shipping Company (CASPAR) have protected their commercial interests by blocking entrance of new entrants into the market through the exercise of their regulatory authority -- a clear conflict of interest. A focus of current IMF and World Bank work in Azerbaijan is combating corruption and

improving governance, including restructuring of Customs and reform of its operations. Azerbaijan is not a signatory to the OECD Convention on Combating Bribery.

12. BILATERAL INVESTMENT AGREEMENTS

On October 18, 2000, the U.S. Senate ratified the Treaty Between the Government of the United States of America and the Government of the Republic of Azerbaijan Concerning the Encouragement and Reciprocal Protection of Investment (commonly known as a "Bilateral Investment Treaty" (BIT). Azerbaijan and the U.S. exchanged instruments of ratification on July 3, 2001, and the treaty entered into force on August 2, 2001.

In addition to the above agreement, Azerbaijan has bilateral investment protection agreements with the following countries: Austria, France, Georgia, Germany, Great Britain, Iran, Italy, Kazakhstan, Kyrgyzstan, Lebanon, Moldova, Pakistan, Poland, Turkey, Ukraine, and Uzbekistan.

13. OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The Caspian Finance Center, located at the U.S. Embassy in Ankara, Turkey, is a one-stop shop for U.S. investors and companies seeking to do business in the Caspian Region. Representatives of the Overseas Private Investment Corporation (OPIC), Exim Bank, and the Trade and Development Agency (TDA) can provide advice on financial and insurance products and services.

OPIC has not yet provided political risk insurance or project finance for projects in Azerbaijan, although it has publicly indicated its interest to provide political risk insurance to U.S.-based financial institutions and U.S. equity partners in the Baku-Tbilisi-Ceyhan oil pipeline. OPIC provided funding to the Caucasus Fund, which sought project finance opportunities in Armenia, Azerbaijan and Georgia. This fund was closed in early 2002, as it could not fulfill its capitalization requirements. In Summer 2002, OPIC invested \$50 million in Soros Investment Capital for projects targeted to all three Caucasus countries. OPIC has also disbursed a \$5 million loan to Caucasus Airlines, a regional air carrier based in Tbilisi which serves all three Caucasus republics.

14. LABOR

Azerbaijan has an abundant supply of qualified, trained technicians and skilled and unskilled laborers at attractive rates. The collapse of the old Soviet industrial sector in this country during the 1990s resulted in large numbers of Azerbaijanis becoming unemployed or underemployed. Although the Azerbaijani government claims that fewer than two percent of the work force is registered as unemployed, international organizations estimate the actual rate of unemployment at ten to twenty percent or more, with underemployment much higher. On January 1, 2002, the minimum monthly wage was set at 27,500 manats, approximately \$5.60 at the current exchange rate. Labor relations are regulated by a Labor Code that took effect in July 1999. The workweek is generally forty hours, the right to strike exists, and industrial strikes occur occasionally. Azerbaijan is a member of the International Labor Organization and has ratified more than 50 ILO Conventions. Azerbaijan is currently engaged with the World Bank in a program to reform the state pension system.

15. FOREIGN TRADE ZONES/FREE PORTS

Although the government announced in Spring 2003 its intention to create special economic zones, there are currently no foreign trade zones or free ports operating in Azerbaijan.

16. FOREIGN DIRECT INVESTMENT STATISTICS

As work on the Baku-Tbilisi-Ceyhan (BTC) main oil export pipeline and development of Azerbaijan's oil and gas fields intensifies, foreign investment is projected to increase from the approximately 15 to 25 percent of GDP in the late 1990s to 50 percent of GDP in 2004. Since 1995, over 85 percent of all investment in Azerbaijan has been financed from abroad. Over 75 percent of that investment has been in the form of foreign direct investment.

Foreign Direct Investment (FDI) statistics are approximations only. According to the Azerbaijan State Statistics Committee, this country received foreign investment totaling over \$2 billion in 2002. Of that amount, nearly \$1.7 billion was invested in the country's energy sector. Non-energy sector investment (including BTC pipeline investment) for 2002, by country of origin, registered as follows:

United Kingdom	\$108.1 million
Turkey	\$ 55.6 million
U.S.	\$ 41.4 million
Norway	\$ 31.6 million
France	\$ 25.7 million
Japan	\$ 23.7 million
Iran	\$ 2.7 million
Germany	\$ 1.7 million
Russia	\$ 0.7 million
Others	\$ 27.7 million

(Source: State Statistics Committee)

Non-energy investment for 2002, by sector, was reported as follows:

Industry	\$ 19.8 million
Construction	\$ 8.2 million
Trade and services	\$ 7.7 million
Transport/telecoms	\$281.2 million
(of which \$273.3 million is BTC pipeline construction)	
Other sectors	\$ 2.0 million

(Source: State Statistics Committee)

Major Foreign Investors:

Significant foreign investors in the energy sector include BP, Unocal, ExxonMobil, Devon Energy (Pennzoil), TPAO, Statoil, Lukoil, Itochu, Agip, ChevronTexaco, ENI,

Halliburton, Schlumberger, Kvaerner, Aker Maritime (Technip-Coflexip), and Barmek. Significant non-energy investment includes Garadagh Cement, Castel (brewery), Baku Steel, Coca Cola, Pepsi Cola, Azercell (mobile telephony), Bakcell (mobile telephony), Kocbank, Baku Hotel Company, and Kenan Construction.

CHAPTER 8: TRADE AND PROJECT FINANCE

Brief Description of the Banking System

The banking system in Azerbaijan is small, weak, and plays a minimal role in an economy that mostly functions on cash. Although many banks offer short-term trade financing, long term loans and mortgages are only slowly becoming available -- at steep interest rates. It is estimated that over \$1 billion remains in cash and outside the banking sector, representing a key challenge for the Azeri government to bring this capital into the formal banking system. Azerbaijan's bankruptcy law does not function effectively. Although lending is becoming more and more long-term and the quality of the loan book is slowly improving, the sector plays a small role in financing the real economy and there is a minimal deposit base.

Overall, lack of credit is a key constraint to the development of private business in Azerbaijan. The existing credit supply is far too small to provide a suitable environment for the development of even small enterprises in Azerbaijan, let alone medium-sized ones. Many enterprises have no access to affordable credit given collateral requirements, short payment terms, etc. Long-term trade and project finance is rare. Rescheduling of over \$70 million in Turkish Exim Bank credits has proven to be an irritant in Turkish business development in Azerbaijan, however payments on the one U.S. Exim transaction with the International Bank of Azerbaijan (two Boeing 757's) are current as of Fall 2003.

Outside of the donor-backed credit lines, there is essentially no bank credit exceeding 12-18 months. The existing donor-backed finance facilities, while helpful, simply are not large enough to accommodate the need. The relative volatility of the Caucasus region, combined with the under-capitalization of the Azeri banking sector, puts a further squeeze on availability and terms of trade and project finance. Azeri banks offer difficult lending terms, usually 15-25% interest in dollar-denominated loans with a maximum two-year term. Many Azeri firms simply cannot afford such loans and turn to private sources for finance. Some Azeri banks have begun lending into the nascent private sector, however, including construction, telecoms, and food processing and packaging. U.S. firms are advised to consult external sources of finance, including U.S. Exim and other development banks that can often offer trade and project finance that is either unavailable or too expensive from commercial banks.

Western businesses use a handful of local banks for their local business dealings. The International Bank of Azerbaijan (IBA), the healthiest majority state-owned bank, Unibank, an upstart private commercial bank, the Turkish Kocbank, and Azerigasbank are among the more popular. HSBC, the British Bank of the Middle East and once a widely used bank by expats and the Azeri community, downsized in Summer 2002 and closed its doors in Spring 2003. The IBA has correspondent relationships with U.S. banks. Of the four state-owned banks, only the IBA is a fully functioning commercial

bank. The other three are technically bankrupt and currently going through a restructuring program and consequently unable to lend money. In addition, IBA is the only Azeri bank so far that has been accredited for the U.S. Department of Agriculture GSM-102 program.

The IBA is currently a candidate for privatization. The Azeri government has selected a financial consultant to assess the value of its assets in the bank and advise them regarding all investment proposals received. EBRD is expected to take 20 percent of the available shares in this bank. Local private banks exist, but they account for about 15 percent of deposits in the commercial banking sector, which is dominated by the state-owned IBA. Several smaller Azerbaijani private banks -- most notably Unibank, Arkobank, and Most Bank -- are making good progress toward becoming viable, market-oriented financial institutions. Letters of credit drawn on Azerbaijani banks are the preferred instruments for import/export operations. Consumer credit mechanisms are rudimentary.

Selected List of Azeri Banks with Correspondent Accounts with U.S. Banks

Name of Azeri bank	Name of U.S. bank-correspondent
1. International bank of Azerbaijan	1. Chase Manhattan Bank 2. The Bankers Trust Company 3. Citibank 4. American Express Bank
2. Azerigasbank	1. Bankers Trust Company
3. Postbank	1. ABN-AMRO Bank New York
4. GunayBank	1. ABN AMRO Bank New York
5. Respublika	1. ABN AMRO Bank New York
6. Kochbank-Azerbaijan	1. American Express Bank
7. Most-bank Azerbaijan	1. Bankers Trust Company
8. Rabitabank	1. ABN-AMRO Bank
9. Azerdemiryol	1. Bankers Trust Company
10. Dekabank	1. ABN AMRO Bank New York
11. Ilkbank	1. ABN AMRO Bank company
12. Azer-Turk Bank	1. T.C. Ziraat Bankasi (New York) 2. Citibank
13. Unibank	1. Union Bank of California 1. First Wachovia Bank
14. BUSbank	1. Bank of New York 2. Citibank
15. Royal Bank of Baku	1. ABN AMRO Bank New York

Trade and Project Finance: Caspian Finance Center

In January 1999, the Caspian Finance Center (CFC) was established jointly by the Trade Development Agency (TDA), Overseas Private Investment Corporation (OPIC) and Export-Import Bank of the United States (Ex-Im Bank) to facilitate the development of commercial projects in the Caspian region, including Azerbaijan. Located in Ankara, Turkey, the CFC is staffed with representatives from the three trade and investment promotion agencies of the U.S. federal government. The main objectives of the CFC are (1) to provide support to U.S. companies and their joint venture partners; (2) to identify

new projects for each of the three agencies; (3) to work closely with government officials on matters such as privatization; and (4) to support East-West transportation routes.

A description of the services provided by the CFC constituent agencies and the kinds of deals it wishes to pursue in Azerbaijan are provided in relevant sections below.

How to Finance Exports?

Letters of credit, confirmed by Western banks, are the usual method for small to medium transactions in Azerbaijan. Several Azeri banks have long-standing relationships with Western banks (see Correspondent Accounts above) that can provide confirmation of L/C's opened by the Azeri importer. Azeri firms will often grumble about the costs of L/C's. However for first-time U.S. exporters to Azerbaijan, this is the only reliable way of securing payment and the deal.

U.S. Exim Bank provides finance and insurance products for overseas sales of U.S. goods and services. To qualify for Ex-Im Bank support, the product or service must have at least 50 percent U.S. content. Ex-Im Bank has co-financed projects with the U.S. Agency for International Development, the World Bank, and Regional Development Banks. Its programs often help U.S. exporters participate in development projects. U.S. Exim has thus far completed one transaction in Azerbaijan with the sale of two new 757 Boeing aircraft in 2000. Other non-traditional Exim products, such as insurance, can also bring down fees for letters of credit and thus improve transaction terms. As of Fall 2003, U.S. Exim Bank is open in Azerbaijan for all public sector transactions (i.e. often requiring a sovereign guarantee) but remains closed for all private sector transactions.

TDA is involved in the initial phases of the project lifecycle, providing grants to assist in planning of infrastructure and industrial projects in emerging markets. In doing so, TDA facilitates partnerships between U.S. firms and local public and private sector project sponsors. Activities funded by TDA include: full or partial financing of feasibility studies, orientation visits, training grants and various forms of technical assistance. In 2002-2003, TDA provided grants for the creation of a high-altitude air traffic control system in the Caucasus; an upgrade of the Baku refineries, the Port of Dubendi, a WTO Accession Advisor to the Azeri government and a feasibility study on the development of an American MBA program at the Azerbaijan University of Construction and Architecture.

OPIC's mission is to mobilize and facilitate the participation of U.S. private capital and skills in economic and social development. OPIC assists American investors through four principal activities designed to promote overseas investment and reduce associated risks:

- financing of businesses through loans and loan guarantees;
- supporting private investment funds which provide equity for U.S. companies investing in projects overseas;
- insuring investments against a broad range of political risks; and
- engaging in outreach activities designed to inform the American business community of investment opportunities overseas.

OPIC is active in Azerbaijan through Soros Investment Capital, a privately managed equity investment fund. OPIC contributed \$50 million in capital to Soros Investment

Capital for projects in the three Caucasus countries. Soros' Baku office is actively seeking new equity investments in Azerbaijan.

Project Finance

Asian Development Bank

Azerbaijan became a member of the Asian Development Bank (ADB), Asia's premier non-profit financial institution, in 1999. Since 1999, ADB's activities in Azerbaijan have been in the area of technical assistance. ADB grants have covered training in ADB policies and procedures, economic policy development, a national poverty reduction program, and urban water supply and sanitation. ADB's planned lending for Azerbaijan for the period 2002-2004 includes nearly \$83 million worth of projects. In 2002-2003, the bank processed two preparatory technical assistance projects: for flood mitigation (\$700,000); and corridor road improvement (\$500,000). These grants will prepare for loan projects expected in 2003-2004 and beyond. To learn more, please contact the U.S. Commercial Service liaison office in Manila, (Chapter 11).

World Bank and International Finance Corporation

The World Bank is working with the Azeri government to strengthen the government's institutional capacity to manage its petroleum resources and formulate key policy changes to accelerate reform. The World Bank maintains a local representative office in Baku, Azerbaijan. International Finance Corporation (IFC), the private sector arm of the World Bank, maintains an active business development portfolio. U.S. firms should also review opportunities for World Bank consultancies and other tenders as an excellent method to establish a business presence in Azerbaijan. Contacts for the U.S. Liaison Office to the World Bank are listed in Chapter 11.

European Bank for Reconstruction and Development

EBRD has extensive involvement in the development of Azerbaijan's oil, transportation, banking and power distribution sectors. Although the Bank will continue to assist Azerbaijan's oil and gas sector in order to realize the long-awaited economic recovery and the fair distribution of the wealth created by this sector, it will pay special attention to a greater diversification of Azerbaijan's economy. To date, the EBRD's activities in Azerbaijan have focused on investments in the private sector and on the financing of critical infrastructure projects. Contacts for the U.S. Liaison Office to the EBRD are listed in Chapter 11.

The U.S. Department of Commerce's Commercial Service has Liaison Officers co-located at the headquarters of the five existing multilateral development banks, including the ADB, World Bank, and EBRD. The Commercial Service MDB liaison officers counsel and assist U.S. businesses with obtaining information on upcoming projects and tenders, as well as providing advocacy support for U.S. companies vying for contracts at the MDBs. Contacts in Chapter 11.

CHAPTER 9: BUSINESS TRAVEL

A. Business Customs

Azerbaijan is a mix of Eastern, Western, and post-Soviet business cultures. It is advised to send a one-page letter of introduction of you and your U.S. firm in Azeri or Russian to allow your potential Azeri business partner to know more about you in advance. Meetings usually start with a firm handshake and general platitudes about your voyage, first impressions of Azerbaijan, etc. Business cards are generally exchanged during initial meetings, with one side of the card in Azeri and the other in English (or Russian). Azerbaijani business people almost always offer visitors tea and sweets as a form of hospitality. Azerbaijanis tend to be very polite, but may appear to foreigners as vague and noncommittal about specifics in business transactions. Business takes time and patience in Azerbaijan, and much depends on the personal relationship you build with your Azeri counterpart. A post-meeting follow up letter capturing initial oral agreements and thanking your Azeri counterpart can help build trust and friendship. Azeris are generally reluctant to make appointments more than 24 hours ahead of time, so do not worry if your program is not well defined before your arrival in Azerbaijan.

B. Travel Advisories and Visas:

As of July 2003, there is no U.S. State Department travel advisory in place for Azerbaijan. However, worldwide announcements for U.S. citizens to exercise caution overseas are just as applicable in Azerbaijan as in other countries. A valid passport and visa are required to enter Azerbaijan. All visitors to Azerbaijan are strongly urged to obtain a visa prior to arrival. The fee for processing the visa ranges from USD40 to USD250, depending on the validity of the visa (i.e. single or multiple entry) and the time in which it is processed. Visa applications must include a letter of invitation from an individual or organization in Azerbaijan when applying for a visa.

Visas are also available at the Baku airport; however, the Embassy advises all U.S. passport holders to obtain a visa prior to arrival if possible. For an airport visa, the visitor needs to submit two photographs, pay USD40 in cash, and fill out an application (which is available at the web site listed below). The visa will be issued immediately and will be valid for thirty days for U.S. passport holders (note: visas are generally valid for seven days for other nationalities). Visitors needing to stay longer than one week must apply to the consular department of the Ministry of Foreign Affairs (Address: 4 Shihali Kurbanov Street, Baku, Azerbaijan, tel. (994 12) 935940, 939919) before the temporary visa expires. An additional fee to extend the visa will be required.

Outside the U.S., visas may be obtained from Azeri embassies in Germany, Turkey, the Russian Federation, the United Kingdom, and other locations. For additional information on visa requirements, contact the Embassy of the Azerbaijan Republic, 2741 34th Street NW, Washington, DC 20008; Telephone (202) 842-0001; Fax (202) 337-5911; Website: www.azembassy.com.

While crime in the city of Baku has generally not been a major problem, criminal attacks on foreigners have slightly increased. There is a widespread perception that all foreigners carry large amounts of cash and make ideal targets. Accordingly, the Embassy advises Americans not to go out alone at night, especially in the early hours of the morning. Business visitors should arrange to be met at the airport when they arrive

in Baku. In general, visiting U.S. businesspeople should take the same security precautions that they would take in any major American city. U.S. passport holders taking up permanent residence in Azerbaijan should register with the U.S. Embassy's Consular Section in order to facilitate timely dissemination of security related information (contacts below). U.S. citizens can register on line at www.usembassybaku.org

The Embassy, working closely with the American Chamber of Commerce in Azerbaijan, participates in the Overseas Security Advisory Council (OSAC), an informal group of U.S. businesses that meets monthly to discuss security issues in Azerbaijan. Before leaving the U.S., travelers are encouraged to consult the OSAC web page at <http://ds.state.gov> for the most current travel advisories. Any incidents involving U.S. citizens should be reported immediately to the Embassy's Consular Section (tel. 980335, a 24-hour number) and the local police (tel. 02).

C. Holidays:

The following national holidays are observed in Azerbaijan:

New Year's Day	January 1
Mourning Day	January 20
International Women's Day	March 8
Victory Day	May 9
Day of the Republic	May 28
National Salvation Day	June 15
Armed Forces Day	June 26
State Sovereignty Day	October 18
Constitution Day	November 12
Day of National Revival	November 17
Universal Azeri Solidarity Day	December 31

Islamic holidays with dates to be determined by the Lunar calendar:

Gourban Bayram
Ramazan Holiday

NOTE: The U.S. Embassy is closed on all U.S. holidays as well as the above-mentioned Azeri holidays.

D. Work Week:

The Government of Azerbaijan does not restrict business hours. In general, businesses are open from 9:00 a.m. to 6:00 p.m. Monday through Friday. Many business and government offices also keep Saturday hours. Hours may vary considerably depending on the preference of the individual businessperson. Business appointments are rarely made before 10:00 a.m. Lunch is generally taken from 1:00 p.m. to 2:00 p.m.

E. Business Infrastructure

Business can be conducted in Azerbaijani, Turkish, or Russian. English is increasingly used in business, however be prepared to hire an interpreter for USD50-80 per day,

depending on experience. English is gaining in popularity, but still is not considered to be widely spoken in Baku, and certainly not outside of Baku. Azeri and Russian lessons can be obtained readily through classifieds in the Caspian Business News, Baku Sun and other English-language newspapers listed below.

Cash is widely used in private transactions, though some restaurants, supermarkets and shops accept credit cards. Bring post-1990 U.S. bills in good condition, without writing or tears. There are a growing number of ATM's around the city. A limited number of local banks will provide credit card advances for a fee (see contact details below).

The telephone system in Baku is oversubscribed and technologically inadequate, but generally reliable. International calls can be completed but are fairly expensive. Cellular communication services are available from two cellular providers: Azercell and Bakcell. E-mail and full Internet service are available via local Internet providers. For start-up U.S. businesses that require reliable Internet contacts, it is best to order a dedicated ISDN line to ensure smooth communications. The Azerbaijani postal system is functional but not secure and it is not recommended to use this system for outgoing or incoming international correspondence. U.S. courier firms, such as DHL, PXPPost, UPS and FedEx, are resident in Baku and should be used to ensure delivery of business and/or personal correspondence.

There is a functioning subway system in Baku. However, due to severe maintenance problems, the Embassy discourages American citizens from using it. Buses and streetcars are cheap and available, but are crowded and not recommended. Taxis are inexpensive, readily available and 10,000 AZM (USD2.00) will get you to most places around Baku. Taxis do not have meters. Both Hertz and Avis offer rental vehicles with or without driver. If you are considering bringing a vehicle with you from overseas, a 4X4 is recommended given the poor road conditions throughout the country and in parts of Baku.

There are numerous shops in Baku where food, clothing, and small appliances are available. Imported electronics are readily obtainable. There are a few large Western-style supermarkets operating in Baku, including the Turkish Ramstore, and several smaller stores including Citimart, the New World Center, and Continental offer a wide range of consumables. The local fruit and vegetable markets offer a bewildering array of delicious seasonal produce, and it is recommended to wash all produce thoroughly before consuming. Sanitary conditions for fresh meat, poultry and fish are far below Western standards and it is recommended to purchase such items in established stores with reliable packing and refrigeration. Drinking tap water is not recommended. Bottled water is generally available on the local market. Beer, wine, soft drinks and hard alcohol are widely sold.

The health care system in Azerbaijan is far below Western-standards, underfunded, and often unable to provide even basic medical care common in the U.S. American businesspeople should ensure that all immunizations and vaccinations are up to date before arriving in Azerbaijan. A handful of clinics offer Western-standard medical care, including International SOS, the Turkish-American Medical Clinic, and MediClub. An American-Azeri joint venture provides Western standard dental care. Major medical emergencies generally require a medical evacuation to a European destination. All U.S. travelers should ensure that they have up-to-date medical evacuation insurance to cover potential evacuation costs that can exceed \$70,000 for transportation alone.

Western-standard housing is generally available but can be expensive by U.S. standards. A basic, two bedroom flat with little renovation can be rented for as little as \$500 per month. High-end, Western-standard apartments with washer/dryer, dishwasher, security, parking, and other amenities can run as high as \$5,000 per month. It is recommended that residential housing have basic security features such as a steel door, a peephole, and adequate lighting in entryways and hallways. There are several real estate agencies that will provide search services, usually for a commission based on one-year's rent.

Electric voltage in Azerbaijan is 220v, 60 cycles. European standard round, two-prong plugs and electric connectors are used.

CHAPTER 10: ECONOMIC AND TRADE STATISTICS

Appendix A: Country Data

Population	8202.5
Population growth rate (per annum)	7.5
Religion	68% Shia 28% Sunni 3% Orthodox Christian 1% Jewish
Government System	Republic
Languages	Azeri and Russian
Work Week	Monday-Friday, 40 hours

Source: State Statistics Committee 2002 figures

Appendix B: Domestic Economy

(All figures are estimates in based on data from the State Statistics Committee, National Bank of Azerbaijan, the Ministry of Economic Development, the Ministry of Finance, the IMF, and U.S. Census Bureau).

	2001	2002	2003 (e)	
GDP (current prices), billion AZM	26619.8	29602		
Gross Domestic Product (\$US mil)	5716.8	6089.9	2542.3	Jan-April
GDP growth rate %	8.5	9.8	11.1	
GDP per capita, \$US	715.4	753.3		
Government spending as % of GDP	15.7	16	16.2	
Budget deficit % of GDP	0.5	0.4		
Inflation	1.5	2.5	1.8	
Unemployment	*	*	*	
Foreign exchange reserves (\$US mil)	698.4**	681.7**	704.7**	June

Average exchange rate for USD 1.00	4655	4861	4906	Jan-June
Export (US\$ mil)	2,314	2167.5	758.5	Jan-April
Import (US\$ mil)	1,430	1665.4	669	Jan-April
US Exports (\$US mil)	64.3	69.6	33.2	Jan-April
US Imports (\$US million)	34.4	4.2	20.9	Jan-April

*Official statistics put unemployment at 1-2%. Actual unemployment is probably around 15% or more.

**Forex reserves of the National Bank of Azerbaijan, not including State Oil Fund.

CHAPTER 11: U.S. AND AZERBAIJANI CONTACTS

Embassy of the United States of America

Address: 83 Azadliq Avenue
Baku 370007, Azerbaijan

Embassy Tel: (994 12) 980335; 980336
Embassy Fax: (994 12) 656671
Web: www.usembassybaku.org

Contacts: Reno Harnish, U.S. Ambassador to Azerbaijan
(Swearing in - August 12)
Nancy McEldowney, Deputy Chief of Mission
William D. McKinney, USAID Country Coordinator
Caryn McClelland, Political-Economic Chief
Robert Burgess, Economic Officer
Theresa Markiw, Public Affairs Officer
Greg Segas, Consular Officer
Fred Stolper, Regional Security Officer
Bakhtiyar I. Mamedov, BISNIS Commercial Specialist

U.S. Mailing Address:
7050 Baku Place
Washington DC 20521-7050

Due to severe budget cuts and global restructuring of our operations, the U.S. Embassy Commercial Service in Baku will close in Fall-Winter 2003. A State Department – funded commercial representative office is planned to open by the end of 2003.

AMERICAN CHAMBER/BILATERAL BUSINESS COUNCILS

American Chamber Of Commerce in Azerbaijan

Address: ISR Plaza, 6th floor
340 Nizami Street
Baku 370000, Azerbaijan

Tel: (994 12) 971333
Fax: (994 12) 971091
Web: www.amchamaz.org
Email: info@amchamaz.org

Contacts: Daniel Matthews, President
Jonelle Glosch, Executive Director

United States-Azerbaijan Chamber of Commerce (USACC)
Address: 1212 Potomac Street, NW,
Washington, DC 20007
Tel: (202) 333-8702
Fax: (202) 333-8703
Web: www.usacc.org
Email: Chamber@usacc.org
Contact: Mr. Seymour Khalilov, Executive Director

TRADE AND INDUSTRY ASSOCIATIONS IN AZERBAIJAN

Chamber Of Commerce and Industry of Azerbaijan
Address: 31 Istiglaliyat Street
Baku 370001, Azerbaijan
Tel: (994 12) 928912, 927438
Fax: (994 12) 989324
Web: www.chamber.com.az
E-mail: expo@chamber.baku.az
Contacts: Suleyman Tatliyev, President
Rauf Vezirov, Vice President

National Confederation of Entrepreneurs (Employers)
Organization of Azerbaijan
Address: 85 Salatin Askerova Street, 9th floor
Baku 370001, Azerbaijan
Tel: (994 12) 949976, 920705
Fax: (994 12) 949976
Web: www.ask.org.az
E-mail: azerenterprise@artel.net.az
Contacts: Dr. Alekper Mammadov, President
Elchin Gulamov, Vice President
Gyulshan Rzayeva, Deputy Secretary General

Both the Chamber of Commerce and Industry of Azerbaijan and the National Confederation of Entrepreneurs have regional offices throughout Azerbaijan. Please contact their Baku offices for further information.

SELECTED LISTING OF AZERBAIJANI GOVERNMENT OFFICES AND KEY STATE ENTERPRISES

Note: If dialing from overseas, please use the (994 12) dialing protocol for all Baku numbers.

Office of the President of the Azerbaijan Republic
Address: 19 Istiqlaliyyat Street
Baku 370066, Azerbaijan
Tel: (994 12) 923154, 927906

Fax: (994 12) 983328, 980822
Web: www.president.az
Contact: Heydar Aliyev, President
Vahid Akhundov, Economic Advisor
Rustam Mammadov, Political Advisor

The Cabinet of Ministers

Address: 68 Lermontov Street
Baku 370066, Azerbaijan
Tel: (994 12) 980008, 927528
Fax: (994 12) 926388, 989786
Web: www.president.az/office/cabmin.htm
Contacts: Artur Rasi-zade, Prime Minister

Ministry of Agriculture and Food Supplies

Address: Government House, 3rd floor
Azadlig Meydani
Baku 370016, Azerbaijan
Tel: (994 12) 930884, 933745
Fax: (994 12) 945390
Teletype: 142216 Dask Su
Web: N/A
E-mail: N/A
Contacts: Irshad Aliyev, Minister
Rafil Huseynov, Advisor to the Minister
Tofik Zeynalov, Foreign Relations Department

Ministry of Communications

Address: 33 Azerbaijan Avenue
Baku 370139, Azerbaijan
Tel: (994 12) 930004, 934327
Fax: (994 12) 987912, 984285
Telex: 142492 Sahil Su
Web: www.azerin.com/members/rabite/
E-mail: mincom@azerin.com
Contacts: Nadir Ahmedov, Minister
Gismat Ibrahimov, Foreign Relations Department.

Ministry of Finance

Address: 83 Samad Vurgun Street
Baku 370022, Azerbaijan
Tel: (994 12) 933012, 930562, 934941, 939398
Fax: (994 12) 987969
Web: www.minfin-az.com
E-mail: Azeri@minfin-az.com
Contacts: Avaz Alakbarov, Minister
Mardan Mardanov, Foreign Relations Department

Ministry of Economic Development

Address: The Cabinet of Ministers
23 Niyazi Street

Baku 370001, Azerbaijan
Switchboard: (994 12) 924110
Tel: (994 12) 902430
Fax: (994 12) 902408, 902404
Web: www.economy.gov.az
E-mail: office@economy.gov.az
Contacts: Farhad Aliyev, Minister
Mikayil Jabbarov, Advisor to the Minister
Mehman Abbasov, Foreign Relations Department

Ministry of Fuel and Energy

Address: 88 Gasanbek Zardabi Street
Baku 370000, Azerbaijan
Tel: (994 12) 318012
Fax: (994 12) 319005
Web: www.mfe.az
E-mail: mfe@mfe.az
Contacts: Macid Kerimov, Minister
Sabig Abdullayev, Foreign Relations Department

Ministry of Justice

Address: 1 Inshaatchilar Avenue
Baku 370000, Azerbaijan
Tel: (994 12) 300116, 300977, 300972
Fax: (994 12) 300981
Web: N/A
E-mail: jusmin@azeuro.net, prosec@azeri.com
Contacts: Fikret Mamedov, Minister
Zafar Gafarov, Foreign Relations Department.

Ministry of Ecology and Mineral Resources

Address: 100a Bahram Agayev Street
Baku 370073, Azerbaijan
Tel: (994 12) 385454, 380481
Fax: (994 12) 398432, 381521
Telex: 142287 Sipiz Su
Web: N/A
E-mail: N/A
Contacts: Husein Bagirov, Minister
Isa Aliyev, Foreign Relations Department

State Statistics Committee

Address: Inshaatchilar Avenue
Baku 370136, Azerbaijan
Tel: (994 12) 381171, 386498, 389376
Fax: (994 12) 382442, 380577
Web: www.statcom.baku-az.com, www.azstat.org
E-mail: ssc@azstat.org
Contacts: Arif Veliyev, Chairman
Azer Ahmadov, Foreign Relations Department

State Customs Committee

Address: 2 Inshaatchilar Avenue
Baku 370073, Azerbaijan
Tel: (994 12) 388080
Fax: (994 12) 934067
Web: www.az-customs.net
E-mail: external1@az-customs.net
Contacts: Kamaladdin Heydarov, Chairman
Dilaver Farzaliyev, Foreign Relations Department

State Oil Company of Azerbaijan Republic (SOCAR)

Address: 73 Neftchiler Avenue
Baku 370004, Azerbaijan
Tel: (994 12) 920685, 922312, 921789
Fax: (994 12) 923204, 936492, 971167
Web: www.socar-gipro.az
E-mail: ahmedov@socar-gipro.az
Contacts: Natik Aliyev, President
Valekh Aleskerov, Foreign Investment Department
Abdul Akmedov, Advisor to the President on Relations &
Cooperation with Foreign Companies and Foreign
Investment

State Oil Fund of Azerbaijan Republic

Address: 28 Sabit Orujov Street
Baku 370025, Azerbaijan
Switchboard: (994 12) 905730
Fax: (994 12) 905731
E-mail: office@oilfund.az, nijat.veliyev@oilfund.az
Web-site: www.oilfund.az
Contacts: Samir R. Sharifov, Executive Director
Nijat Veliyev, Foreign Relations Department
Rauf Mammadov, Manager

Azerigaz Joint Stock Company

Address: 23 Yusif Safarov Street,
Baku 370025, Azerbaijan
Tel: (994 12) 904252
Fax: (994 12) 904255
Web: www.azerigaz.org
E-mail: azer_bayramov@azerigaz.org
Contacts: Alihan Melikov, Chairman
Azer Bayramov, Foreign Economic Relations Department

Azerkimya State Company (Petrochemicals, plastics)

Address: 86 Samed Vurgun Street
Sumgait 373200, Azerbaijan
Tel: (994 164) 51113
Fax: (99 164) 59817
Web: N/A
E-mail: N/A

Contacts: Fikrat Sadykhov, President
Rza Rzayev, Foreign Relations Department

Azerenergy Joint Stock Company

Address: 10 A. Alizade Street
Baku 370601, Azerbaijan
Tel: (994 12) 937358
Fax: (994 12) 985523
Web: www.azerenerji.com
E-mail: azerenerji@azerenerji.com
Contacts: Etibar Pirverdiyev, President
Polad Guliyev, Foreign Relations Department

Azerbaijan Airlines State Concern (AZAL)

Address: 11 Azadlig Avenue
Baku 370000, Azerbaijan
Tel: (994-12) 983471
Fax: (994 12) 985237
Web: www.azal.org
E-mail: azal_gda@azerin.com
Contacts: Jahangir Askerov, General Director
Chingiz Aliyev, Foreign Relations Department

Caspian State Shipping Company

Address: 5 M. A. Rasulzade Street
Baku 370601, Azerbaijan
Tel: (994 12) 932058, 935181
Fax: (994 12) 935339
Web: www.caspar.baku.az
E-mail: gkmp@caspar.baku.az
Contacts: Aydin Bashirov, Chief
Ilham Mamedov, Foreign Economic Relations
Department

Baku Sea Port

Address: 72 Uzeyir Hajibeyov Street
Baku 370010, Azerbaijan
Tel: (994 12) 936774, 934097, 930268, 933104
Fax: (994 12) 933672, 933104
Web: www.bakuport.com
E-mail: port@sea.baku.az
Contact: Musa Mamedov, Acting President
Elman Aliyev, Chief of Commercial Department
International Sea Trade Port of Baku

National Bank of Azerbaijan

Address: 32 Rashid Behbudov Street
Baku 370070, Azerbaijan
Tel: (994 12) 931122
Fax: (994 12) 935541
Web: www.nba.az/eng/

E-mail: mail@nba.az
Contacts: Elman Rustamov, Chairman of the Board
Urfan Nadirov, Foreign Relations Department

Ministry of Tax

Address: 16 Landau Street
Baku 370073, Azerbaijan
Tel: (994 12) 301656, 970668
Fax: (994 12) 985407
Web: www.taxes.gov.az
E-mail: info@taxes.gov.az
Contacts: Fazil Mamedov, Minister
Ilgar Akperly, Head of Foreign Relations Department

Selected Market Research Firms in Azerbaijan

Khatt-Research Ltd.

Marketing Company
Address: Icheri Sheher, 11 Mamedyarov Street
Baku, Azerbaijan
Tel: (994 12) 924997
Fax: (994 12) 970423
E-mail: Hatt@azeri.com
Web: N/A
Contact: Elnur Osmanov, General Manager

SIAR Baku (Social and Marketing Research Center)

Address: 3 Vagif Avenue, Apt 103/a
Baku 370007, Azerbaijan
Tel: (994 12) 972934, 472934
Fax: (994 12) 942934
E-mail: siar@azeri.com
Web: www.siar.com.az
Contact: Saida Talibova, General Manager

Eagle Trading & Marketing

Address: 3 Yusifbek Ibragimli Street
Baku 370010, Azerbaijan
Tel: (994 12) 920108
Fax: (994 12) 920118
E-mail: cihangir@artel.net.az
Web: N/A
Contact: Jahangir Ozagcha, General Manager

Selected Commercial Banks in Azerbaijan

International Bank of Azerbaijan

Address: 67 Nizami Street
Baku 370005, Azerbaijan
Tel: (994 12) 930091, 930307, 934159, 933964
Fax: (994 12) 934091

Web: www.ibar.az or www.ibaraz.com
E-mail: ibar@ibar.az
Contacts: Jahangir Hajiyev, Chairman of the Board
Rauf Agayev, Public Relations

Azerdemiryolbank

Address: 31 Garabag Street
Baku 370608, Azerbaijan
Tel: (994 12) 402722, 402429
Fax: (994 12) 960933
Telex: 142360 AGB JS
Web: www.azerdemiryolbank.com
E-mail: damir@azerdemiryolbank.com
Contacts: Roman Amirdjanov, Chairman of the Board
Ulvia Jabarova, Foreign Relations Department

Rabitabank

Address: 1 Bunyad Sardarov Street
Baku 370001, Azerbaijan
Tel: (994 12) 926097, 926148
Fax: (994 12) 971101
Web: N/A
E-mail: rbtbank@azeurotel.com
Contacts: Eldar Agayev, Deputy of Chairman of the Board
Elshan Badirkhanov, Foreign Relations Department

Azerigazbank

Address: 16 Landau Street
Baku 370073, Azerbaijan
Tel: (994 12) 975017, 330650
Fax: (994 12) 989615
Web: www.azerigazbank.com
E-mail: agbbank@azeri.com
Contacts: Azer Movsumov, Chairman of the Board
Ogtay Gadjiyev, Marketing and Customer Service
Department

UniBank

Address: Head office:
172 Tolstoy Street
Baku AZ1000, Azerbaijan
STB Branch:
69 Fizuli Street
Baku AZ1014, Azerbaijan
Tel: (994 12) 982244, 982245, 973132, 974241
Fax: (994 12) 980953, 959584
Telex: 142321 TITAN AI
Web: www.ptbank.com
E-mail: bank@unibank.az
Contacts: Eldar Garibov, Chairman
Faig Huseynov, Acting Chairman of the Board

Ofelia Rashidova, Public Relations Department

Gunay Bank

Address: 4/6 Rasul Rza Street
Baku 370095, Azerbaijan
Tel: (994 12) 980455, 980456, 980457
Fax: (994 12) 991439
Telex: 142185 GUNAY AI
Web: www.gunaybank.com
E-mail: gunaybank@azerin.com
Contact: Shaik Abdullayev, Chairman of the Board
Emin Agayev, Chief Accountant

KocBank

Address: 15 Rashid Behbudov Street
Baku 370014, Azerbaijan
Tel: (994 12) 977795
Fax: (994 12) 970276
Web: www.kocbank.com.az, www.kocbank.com.tr
E-mail: kocbank@azeronline.com
Contact: Nurcan Akturk, Chairman of the Board and CEO
Hadya Jafarova, Head of Foreign Relations Department
Etibar Babashly, Credit and Marketing Department

Mostbank

Address: 4 Husi Hajiyev Street
Baku 370005, Azerbaijan
Tel: (994 12) 971071, 971076
Fax: (994 12) 980778, 972094
Web: www.caspel.com/mostbank
E-mail: mostbank@azeuro.net
Contacts: Asim Mamedly, Chairman of the Board
Aytan Isayeva, Foreign Relations Department

Azer Turk Bank

Address: 5 Islam Safarly Street
Baku 370005, Azerbaijan
Tel: (994 12) 974316, 974317, 974318
Fax: (994 12) 983702
Web: www.azerturkbank.in-baku.com
E-mail: azerturk@artel.net.az
Contact: Seyid Shimshek, Managing Director
Sevinj Khankishiyeva, Deputy Chief of Operations Department

Micro-Finance Bank of Azerbaijan (MFBA)

Address: 137 Alovzat Guliyev Street
Baku 370000, Azerbaijan
Tel: (994 12) 930726
Fax: (994 12) 930796
E-mail: Thomas.Engelhardt@mfba.az
Web: www.mfba.az

Contact: Thomas Engelhardt, General Manager

Nikoil

Address: 27 Uzeyir Hajibeyov Street
Baku 370000, Azerbaijan
Tel: (994 12) 981981, 972972
Fax: (994 12) 973379
E-mail: bank@nikoil.az
Web: www.nikoil.az
Contact: Mobil Sharifov, Chairman of the Board

MULTILATERAL DEVELOPMENT BANKS AND TRADE AND PROJECT FINANCE CONTACTS IN AZERBAIJAN

Caspian Finance Center

(Staffed by representatives of the Overseas Private Investment Corporation, U.S. Ex-Im Bank, and the U.S. Trade and Development Agency)
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06100 Ankara, Turkey
Tel: +90 312 466 6081
Voicemail: +90 312 468 6110/2075
Fax: +90 312 466 6082
Web: www.caspianfinance.com
E-mail: Emel.Erdemir@mail.doc.gov
Contacts: Peter Ballinger, OPIC Director
Investment Development for the Europe/NIS Region
E-mail: pballinger@opic.gov
Web: www.opic.gov
Mr. Ballinger is based at the CFC in Ankara, Turkey

Paul Tumminia, U.S. Ex-Im Bank Representative
E-mail: Paul.Tumminia@exim.gov
Web: www.exim.gov
Mr. Tumminia is based at U.S. Exim in Washington D.C.

Jennifer Snyder, U.S. TDA Regional Director
Caspian Business Development
E-mail: JSnyder@tda.gov
Web: www.tda.gov
Ms. Snyder is based at the CFC in Ankara, Turkey.

SOROS Investment Capital Management LLC

Address: The Landmark, 4th floor
96 Nizami Street
Baku 370010, Azerbaijan
Tel: (994 12) 982995, 982994, 982975
Fax: (994 12) 982995, 982994, 982975
Web: sorosinv@azeurotel.com
E-mail: www.sorosinvestment.com

Contact: Tamerlan Gamidzade, Country Director

European Bank of Reconstruction and Development (EBRD)
Address: The Landmark, 4th floor
96 Nizami Street
Baku 370010, Azerbaijan
Tel: (994 12) 971014
Fax: (994 12) 971019
Web: www.ebrd.com
E-mail: mosert@ebrd.com
Contact: Thomas Moser, Head of Office

For consultations and development of U.S.-sponsored projects with the EBRD, please also contact:

U.S. Commercial Liaison Office for the EBRD
Address: EBRD, Office of the U.S. Director
One Exchange Square
London EC2A 2JN, United Kingdom
Tel: (+44 20) 7338 6000, 7894 0154, 7588 4027, 7338 7490
Fax: (+44 20) 7338 6100, 7588 4026
Web: www.ebrd.org
E-mail: alice.davenport@mail.doc.gov
Contact: Alice Davenport, Senior Commercial Officer
U.S Commercial Liaison Office

World Bank
Address: Icheri Sheher, 91/95 Mirza Mansur Street,
Baku 370004, Azerbaijan
Tel: (994 12) 921941, 922807
Fax: (994 12) 934766, 921479
Web: www.worldbank.com
E-mail: anoman@worldbank.org, fmamedov@worldbank.org
Contacts: Akbar Noman, Country Manager
Farid Mamedov, Operations Officer
Infrastructure and Energy Sector Unit

For consultations and development of U.S.-sponsored projects with the World Bank, please also contact:

U.S. Commercial Liaison Office for the World Bank
Address: 1818 H Street, NW
Washington, DC 20433
Tel: 202-473-6168, 202-458-0120
Fax: 202-522-2630, 202-477-2967
Telex: Rca 248423
Web: www.worldbank.org
Email: BCrawford@worldbank.org or Bill.Crawford@mail.doc.gov
Contact: Bill Crawford, Senior Commercial Officer
U.S. Liaison to the World Bank

Asian Development Bank (ADB)

Address: Hyatt Regency
1 Bakikhanov Street
Baku 370065, Azerbaijan
Tel: (994 12) 907175, 907149
Cell: (994 50) 221 7228
Fax: N/A
Web: www.adb.org/Azerbaijan
E-mail: faraj_adb@azeurotel.com
Contact: Faradj Huseynbeyov, Representative

For consultations and development of U.S.-sponsored projects with the ADB,
please also contact:

Asian Development Bank (ADB)

Address: 6 ADB Avenue
0401 Mandaluyong City
Philippines
Tel: 632-632-4444
Fax: 632-636-2444
Web: www.adb.org
E-mail: Stewart.Ballard@mail.doc.gov
Contact: Stewart Ballard, U.S. Liaison to the ADB

International Monetary Fund (IMF)

Address: 83 Samed Vurgun Street
Baku 370601, Azerbaijan
Tel: (994 12) 970188, 970189
Fax: (994 12) 970187
Web: www.imf.org
E-mail: sveliyeva@imf.org
Contact: Basil Zavoico, Resident Representative
Farid Talyshly, Economist

International Finance Corporation

(Member of World bank Group)

Address: Icheri Sheher, 91/95 Mirza Mansur Street
Baku 370004, Azerbaijan
Tel: (994 12) 921941
Fax: (994 12) 921479
Web: www.ifc.com
E-mail: anuriyeva@ifc.org
Contact: Aliya Nuriyeva, Program Coordinator

Micro-Finance Bank of Azerbaijan (MFBA)

Address: 137 Alovst Street
Baku 370000, Azerbaijan
Tel: (994 12) 930726
Fax: (994 12) 930796
E-mail: Thomas.Engelhardt@mfba.az
Web: www.mfba.az

Contact: Thomas Engelhardt, General Manager

Key Media and Advertising Contacts in Azerbaijan

Zerkalo - newspaper in Russian, content: politics, business and entertainment.

Address: 1 Sharifzadeh Street
Tel: (994 12) 975031
Fax: (994 12) 977123
Web: www.zerkalo.az
E-mail: gazeta@zerkalo.az
Contact: Elchin Shikhlinsky, Chief Editor

Ayna – newspaper in Azeri, content: politics, business and entertainment.

Address: 1 Sharifzadeh Street
Tel: (994 12) 320008
Fax: (994 12) 975169
Web: www.ayna.az
E-mail: secret@azeri.com
Contact: Elchin Shikhlinsky, Chief Editor

Echo – newspaper in Russian, content: politics, business and entertainment.

Address: 1 Sharifzadeh Street
Tel: (994 12) 474150
Fax: (994 12) 474150
Web: www.echo-az.com
E-mail: gazeta@echo-az.com
Contact: Rauf Talishinsky, Chief Editor

Caspian Business News - newspaper in English, content: politics, business and entertainment)

Address: 3 Y. Ibrahimli Street
Baku, Azerbaijan
Tel: (994 12) 970795
Fax: (994 12) 922181
Web: www.caspianbusinessnews.com
E-mail: editor@caspianbusinessnews.com
Contacts: Fagan Askerov, Chief Editor

The Azeri Times - newspaper in English, content: politics, business and entertainment)

Address: 31 Istiglaliyat Street
Tel: (994 12) 474286
Fax: (994 12) 474288
Web: N/A
E-mail: azer@bak.net.az
Contact: Aida Sultanova, Chief Editor

Baku Sun - newspaper in English, content: politics, business, and entertainment)

Address: Firudin Agayev Street, Apt. # 21, A, Block 559
Baku, Azerbaijan
Tel: (994 12) 975531
Fax: (994 12) 975531
Web: www.bakusun.az
E-mail: editor@bakusun.baku.az
Contact: Valentina Huber, Editor

Yeni Musavat - newspaper in Azeri, content: politics, business and entertainment)

Address: 37 Azerbaijan Avenue
Baku 370000, Azerbaijan
Tel: (994 12) 982088
Fax: (994 12) 980061
E-mail: mail@yenimusavat.com
Contact: Rauf Arifoglu, Chief Editor

"Media" Information Broadcasting Company – Private Press Agency, TV and Radio stations (Lider TV and FM) and newspapers in Azeri (Bizim Esr), English (Our Century) and Russian (Nash Vek).

Address: 83/23 Alesker Alekperov Street
Baku, Azerbaijan
Tel: (994 12) 978899
Fax: (994 12) 978898
Web: www.media-az.com
E-mail: vafa@media-az.com
Contact: Vugar Garadagly, General Director

Consulting and Business Magazine – magazine in English and Azeri

Address: Icheri Sheher, 13/15 Bolshaya Krepostnaya Street
Baku, Azerbaijan
Tel: (994 12) 920820
Fax: (994 12) 973770
Web: www.consulting.azeri.com
E-mail: minimax@azeri.com
Contact: Ilgar Bagarov, Chief Editor

Caspian Energy – magazine in English

Address: 141/14 Dilara Aliyeva Street
Baku 370009, Azerbaijan
Tel: (994 12) 949447, 472187
Fax: (994 12) 949447
Web: www.caspenergy.com
E-mail: argcaspenergy@azdata.net
Contact: Telman Aliyev, General Director
Natalya Aliyeva, Chief Editor
Naina Bakaldina, Project Manager

ANS - Azerbaijan News Service – Private Information Agency, TV and Radio stations (ANS TV and ANS ChM FM).

Address: Drive 1128, Block 504
Baku, Azerbaijan
Tel: (994 12) 977270
Fax: (994 12) 989498
Web: www.ans-dx.com
E-mail: ans@ans-dx.com
Contact: Mirshahin Agayev, Vice President

Space – Television & Radio Broadcasting Company

Address: 31/33 Istiglaliyat Street
Baku, Azerbaijan
Tel: (994 12) 927696
Fax: (994 12) 927665
Web: N/A
E-mail: spacenews@azeri.com
Contact: Etibar Babayev, President

For further information concerning media groups in Azerbaijan, contact:
Information Specialist, U.S. Embassy, Baku

Address: 83 Azadlig Prospect
Baku, Azerbaijan
Tel: (994 12) 980335
Fax: (994 12) 989312
Web: www.usembassybaku.org
Contact: Sevinj Mirzoyeva, Information Specialist

Consulting Firms

Ernst and Young

Address: Hyatt International Center – Tower III, 1st floor
1033 Izmir Street
Baku 370065, Azerbaijan
Tel: (994 12) 907020
Fax: (994 12) 907017
Web: www.ey.com
E-mail: baku@az.eyi.com, Jody.Campbell@az.eyi.com
Contacts: Jody Campbell, Managing/Audit Partner

KPMG

Address: ISR Plaza, 13th floor
340 Nizami Street
Baku 370000, Azerbaijan
Tel: (994 12) 971905. 971906, 971907
Tel/Fax: (994 12) 971909
Web: www.kpmg.com
E-mail: Baku@kpmg.az
Contacts: Bob Wollingford, General Manager

David Meier, Director
Svetlana Abdullayeva, Audit Manager

Price Waterhouse Coopers

Address: The Landmark Building, 5th floor
96 Nizami Street
Baku, Azerbaijan
Tel: (994 12) 972515
Fax: (994 12) 977413
Web: www.pwcglobal.com
E-mail: Zaid.S.Sethi@az.pwcglobal.com
Contact: Zaid Sethi, Managing Partner
Movlan Pashayev, Tax Manager

Deloitte & Touche

Address: The Landmark Building, 4th floor
96 Nizami Street
Baku 370010, Azerbaijan
Tel: (994 12) 982970, 982971, 982972
Fax: (994 12) 989805
Web: www.deloitte.com www.deloitte.ru
E-mail: Gkarimov@deloitte.ru
Contact: Gunduz Karimov, General Manager

**Central Asia Business Consultants
(In cooperation with Deloitte & Touche)**

Address: "Caspian Business Center", 8th floor
40 Jafar Jabbarly Street
Baku 370065, Azerbaijan
Tel: (994 12) 974485, 974486
Fax: (994 12) 974487
Web: www.cabc-global.com
E-mail: Adik@cabc-global.com, leila@cabc-global.com
Contact: Adik Babayev, Managing Partner
Leila Edwards, Legal Manager

Selected International Law Firms with Offices in Azerbaijan

Baker & McKenzie

Address: The Landmark Building, 6th floor
96 Nizami Street
Baku 370010, Azerbaijan
Tel: (994 12) 971801, 971802, 971803, 982480
Fax: (994 12) 971805
Web: www.bakernet.com
E-mail: baku.info@bakernet.com,
daniel.matthews@bakernet.com
Contact: Daniel Matthews, Partner

Baker Botts LLP

Address: Icheri Sheher, 6-10 Vagif Mustafa-zadeh St., 3rd floor

Baku 370004, Azerbaijan
Tel: (994 12) 976388
Fax: (994 12) 976391
Web: www.bakerbotts.com
E-mail: christine.ferguson@bakerbotts.com
Contact: Christine Ferguson, Head of Baku Representation

Salans

Address: Hyatt International Center, II, 1st floor
1033 Ismir Street
Baku 370065, Azerbaijan
Tel: (994 12) 907565
Fax: (994 12) 971057
Web: www.salans.com
E-mail: baku@salans.com, abati@salans.com,
bati@wicklow.baku.az
Contact: Alum Bati, Managing Partner

Key U.S Government Contacts

U.S. Department of Commerce

Address: Office of the Secretary
14th & Constitution Ave, NW
Washington, DC 20230
Tel: (202) 482-2000, 482-4883
Web: www.commerce.gov
E-mail: devans@doc.gov
Contacts: Donald L. Evans, Secretary of Commerce
Samuel W. Bodman, Deputy Secretary of Commerce

Trade Information Center

Address: US Trade Center
Washington, DC 20230
Tel: 1-800-USA-TRADE
Fax: (202) 482-4473
Web: www.usatrade.gov
E-mail: If you have questions about exporting, please contact the trade
information center at email:TIC@ita.doc.gov or call
1-800-USATRAD (E)

Office of Europe, Russia, and the Independent States

Address: Room 3863, Department of Commerce
14th Street and Constitution Avenue
Washington, DC 20230
Tel: (202) 482-5638
Fax: (202) 482-6038
Contact: Henry A. Levine, Deputy Assistant Secretary

Office of Market Access and Compliance

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Contact: Matt London, Russia/NIS Program Officer
(Market access and regulatory issues)

**Office of Assistant Secretary William H. Lash III
Market Access and Compliance**

Address: Room 3868, Department of Commerce
14th Street and Constitution Avenue
Washington, DC 20230
Tel: (202) 482-3022
Fax: (202) 482-5444

BISNIS

Address: U.S. Department of Commerce
Ronald Reagan Building
USA Trade Center
Stop R*BISNIS
1401 Constitution Avenue, NW
Washington, DC 20230
Tel: (202) 482-4655
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Web: www.bisnis.doc.gov
Russian language website: www.bisnis.doc.gov/nis, www.bisnis-eurasia.org
E-mail: isnis@ita.doc.gov
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Embassy of the Unites States of America
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SABIT (Special American Business Internship Training)

Address: U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington D.C. 20230
Tel: (202) 482-0073
Fax: (202) 482-2443
Web: www.sabitprogram.org www.mac.doc.gov/sabit/sabit.html
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Sergei Sviderski, Coordinator, SABIT West NIS and Caucasus
U.S. Embassy Commercial Service, Kiev, Ukraine
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**International Trade Administration
Trade Advocacy Center**

Address: Room 3814 A, U.S. Department of Commerce
14th Street & Constitution Avenue, NW
Washington, DC 20230
Tel: (202) 482-3896
Fax: (202) 482-3508
Web: www.trade.gov/advocacy and www.ita.doc.gov
E-mail: samuel_newman@ita.doc.gov
Contacts: Daniel Bloom, Director
E-mail: Dan_Bloom@ita.doc.gov
Samuel Newman, Regional Manager
Turkey and Caspian Sea Region
E-mail: Samuel_Newman@ita.doc.gov

U.S. Department of State

Office of Business Affairs
Address: 2201 C Street, NW
Washington, DC 20520
Tel: (202) 647-1625
Main
Switchboard: (202) 647-4000
Hotline
for American
Travelers: (202) 647-5225
Fax: (202) 647-3953
Contact: Kerem Bilge, Azerbaijan Desk Officer
Tel: (202) 647-6048
Web: www.state.gov
E-mail: CBAWEB@state.gov

U.S. Department of Agriculture

Foreign Agriculture Service
Trade Assistance and Promotion Office
Address: 1400 Independence Avenue, SW
Washington, DC 20250-1052
Tel: (202) 720-0732
Fax: (202) 690-4374
Web: www.usda.gov
E-mail: FayM@fas.usda.gov
Contact: Michael Fay, Agriculture Specialist

The U.S. Embassy in Baku also works closely with the U.S. Embassy's
Foreign Agricultural Service in Ankara, Turkey:

Tel: (90 312) 455 5555 Ext. 2406
Fax: (90 312) 467 0056

Web: www.usda.gov
E-mail: HansonR@fas.usda.gov agankara@fas.usda.gov
Contact: Robert Hanson, Agricultural Attaché
Foreign Agricultural Service (FAS)
U.S. Embassy Ankara, Turkey

Overseas Private Investment Corporation (OPIC)
Address: 1100 New York Avenue, NW, Twelfth Floor
Washington, DC 20527
Tel: (202) 336-8480, (202) 336-8485
Fax: (202) 408-9866, (202) 408-9866
Web: www.opic.gov
E-mail: jgale@opic.gov
Contact: James Gale, Business Development Officer

U.S. Trade and Development Agency (TDA)
Address: 1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Tel: (703) 875-4357
Fax: (703) 875-4009
Web: www.tda.gov
E-mail: dstein@tda.gov
Contact: Daniel Stein, Regional Director

Export-Import Bank of the United States (Ex-Im Bank)
International Business Development
Address: 811 Vermont Avenue, NW
Washington, DC 20571
Tel: (202) 565-3413
Fax: (202) 565-3625
Web: www.exim.gov
E-mail: Paul.Tumminia@exim.gov
Contact: Paul Tumminia, Director
Russia CIS & Baltics, International Business Relations

CHAPTER 12: MARKET RESEARCH

Please consult www.export.gov and www.bisnis.doc.gov for the latest market research on Azerbaijan, including industry sector overviews, spot market updates, and commercial newsbriefs.

CHAPTER 13: TRADE EVENT SCHEDULE

- A. The Ninth Azerbaijan International Healthcare Exhibition
(BIHE 2003)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: medical equipment, pharmaceuticals, dentistry equipment, medical electronics, optics and ophthalmology, drugstore and paramedic facility equipment,

hygiene, health and beauty, non-prescription medicine, cosmetology, diet and food additives, publications and services.

Place: Grand Hotel Europe Exhibition and Conference Center

Dates: September 17-19, 2003

- B. The Ninth Azerbaijan International Construction Exhibition
(BAKUBUILD 2003)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: construction, architecture, construction materials and services, equipment, fishing materials, interior elements, electrical products, doors and windows, heating, ventilation and air conditioning systems, ceramics, sanitary ware.
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: September 24-26, 2003
- C. The Ninth Azerbaijan International Telecommunications and Information Technologies Exhibition
(BAKUTEL 2003)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: telecommunication and computers' technology
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: October 1-3, 2003
- D. The First Azerbaijan International Print and Media Exhibition
(AZPRINTMEDIA 2003)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: print and media, advertising services, design and marketing, cinematography/photo/video equipment
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: October 1-3, 2003
- E. The First Azerbaijan International Furniture Exhibition
(BAKUMEBEL 2003)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: furniture and accessories, interiors and design
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: October 29-31, 2003
- F. The First Azerbaijan International Auto Exhibition
(AUTOWORLDEXPO 2004)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: automotive industry
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: March 18-20, 2004
- G. The Third Azerbaijan International Tourism Fair
(AITF 2004)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: tourism, resorts, airline
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: April 8-10, 2004

- H. The Tenth Azerbaijan International Food Exhibition
(INTERFOOD 2004)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: agribusiness, food processing, food, drinks, machinery,
packaging
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: April 21-23, 2004
- I. The Third Azerbaijan International Transport and Logistics Exhibition
(TRANSCASPIAN 2004)
Organizer: Iteca Caspian (ITE Group PLC, United Kingdom)
Sectors: Transport, Logistics
Place: Grand Hotel Europe Exhibition and Conference Center
Dates: May 19-21, 2004
- J. The Tenth International Caspian Oil & Gas Exhibitions and Conference
(Incorporating Refining & Petrochemicals)
Organizers: Caspian Events Ltd (United Kingdom) in partnership with
Azerbaijan Chamber of Commerce & Industry
Place: City of Baku Sports and Exhibitions Complex
Dates: June 1-4, 2003

This International event attracts industry exploration and production, international and local leaders in service companies and firms providing the following services:

Pipelines and other industrial construction
Development of oil & gas infrastructure
Engineering, procurement and construction
Hydrocarbon resources transportation
Consulting, insurance, financial and legal services
Logistics services
Information technologies
Personnel training for oil & gas industry
Health and safety

The Caspian Oil & Gas Exhibition and Conference is traditionally supported by the Azeri government. The President of Azerbaijan officially opens this event. Energy Ministers from various countries or their official representatives also participate in the opening ceremony followed by a tour of the exhibition.

Please check the most updated information about this event on the website:
www.caspianevents.co.uk www.caspianoilgas.co.uk

Contact Information:

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Rauf Vezirov, Vice President
Ilham Huseynov, Chief of Trade Events and Exhibitions
Department

United States-Azerbaijan Chamber of Commerce (USACC)
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Tony Gayoso, Construction Division Director