

ANNEX15 - LETTER TO EXECUTIVE DIRECTORS OF IFC, 4 November 2003

Dear Executive Directors

Please find attached a transcript of the inauguration speech of the new Azeri president, Ilham Aliyev. You are no doubt aware of the widespread international condemnation of the recent elections by which he came to power, and of the accusations of vote-rigging, violence and repression of opposition which accompanied the vote. We have already raised concerns on this score with regard to the BTC pipeline with you in previous submissions, since clearly such a dynastic transfer of power is at odds with the IFC's proclamation that the BTC project will facilitate the development of democracy in the region.

We are therefore even more concerned that in his speech, Ilham, having emphasised the ongoing conflict with Armenia and stated that "Azerbaijan will liberate its native lands at any cost", specifically links the economic development of the country with increased military capacity.

"Azerbaijan should have a strong army capable of tackling all issues. I am confident that Azerbaijan's economic potential will give us the opportunity to enable the Azerbaijani army to meet the highest standards and tackle all the tasks it is facing."

There is, in other words, a distinct possibility that Azerbaijan is seriously considering the use of BTC revenues for military purposes, particularly as regards Karabakh. Ilham also reiterates that political "stability" in Azerbaijan must not be threatened; this is of serious concern given the ongoing assaults on journalists and members of the opposition in which at least two people have died, and Ilham's televised threats against critics of the BTC project in February of this year.

The BTC project cannot be awarded public money while uncertainties over the usage of its revenues, a fundamental issue in project design, are still so prevalent. Any use of BTC revenues to end the ceasefire between Azerbaijan and Armenia and re-ignite destabilising conflict in the region would have not only huge political ramifications but massive repercussions for the reputation of the IFC. We strongly urge Executive Directors to implement a short delay in considering the issuing of public funds while these concerns are resolved, and in addition would also ask EDs to request from Azeri leadership a binding commitment not to use BTC revenues for purposes of conflict.

Looking forward to further communication,

Yours faithfully,
Anders Lustgarten,
Baku-Ceyhan Campaign

ATTACHMENT

>> BBC Monitoring International Reports

>> October 31, 2003

>> AZERI PRESIDENT VOWS TO CONTINUE FATHER'S POLICIES - TEXT OF SPEECH

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>> The new Azerbaijani president, Ilham Aliyev, has pledged to continue

>> the policies of his father, outgoing President Heydar Aliyev. In a
>> speech at his inauguration on 31 October, Ilham Aliyev said that by
>> continuing his father's policy Azerbaijan would become a powerful and
>> modern state and democracy, pluralism and freedom of speech would
>> develop. He thanked the Azerbaijani people for their votes and said
>> that he would live up to their confidence in him. Ilham Aliyev
>> outlined Azerbaijan's economic achievements and its oil strategy. He
>> said that no-one would be allowed to disrupt stability in Azerbaijan.
>> Describing the conflict with Armenia over Karabakh as Azerbaijan's
>> "thorniest problem", Ilham Aliyev said: "Our patience is not endless.
>> Azerbaijan will liberate its lands at any cost." The following is the
>> text of the report by Azerbaijani TV on 31 October; subheadings have
>> been inserted editorially:

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>> Dear ladies and gentlemen! Dear guests! I express my deep thanks to
>> Azerbaijani voters, Azerbaijani citizens and the entire Azerbaijani
>> people for their great confidence in me and for electing me president
>> of the Azerbaijani Republic. (Applause) I will live up to this great
>> confidence and cope with this post with dignity. (Applause) I will
>> continue Heydar Aliyev's policy. (Applause) On 15 October, the
>> Azerbaijani people went to the polls and voted for Heydar Aliyev's
>> policy, voted for peace, security, progress, development, construction
>> and stability. There is no alternative to this policy in Azerbaijan.
>> Heydar Aliyev's policy brought great success to Azerbaijan. Azerbaijan
>> is developing in all spheres and has achieved success.

>>

>> Azerbaijan enjoys international respect

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>> Azerbaijan has managed to take its worthy place in the international
>> arena. Azerbaijan's authority has increased. Azerbaijan is reckoned
>> with and respected at the moment. All large-scale international
>> projects implemented in the region are being put into practice with
>> Azerbaijan's participation and with account being taken of its
>> national interests. Azerbaijan has been successfully working in
>> international organizations. Such an authoritative international
>> organization as the Council of Europe has recognized Armenia as an
>> aggressor state at the insistence of Azerbaijan. This process will
>> continue. Azerbaijan will take even firmer positions in the
>> international arena and in the world. Our relations with our
>> neighbours have been successfully developing. Our bilateral relations
>> are getting stronger and regional cooperation is developing. The
>> presence of prominent statesmen from neighbouring countries, who have
>> come to Azerbaijan and Baku to take part in this inauguration
>> ceremony, proves this once again. Taking advantage of this
>> opportunity, I welcome Georgian President Eduard Shevardnadze, the
>> chairman of the Federation Council of the Russian Federation, Sergey
>> Mironov, Turkish Deputy Prime Minister Abdullatif Sener,
>> Vice-President of the Islamic Republic of Iran Mohammad-Ali Abtahi and
>> Ukrainian Prime Minister Viktor Yanukovych who are attending this
>> ceremony.

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>> Azeri economy is growing stronger

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>> Azerbaijan is developing in all spheres. Azerbaijan's economy is
>> getting stronger. Economic reforms are being conducted in Azerbaijan.
>> As a result of these reforms, our country has developed its economy in
>> a short time. In the last five years, the gross domestic product,
>> which is the most important indicator of the economy, has been
>> increasing by 10 per cent every year. The level of inflation is 2 per
>> cent, whereas 10 years ago, the level of inflation was 1,600 per cent
>> in Azerbaijan. The private sector is successfully developing in
>> Azerbaijan. It is very pleasing that the share of the private sector
>> in the gross domestic product is 70 per cent. A class of entrepreneurs
>> is appearing and a large-scale privatization programme is being
>> implemented. Land reform has been conducted. Land has already been
>> handed over to peasants for private ownership. As a result of this,
>> agricultural production is increasing. All this shows that the
>> economic reforms conducted under the leadership of Heydar Aliyev in
>> Azerbaijan are yielding their wonderful results. Foreign investment is
>> at a very high level in Azerbaijan and this process is continuing. And
>> I can tell you that the volume of investment from all sources is 15bn
>> dollars. In terms of foreign investment per head of the population,
>> Azerbaijan is at the forefront of the former Soviet republics and is
>> also ahead of some eastern European states.

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>> No-one can disrupt stability in Azerbaijan

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>> But it is no secret to anyone that investments and especially foreign
>> investments are made in stable countries. Because not every investor
>> wants to run a risk. From this point of view, Azerbaijan is a very
>> acceptable country for investment. The stability and public and
>> political order that have been reigning in Azerbaijan over the last
>> few years have enabled us to take great steps in the sphere of
>> attracting investment, which is proved by this day. Of course, it is
>> the duty of all of us to preserve, retain and strengthen this
>> stability in Azerbaijan. No-one can disrupt stability in Azerbaijan
>> and if someone tries to do so, we will not allow this to happen and
>> will ensure that the Azerbaijani people live in conditions of comfort,
>> security and stability. (Applause)

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>> Oil strategy at heart of economy

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>> This stability will allow us to develop Azerbaijan in the future at an
>> even higher rate and comprehensively. We have a lot of plans on that
>> score. Every sphere in Azerbaijan should develop and will develop. Of
>> course, the main direction of the Azerbaijani economy is to develop
>> its oil strategy. The new oil strategy launched by Heydar Aliyev in
>> 1994 has brought great success to Azerbaijan. With the signing of the
>> contract of the century in 1994, this strategy has been conducted for
>> nine years. As a result of this, Azerbaijan is effectively exporting

>> its oil and gas reserves to the world market. Azerbaijan is
>> successfully cooperating with foreign companies in its own sector of
>> the Caspian Sea. Ten billion dollars of investment have been made in
>> Azerbaijan's oil industry. Tens of thousands of new jobs have been
>> opened. A new infrastructure has been created. Drilling installations,
>> platforms, oil pipelines, oil terminals and other infrastructure of
>> importance to our country have been created in a short time.
>> Azerbaijan is already exporting its oil to the world market with the
>> help of two pipelines. Since the restoration of the Baku -
>> Novorossiysk oil pipeline, 2.5m tonnes of oil have been exported every
>> year. The Baku - Supsa oil pipeline was built anew and provides
>> Azerbaijan with a way out to the West. With the help of this pipeline,
>> 6.7m tonnes of oil are being exported every year. The Baku - Tbilisi -
>> Ceyhan oil pipeline is being constructed at the moment, 40 per cent of
>> the work has already been carried out and 1.2m dollars have been
>> invested in the construction of this pipeline. At the end of next
>> year, we will mark its opening. Azerbaijan has already started to work
>> successfully on the Sah Daniz deposit which has large gas reserves.
>> Investment is being made in the construction of the Baku - Erzurum gas
>> pipeline and, if everything goes according to schedule, Azerbaijani
>> gas will reach Europe in 2006.

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>> The foundations of all these plans and work were laid in 1994. In
>> those difficult and complicated conditions, Azerbaijan was regarded as
>> a very risky country. In order to attract investment in Azerbaijan, Mr
>> President Heydar Aliyev carried out great work. And finally, he turned
>> a myth into reality.

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>> Oil profits serve the people

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>> The integral part of the oil strategy is that profits made from oil
>> should effectively serve the Azerbaijani people. With this aim, the
>> State Oil Fund of Azerbaijan was set up. The creation of this Oil Fund
>> is a very significant event in Azerbaijan's modern history. This fund
>> is a fund that meets all international standards. It is a transparent
>> fund. International financial organizations have highly rated its
>> activities. At present, there are 800m dollars in the Oil Fund. These
>> assets belong to the people. For this reason, the public is constantly
>> being informed of the activities of the Oil Fund. Every citizen should
>> know what currency reserves his country has and how they are being
>> spent. With the development of Azerbaijan's economic potential in the
>> future, after new oil fields are discovered in Azerbaijan and after
>> the Baku - Tbilisi - Ceyhan oil pipeline is put into operation in
>> Azerbaijan, our country's possibilities will become even greater. And
>> every year, billions of dollars of assets will enter Azerbaijan. With
>> the help of these assets, construction work will be carried out in all
>> spheres in Azerbaijan.

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>> Great work will be carried out in the sphere of solving social
>> problems. You know that funds allocated from the Oil Fund are being

>> spent on refugees and displaced persons who live in the most difficult
>> conditions in Azerbaijan. They are being spent on improving their
>> living standards. By the decrees of Mr President Heydar Aliyev, 70m
>> dollars were allocated for this purpose. New settlements and houses
>> are being constructed for refugees and displaced persons. Tens of
>> thousands of refugees and displaced persons have already moved out of
>> refugee camps into modern houses. This process will continue and we
>> will continue to pay great attention to this issue in the future. I am
>> sure that in the near future, all refugees and displaced persons who
>> have suffered from the occupation will be provided with modern
>> conditions.

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>> Other social issues are also being solved in Azerbaijan. You know that
>> recently, Mr President decreed a 50-per-cent payrise for health,
>> education and culture workers. Pensions were increased by 40 per cent.
>> This shows once again that our president has always paid attention to
>> social issues. From now on, this policy will continue. All the
>> possibilities of the country will be at the service of this. And it is
>> not by chance that 60 per cent of next year's budget will be spent on
>> social issues. In the future, Azerbaijan will turn into a very rich
>> and powerful state. By continuing the oil strategy, we will
>> comprehensively develop our country in a short time. In particular,
>> great attention will be paid to the non-oil sector. New plants and new
>> factories will be put into operation. A plan of measures for
>> entrepreneurs is being prepared. An economic development plan is being
>> prepared in Azerbaijan. And this comprehensive economic development
>> programme will allow us to turn Azerbaijan into a rich state in a
>> short time. We have all possibilities - natural reserves, human
>> resources and most importantly, the will of the people. We will turn
>> Azerbaijan into a rich and powerful state by closing ranks and hitting
>> at one point. (Raises his right fist, applause)

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>> Karabakh is Azerbaijan's thorniest problem

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>> Great work has been done in the sphere of army construction in
>> Azerbaijan. A strong army has been set up in Azerbaijan and this
>> process will continue. This issue will always be in the centre of my
>> attention. Azerbaijan should have a strong army capable of settling
>> all issues. I am confident that Azerbaijan's economic potential will
>> give us the opportunity to enable the Azerbaijani army to meet the
>> highest standards and tackle all the tasks it is facing. (Raises his
>> right fist, applause)

>>

>> The Azerbaijani-Armenian-Nagorny Karabakh problem is the thorniest
>> problem for Azerbaijan. We have been living under the cease-fire
>> regime for many years. Regrettably, the activities of the OSCE Minsk
>> Group, which is directly involved in settling this issue, have not so
>> far yielded any results. We are still not losing our hopes. We still
>> hope that the co-chairmen will deal with this issue earnestly, in a
>> responsible way, as this issue should be resolved.

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>> However, this issue can be resolved on the basis of several
>> principles, on the basis of international laws. Azerbaijani land
>> should be liberated from occupation, one million refugees and
>> displaced persons should return to their native homes and Azerbaijan's
>> territorial integrity should be restored. (Raises his right fist,
>> applause)

>>

>> We shall never reconcile ourselves to the current situation.
>> Azerbaijan will never reconcile itself to the loss of the lands.
>> (Applause) Everybody should know, though, we are in favour of peace,
>> we do not want war, this issue should be resolved by peaceful means,
>> but, at the same time everybody should know that our patience is not
>> endless. Azerbaijan will liberate its native lands at any cost.
>> (Raises his right fist, applause)

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>> Heydar Aliyev's policy will be continued

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>> I believe in Azerbaijan's lucky future. I am sure that our country
>> will develop and will be stronger and develop thoroughly, democracy
>> will develop in Azerbaijan, political pluralism, freedom of speech
>> will develop, Azerbaijan will shift to a modern state. To accomplish
>> all this, a lot of work should be carried out in Azerbaijan, but what
>> is most essential in this is that in order to carry it out, to make
>> Azerbaijan a powerful state, Heydar Aliyev's policy should be
>> continued in Azerbaijan. (Raises his right fist, applause)

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>> Today, speaking from this high rostrum, I pledge to the Azerbaijani
>> people that I shall remain loyal to this policy and will never deviate
>> from this path, I will continue Heydar Aliyev's policy.

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>> Today from this high rostrum I appeal to our dear president, Mr Heydar
>> Aliyev: Dear President, we will strengthen your monument (raises his
>> right fist), modern Azerbaijan, make it richer, develop it
>> comprehensively and will head for new victories following your path.

>>

>> Long live Heydar Aliyev, the Azerbaijani people's national leader, the
>> builder of modern Azerbaijan! Long live the heroic Azerbaijani people!
>> Long live, free and independent Azerbaijan! (Raises his right fist
>> several times during the concluding sentence)

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>> Source: Azerbaijani TV Channel One, Baku, in Azeri 1300 gmt 31 Oct 03

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