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SECURITY IN THE SOUTH CAUCASUS

SECRETARIAT REPORT*

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* This Secretariat Report is presented for information only and does not necessarily represent the official view of the Assembly.

1. The 58th Rose-Roth Seminar was held in Baku 25-27 November 2004. A year after the elections which brought Ilham Aliev (son of the former president Heydar Aliev) to power, the country is facing serious challenges in 2005. First of all the "second oil boom" is expected to bring a significant amount of oil revenue to Azerbaijan in 2005. With an estimated production of 4.5 billion barrels, Azerbaijan is said to have about 1.3% of world oil reserves as well as important gas reserves. The enormous and positive consequences expected from this influx of money on the country's economical and social development will certainly influence the course of the country's development. With Parliamentary elections scheduled in the autumn, next year will be important with regard to the country's implementations of commitments in the field of democratic reforms and Human rights. These elections are seen as a real test for the democratic credentials of Azerbaijan. Finally, it is hoped that internal and regional evolution might prompt the negotiation process for settlement of the Nagorno Karabakh conflict, which is obviously an absolute centrality for the entire Azerbaijani population and a major driver of the country's national and international politics.

2. **Murtuz Aleskerov, Speaker of the Milli Mejlis of the Republic of Azerbaijan (Parliament)**, in his introduction underlined the mutual interests in the NATO PA-Azerbaijan co-operation and welcomed the organisation of a Rose-Roth seminar in his country. Azerbaijan has already declared a strong interest in developing closer relations with the NATO institutions, several years ago. Azerbaijan has been involved in a PfP programme since 1994, and in spring 2004 initiated a new type of co-operation with NATO (IPAP project) which will soon be finalised. Azerbaijan is actively contributing to various peacekeeping operations in Kosovo, Iraq and Afghanistan. Recalling that Azerbaijan has been an associate member of the NATO PA since 1999, he stressed the importance for his country of actively participating in NATO PA activities and discussions on security issues. Azerbaijan, which is suffering from a long-lasting conflict and occupation of its territories, is very confident about the role of the NATO PA in promoting dialogue on stability in the region. In this regard, he regretted the absence of concrete achievements in solving the Nagorno Karabakh conflict. He recalled his country's hopes for a peaceful settlement of the dispute and reiterated the strong commitment of his government in the negotiation process under the auspices of the OSCE Minsk Group.

3. **Siyafet Asgerov, Head of the Azerbaijani Delegation to the NATO PA**, underlined the security concerns that we all share after the 11/09 attacks on the Twin Towers. Azerbaijan, among the international coalition, is totally committed to the fight against terror. He also stated that the fight against terror and extremism will be a central element in the new package of co-operation projects with NATO.

4. **Simon Lunn, the Secretary General of the NATO Parliamentary Assembly**, provided a brief history of the creation of the Rose-Roth seminars and clarified the aims and goals of these meetings. He also briefly informed the participants of the current and forthcoming activities of the Assembly in the Caucasus region and discussed the strategic role of this region for Euro-Atlantic stability. He stressed how crucial and essential a better understanding of one another's security preoccupations and challenges is. He particularly thanked the Azerbaijani Parliament, his Speaker, Mr Aleskerov and the Head of Delegation to the NATO PA Mr Askerov, for the hospitality of the Azeris and for allowing the organisation of such a seminar in Baku.

5. **Brenda Shaffer, Research Director, Caspian Studies Program at Harvard University**, described the recently acquired geopolitical importance of the Caucasus region. It became a major "transportation hub to NATO operations" beyond the region in Afghanistan and the Middle East. As NATO is increasing its presence in the region, she underlined the need for NATO to elaborate, in co-operation with the three Caucasian republics, a real strategy, including concrete possibilities for the evolution of this co-operation. She underlined the need to clarify the plans, aims, and expectations of such co-operation. The mandate of the organisation has to be clearly explained. One of the spheres where NATO could enhance its own security through expanded co-operation

with South Caucasian States is in the field of non-proliferation of material, scientists and technologies relevant to weapons of mass destruction programmes. If one wants to promote security and prosperity in the South Caucasus and the greater region, it is essential to address the regional conflicts and in particular the Nagorno Karabakh dispute. These conflicts are of an unusual nature; they are not ethnic conflicts, but ethnicity is often used as a justification. Ms Shaffer dismissed the concept of “frozen conflicts” as it is essential for the development of these states to resolve these conflicts, and people are ready for peace. One should also note that during the years of transition –characterised by high instability in the region- no religious conflict arose, which is a sign of moderation. In her opinion, security is often a pre-condition not only to the promotion of co-operation -especially in the field of security- but also to the stability and the democratisation process of these states. Recalling the secular, liberal and historical roots of Azerbaijan, which adopted a Constitution during its brief independence in 1918, she underlined the need to strongly encourage and support the democratic process in these states.

6. **George Arveladze (GE)** underlined that in fact most of the conflicts in Georgia are linked to financial interests, illegal trafficking and organised crime. It is essential to eliminate organised crime, which often supports illegal and separatist regimes. **John Smith (UK)** confirmed that these conflicts had very little religious implication, and this is illustrated by the fact that Iran was more inclined to develop its relations with Armenia than to support its Muslim brothers in Azerbaijan. **Siyavush Novruzov (AZ)** agreed that the persistence of the Nagorno Karabakh conflict and the long-lasting cease-fire between Armenia and Azerbaijan hampers any possible attempts to strengthen collective security in the region. **Emin Bilgiç (TR)** stressed that unfortunately the international community is paying greater attention to nuclear proliferation in Iran than to the settlement of the Nagorno Karabakh conflict. He also underlined that in his opinion this was not only “a dispute” but also a real occupation of Azerbaijani land by Armenia, and it should be referred to as such. **Asim Mollazadeh**, president of the NGO, Euro-Atlantic Center of Azerbaijan, suggested that NATO should consider being involved in the peacekeeping operations, which are currently led in the region by Russian forces. Moreover, it would be worthwhile considering the idea of Russian-NATO peacekeeping operations, which would secure an impartial and internationally recognised peacekeeping presence. **Jérôme Rivière (FR)**, referring to Ms Shaffer’s presentation, argued that, using the example of Europe after the Second World War, it is obvious that co-operation contributes to establishing security and not the contrary. Furthermore, Europeans were –at the time- fully committed to a European integration; therefore to achieve regional stability it is essential to strengthen the dialogue and to continue negotiating settlement of the conflicts. **Agnes Vadai (HU)** regretted that it is often the politicians who are not ready for peace, not the local populations. In her opinion a major role for international organisations is to observe and assist the democratisation process of these societies and in particular to promote freedom of speech, access to information and the independence of the media.

7. **Mustafa Aydin** from the University of Ankara discussed the weaknesses that hamper the settlement of conflicts in the region. In his view there is a lack of a proper institutional forum for co-operation and regional dialogue. In fact, compared to the Balkans, the Caucasus has a very poor sense of being a region as such. This also undermines the confidence needed to establish peace and stability in the region. He added that this region was not only going through a “transition period” but also a real state-building process was taking place. In 2004, it is clear that most of the problems and challenges faced by the governments of the region are not of a transitory nature, but rather are endemic and could remain. We can only recognise that the South Caucasus states are weak states with incomplete control of their territories and/or populations, suffering rampant corruption, tremendous economical problems and an overall pauperisation of the population. In addition, they have poor political systems and the leadership often faces problems of legitimacy. The state sovereignty is undermined by the existence of uncontrolled armed groups or separatist movements. To be fair, one should recognise that the international community is far from having played all its cards in this region. Very poor co-ordination of all activities undermines co-operation efforts and promotes “clientelism reflexes”. Mr Aydin is convinced that a more

constructive and co-ordinated approach together with the creation of an appropriate and unique structure for regional co-operation and integration would prompt the necessary reforms, help in forming a regional identity and play a major role in assisting the conflict resolution processes.

SESSION I: INTERNAL STABILITY

Moderator: John SMITH (United Kingdom), *Rapporteur of the NATO PA Defence and Security Sub-Committee on Future Security and Defence Capabilities*

8. **Ramil Usubov, Minister of the Interior of Azerbaijan**, addressed the participants on the “*Potential Factors relating to Internal Destabilisation*”. Underlining that stability is a crucial factor in the development of a nation; the Minister discussed internal affairs and the country’s current security strategy. In line with his predecessor, President Aliiev is working toward establishing long-term stability based on respect for the country’s sovereignty and territorial integrity. All reforms of the law enforcement bodies are conducted in agreement with the international standards related to the matter. At the Ministry of Interior special attention is given to fighting illegal trafficking and organised crime; prevention of the development of armed gangs and proliferation of weapons has been made a priority, as well as close monitoring of those religious organisations which are intending to promote religious extremism. In 2004, more than 30 people were detained in connection with terrorist networks, out of whom 20 were sentenced for terrorist activities. Six charity organisations devoted to religious proselytism were closed in Baku and 14 aid workers of religious humanitarian missions suspected of illegal activities were extradited to the Russian Federation. Because of its geography, Azerbaijan is naturally at risk from terrorists and extremist activities. Azerbaijan unconditionally joined the anti-terror coalition after 11/09 and this remains a major field for further co-operation with NATO. The Minister added that one other area for co-operation with NATO institutions could be the training of the Interior Ministry’s special troops, support in modernisation of these troops and training for peacekeeping operations.

9. **David Gamkrelidze (GE)** inquired about the Georgian/Azerbaijani bilateral co-operation and in particular in the field of information exchange. Minister Usubov informed the participants that there is solid co-operation with counterparts in Georgia based on a formal agreement. Not only are they able to exchange information on a regular basis, but they can also conduct joint operations, in particular to fight illegal trafficking and organised crime.

10. **Alexei Volkov (RU)** asked the Minister to elaborate on the fight against corruption. Minister Usubov provided a brief overview of his Ministry’s activities in this field and underlined that Azerbaijan has recently adopted a law against corruption as well as a decree for the implementation of this law. Furthermore, the President has set up a special committee under presidential administration to monitor activities in this field.

SESSION II: NATO-AZERBAIJAN, PERCEPTIONS AND FUTURE PERSPECTIVES

11. **Mr Mollazadeh** recalled that, historically, and despite its Muslim religion and tradition, Azerbaijan was a pioneer in creating a secular and democratic republic in 1918, and is strongly committed to democratic and western values. He stressed the tradition of tolerance in his country, which allows a large number of different nationalities to live together in peace. The commitment of Azerbaijan to a closer co-operation with NATO structures is a natural evolution for the country. Euro-Atlantic integration is strongly supported by the people. The majority of the population in Azerbaijan supports the strengthening of relations with NATO, whereas only 10% would prefer to join the CIS collective security system. The Azerbaijani leadership is also showing a strong commitment to reforming the country’s institutions, in particular in the field of defence. Serious problems remain, in particular in the sphere of media and in the development of a genuine civil

society. He stressed that many new laws have been adopted but noted that the implementation of these laws is problematic in the country.

12. **Rasim Musabayov, Sociologist, Political expert**, started his presentation by noting 2 major elements for an increasing presence of NATO in the Caucasus. First of all, NATO provides the only credible security system that survived the end of the cold war. The second element is that NATO is also playing a strong role in promoting reforms and democratisation in post-soviet societies. This region is suffering rampant problems of corruption, autocratic trends and local and regional conflicts, which obviously undermine regional and national security. Two out of three Caucasian governments have yet to engage in close co-operation with NATO, namely Azerbaijan and Georgia, the latter being the most advanced in this process. Armenia has also declared its interest and is now engaging cautiously in the same type of co-operation with the NATO-IPAP programme. In 2001, Mr Musabayov conducted a sociological study on the perception of NATO and on the major security challenges for the region. Out of 1000 people who were interviewed in each country, NATO integration was supported by 25% in Azerbaijan; 28% in Georgia; and 6.5% in Armenia. It should be borne in mind that Turkey is a member of NATO, which contributes to the popularity of this concept in Azerbaijan. In the collective minds, NATO is also offering Azerbaijan a way to ultimately escape from traditional "influences" from either Iran or Russia. NATO is almost unanimously seen as a motor for the promotion of stability, prosperity and peace. Among political parties support is similarly unconditional, from both opposition and pro-government parties. Communist, Islamic and Social Democratic parties voiced the only criticisms. Most of those interviewed had a very limited knowledge of NATO's mandate and its potential role in the region. To a question from **Zahid Orujov (AZ)**, Mr Musabayov suggested that the GUUAM could be given a special status within the NATO structure. He underlined the role of NATO in the history of Kosovo, and suggested that if NATO has not yet considered intervening to resolve the Nagorno Karabakh conflict, it was probably politically not ready to do so.

SESSION III: DEMOCRATIC REFORMS ON THE EVE OF MUNICIPAL ELECTIONS

13. **Samad Seyidov (AZ), MP, Head of the Azerbaijani Delegation to the Parliamentary Assembly of the Council of Europe**, presented the reform process which has taken place since independence. Recalling that Azerbaijan abolished the death penalty in 1998, he described in detail the difficult and painful path to transform the country's institutions. A decade after independence, the overall legal framework was brought in line to conform to international standards. Mr Seyidov recognised that in several areas, such as protection of human rights and the freedom of speech progress was still necessary.

14. **Ambassador Maurizio Pavesi, Head of the OSCE Mission in Baku**, shared his concerns regarding the conduct of elections in Azerbaijan. Recent re-runs in 3 constituencies have once more shown significant problems. Both municipal elections, and – in particular - Parliamentary elections scheduled in 2005 will be carefully observed by the international community, and the OSCE in particular. He regretted that some of the opposition parties have already announced they will not take part in these elections. It is essential that a political dialogue is restored. The Ambassador also reiterated that 2005 will be a crucial year for Azerbaijan and said that the rule of law must prevail and there is no choice but to conduct these elections in an open and fair manner. He is also expecting a large amount of progress in promoting an independent and free press and in the strengthening of the independence of the judiciary in the country.

15. **Ilham Safarov, Managing Director, Internews-Azerbaijan**, confirmed the serious difficulties faced by the media in his country. Although it is a commitment before the Council of Europe, public TV has not been created yet and there is only a small chance that it will be done by the next parliamentary elections. He added that despite some very encouraging steps (liquidation of censorship, organisation of a Press Council...) the majority of the media in this country is suffering

from direct or indirect control and interference by pro-governmental structures, and that currently a significant part of the population has no access to free press or media.

SESSION IV: REGIONAL STABILITY IN THE SOUTH CAUCASUS

Moderator: Jérôme RIVIÈRE (France), *Chairman of the NATO PA Science and Technology Sub-Committee on the Proliferation of Military Technology*

16. **Dennis Sammut**, Executive Director of LINKS, briefly introduced the British NGO "LINKS" and its role in assisting the creation of the South Caucasus Parliamentary Initiative. In response to the need to promote regional co-operation at the parliamentary level, an initial dialogue was started in 2001. Overcoming a large amount of scepticism and hesitations, a Memorandum of Understanding was finally signed in Tbilissi, in May 2003, institutionalising the Initiative. The group has a rotating chairmanship and a secretariat. The rotating presidency is being held by Armenia until December 2004, and Azerbaijan will take over in January 2005. It has held two plenary sessions, in Scotland in 2003 and in Bulgaria in 2004. Each chairmanship prepares a working programme for the duration of the presidency. The Final Communiqué issued at the occasion of the 2nd Plenary Assembly in Sofia stressed the importance of the process of democratic state-building in the region and underlined the need for regional co-operation and peaceful settlement of the conflict as essential factors for further integration of the South Caucasus in European and international institutions. Mr Sammut, acting as adviser and facilitator of the process, noted that this initiative has not yet reached sustainability, mainly due to the difficulty of this type of regional dialogue and to a false sense of competition among actors. Nevertheless the initiative is now accepted, and it has become a significant item on the agenda of all three parliaments. He also praised the courage of the political leaders who supported and made possible this initiative despite national and popular mistrust of regional co-operation.

17. In response to a question by **Mr Rivièrè (FR)**, Mr Sammut pointed out that a mechanism aimed at disseminating the Initiative's report within the national parliaments is in place and is an important element of the process. **Mr Gamkrelidze (GE)** suggested that relations with other parliamentary assemblies should be established in the future. **Mr Volkov (RU)** added that it would be an interesting idea to bring together this initiative with the Russian initiative called "3+1-three Caucasian and the Russian parliaments" and called for vigilance in order to avoid duplication in the activities of these initiatives. Mr Sammut noted that in fact several initiatives are trying to foster regional dialogue. He added that there is no sense of competition since these initiatives are complementary and that the main objective is to organise intensive consultations and develop confidence-building measures among the three Caucasian partners.

18. In his remarks, **James Mackey** from NATO's Political Affairs and Security Policy Division discussed the interdependence between regional and internal stability. Based on this approach, NATO realised that the NATO shared values are more than military interoperability and reforms; democratic, political and legal reforms also generate stability. Each of the three South Caucasian States has undertaken reforming processes such as these and established individual goals and strategies. In this context, the new set of NATO proposed activities does not force the partner state to accept a given programme, but rather elaborates a specific co-operation programme based on the partner's wishes and priorities. At this stage, Georgia is the most advanced in the definition of this new partnership with NATO, as recently its IPAP (Individual Partnership Programme) was approved. Azerbaijan's IPAP should soon be approved and Armenia has undertaken intensive consultation to develop one in the future. In addition, other opportunities for further co-operation are available. PAPT (Partnership Action Plan against Terrorism) and PAPDIB (Partnership Action Plan for Defence Institution Building) will provide a framework for bilateral and multilateral co-operation in these spheres. Mr Mackey also noted that the appointment of Mr R. Simmons, Deputy Assistant Secretary General for Security Co-operation and Partnership, as NATO Special

Representative for the Caucasus and Central Asia, as well as the establishment of two liaison officers in these regions, will tremendously facilitate communication and help strengthen the co-operation with the authorities of the South Caucasus States.

19. **Mr Gamkrelidze (GE)** and **Ms Vadai (HU)** underlined how important it is in their view to offer the possibility of having individualised projects and independent itineraries towards enhanced co-operation with NATO. It is essential that the Russian military bases be withdrawn from Georgia as agreed. In response to a question about possible membership of Caucasian States in NATO, Mr Mackey recalled the NATO Secretary General's words regarding the open door policy in the Caucasus, and emphasised that the NATO approach is to focus above all on results rather than on the timeline.

20. **Araz Azimov, Deputy Minister of Foreign Affairs of Azerbaijan**, mentioned how pleased he was to see concrete developments in the relations between the NATO institutions and Azerbaijan, and welcomed the participants to the seminar. In his presentation on the perspective for settlement of the Nagorno Karabakh conflict, Mr Azimov noted that despite all efforts the dispute was not yet resolved. Some are tempted to believe that two principles of international law are in contradiction in this situation, the principle of territorial integrity and the principle of self-determination. But this is wrong, as the principle of self-determination cannot undermine territorial integrity. Azerbaijan also has the right to self-determination! Mr Azimov is convinced that there are ways to find a solution and refuses to accept the "fait accompli". He added that the Azerbaijani view on a possible agreement implies a global agreement including major elements of the negotiations, i.e. the return of refugees; the issue of occupied territory; and the status of Nagorno Karabakh. More than 20% of the territory is under occupation and almost 1 million people are displaced. The persistence of this conflict undermines any possible serious regional co-operation; there are no established borders between Azerbaijan and Armenia and all roads and railways have been destroyed. As a result, there is a nearly total absence of co-operation between the two states, as well as very difficult communications. Both sides in the conflict are living on illusions: Armenia believes in the illusion of a military victory; and Azerbaijan on the other hand believes that everything can be resolved by war. Objective conditions for concrete negotiations need to be created. And there are many common interests for ending this situation of complete stalemate. Mr Azimov strongly believes that co-operation is an element for the settlement of the dispute and these two elements should be linked. He also stated that international organisations would have to play an important role in providing the two sides in the conflict with the political and security guarantees essential for the implementation of a potential peace agreement.

21. In response to a question by **Mr Rivière (FR)**, Mr Azimov added that negotiations were somehow "monopolised" by the Co-Chairs of the Minsk Group. Germany, Turkey and other states are de facto excluded from this process. One should consider how they could contribute in the future in the peace talks. Regarding the role of NATO in the region, he suggested that whatever NATO considers (facilitating peace talks; deepening co-operation; help implementing the Resolutions of the UN Security Council related to this conflict; or providing security guarantees), would be welcomed. He added that the principle of confidentiality of the negotiations under the auspices of OSCE unfortunately doesn't allow for the proper preparation of public opinion for a peace agreement. Mr Azimov concluded that there is a sense of urgency about finding a peace agreement as the conflict has continued for the last 10 years.

SESSION VI: DEFENSE REFORMS IN THE COMMONWEALTH OF INDEPENDENT STATES

Moderator: Franco ANGIONI (Italy), Vice-Chairman of the NATO PA Defence and Security Committee

22. **General Safar ABIYEV, Minister of Defence of Azerbaijan**, presented a detailed overview of the co-operation between Azerbaijan and NATO since first contacts in 1994, and discussed the current progress in the reform and modernisation of the armed forces. As of today the Azerbaijani armed forces consist of about 76 000 soldiers and military personnel. He pointed out the positive progress taking place in identifying elements of co-operation within the IPAP framework. He mentioned that Azerbaijan was planning to create a peacekeeping brigade and has already sent officers and military personnel to join international operations in Iraq, Kosovo and Afghanistan.

23. **Alexei Guzanov (RU)** enquired about the Azerbaijani system for protection and defence of the Caspian Sea, and noted that even if Azerbaijan was not a member of the CIS collective security agreement it had strong bilateral relations with the member states of this alliance. **Mr Volkov (RU)** also asked about the current US-Azerbaijani co-operation in the Caspian Sea. **Mr Bilgiç (TR)** asked about the status of negotiations for the delimitation of the Caspian waters. The Minister responded that his country has signed a bilateral military and technological agreement with Russia, but that so far there is no plan for a joint force in the Caspian Sea. There is in fact technical co-operation with the US to develop and train the Azerbaijani patrols in the Caspian. Regarding the water delimitation, a first agreement was reached between Russia, Kazakhstan and Azerbaijan. Turkmenistan and Iran have not yet joined this agreement. In response to a comment by **Mario Palombo (IT)** on the democratic control of armed forces, the Minister stated that not only do the presidential administration and the Prime Minister exert a real control over the activities of the Ministry of Defence, but there is also a Committee within the parliament in charge of this type of control. In response to a question from **Mr Lunn**, the Minister explained that for the time being there were only 4,000 civilians employed by his ministry but that the current reform intends to further promote the role of civilians. In reference to **Mr Unsal (TR)**'s comment the Minister mentioned that NATO should be engaged in supporting Armenian withdrawal from Azerbaijani occupied lands.

24. **General Sir Garry Johnson** informed the participants that the Azerbaijani government is currently drafting a National Security Concept. Later this exercise should lead to the drafting of a Military Doctrine. A special interagency working group was settled to produce the draft, which shall be further agreed by the parliament. He stressed the role and responsibility of parliaments. Even in wartime, parliamentary control over armed forces is necessary, since war is a political act performed by the military. Military operations and activities need a legal basis as well as a regulatory framework adopted by the legislative authority. Also, parliaments have a great role to play in controlling the military budget. It is agreed that this control shall not interfere with operational decisions unless it is necessary or unless the operational decision undermines the operability capacity, which is the reason why a clear distinction, set in the legislation, is needed.

25. **David Law, DECAF Centre in Geneva**, noted that co-operation in the field of security has until recently been mainly oriented towards development of interoperability. He further stressed the importance of good governance projects in recent NATO initiatives and the role of parliamentary control over the armed forces.

SESSION VII: ENERGY RESOURCES AND GOVERNANCE IN THE CASPIAN REGION

Moderator: M.J. ROBERTS, Senior Partner, Methinks Ltd and Energy Security Specialist, PLATTS

26. **Natig Aliyev, President of the SOCAR – National Oil Company-**, examined the security consequences of the economic transformation of his country since independence and since the recent discovery of significant oil reserves. Exploitation of oil reserves is still hampered by the absence of an agreement with Turkmenistan and Iran on the limitation of waters. Another significant concern is the security of oil transportation. Major plans for exportation of Azerbaijani gas and oil have been defined with the assistance of international organisations and private companies. It is to be hoped that these infrastructures can be further utilised for the export of Kazakh oil and /or Turkmen gas.

27. **Martin J. MILES, Sustainable Development Director BP Exploration**, recalled that Caspian nations have proven oil reserves similar to those of the North Sea. Of this the Baku-Tbilissi-Ceyhan oil field is to supply 1 million barrels/day or 1.3% of world oil supplies by 2010. BP has made a significant commitment of about 21 billion dollars for the exploitation of oil and gas in the region. The UK Government's Extractive Industries Transparency Initiative (EITI), supported by the Azerbaijani National Commission on EITI, conducts extensive consultations with oil companies and local and International NGOs to improve transparency, revenue management and human rights, which are key elements for sustainable development. On 24 November 2004 a MoU was signed between the GoA, the NGO Coalitions and foreign and local companies, which clearly sets out the process for implementation of this initiative in Azerbaijan. The initiative encourages oil companies to produce and publish data and information similar to the BP Azerbaijan Sustainable Report covering health, safety and environment and the economic impact of their activities. It also encourages and assists the GoA and civil society to increase transparency in the area of oil revenue management, to fight the development of corruption and conflicts and to promote human rights, a sense of equity and ethics.

28. **Sabit Bagirov, President of the Centre for Economic and Political Research**, presented a prospective study on expected oil revenue and its impact on the local economy and development of the country. In the coming decades the country will see the exploitation of the "Azeri-Chirag-Guneshli" oil field and a tremendous profit. This profit is estimated at up to 450 Million USD for the National Oil Company SOCAR in 2009 with a barrel at 45\$ and 150 Million USD with a barrel at 18\$. Most countries with abundant oil resources have failed to translate oil-benefits into better lives for their citizens. Azerbaijan has to be extremely realistic and pragmatic for several reasons. Unless further discovery of oil reserves occurs, the production of oil in Azerbaijan will progressively reduce, reaching 2003 production levels in 2025-2027. This means that the Azerbaijani government has to seriously reflect on how to invest its financial resources in order to secure long-term benefits and investments. The GoA has to avoid the "Dutch disease" and has to maintain and secure the financial and economic balance of the country. Secondly, the fluctuations of the price of a barrel, which is currently in favour of the producing countries, could reverse the current tendency. He raised certain concerns as to how prepared and capable his country is in facing these numerous challenges. The government still lacks experience in managing major revenue and the legal level of transparency in the work of the government. National and other oil companies might favour the development of corruption. The lack of democratic traditions in the country, the poor potential of civil society to monitor revenue and expenses, as well as the weakness of the mass media do not provide yet for a genuine overview.
