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Addendum 2

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Democracy and economic development

Mr MAMED-KULIYEV (*Special Guest from Azerbaijan*). — Let me share with you some considerations from my country's perspective to complement this comprehensive and thought-inspiring report.

First, on the interrelationship between democracy and economic development, I would like to emphasise that we strongly believe that a sound economic basis is the prerequisite for widening and deepening democratic reforms and that the state should play a very important role at an early stage.

The dissolution of the USSR brought into existence a vast new group of countries with rich natural potential, but which were very fragile in terms of economic and social development. All of them currently experience deep crises in all spheres of social life and first of all in the economy, while attempting to introduce market-oriented reforms. The way in which these countries will develop will affect the world economy.

Historically, most of the transitional societies jumped from monarchies into communism, knowing nothing but totalitarian rule. Many of the so-called newly independent states either never experienced or had short experience of it and they do not have traditions of statehood in its true sense. For them, unprecedented social transformation should go in parallel with building up statehood and developing good governance practices. The introduction of new rules of social behaviour based on democratic principles should be supported and developed against the background of a social mindset, or social mentality. The transformation of societies and individuals is perhaps the most complex process of all and may take at least one generation to achieve.

Would democratic principles be rightly understood and used in such societies, without proper mechanisms for ensuring and securing their implementation? By contrast with the developed industrialised democracies, where democratic values not only are embedded in people's minds, but, speaking figuratively, are in the blood of the nations, societies in transitional countries are still not immune from unpredictable social and political upheavals. Recent experiences in these countries showed once again that the massive transformation of the societies is a much longer and more painful historical process than was expected.

Secondly, and taking those factors into consideration, external factors are crucial to the development of these countries. It is a big advantage to those countries that the world is different today. Assistance and co-operation by industrialised democracies and international institutions, creating good opportunities to shorten the span of national evolution, will help to integrate them in the international democratic community. As was rightly mentioned in the report, the success of the Baltic states was made possible, to a significant extent, by their geographical proximity to Europe and massive support from its countries.

A favourable and supportive external environment is critical to more efficient utilisation of scarce or limited internal resources, particularly in small countries such as Azerbaijan, which remains very vulnerable to what is happening beyond its frontiers.

Azerbaijan embarked on the track of democratic reforms relatively late and in very complicated conditions because of the war imposed by neighbouring Armenia on Nagorno-

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Karabakh. A fifth of its territories are under occupation and millions of people have become refugees or displaced in this turbulent regional conflict.

Because of close co-operation and assistance by the international community, we have managed to achieve some significant results in our economic and political developments. Azerbaijan is closely co-operating with the international community particularly with such institutions as the IMF, WB, EBRD. As a result, sound financial and macroeconomic conditions have enabled us to withstand the impact of the recent international financial crisis and provide a better platform for further development. In just five years Azerbaijan managed to attract over US\$ 6 billion of foreign direct investments, with billions committed for coming years. Azerbaijan has signed a partnership and co-operation agreement with the EU and engaged in such global projects as TRACECA and INOGATE. The country is on the eve of membership of Council of Europe and is gradually upgrading its legislation and human rights in compliance with Council of Europe standards.

However, the Nagorno-Karabaka conflict continues to hamper not only progress in Azerbaijan, but development in the south Caucasus and Caspian basin. Azerbaijan has a key role to play in the development of this vast area. Unfortunately, the international community has so far proved to be inefficient in ensuring implementation of agreements or in enforcing its principles and resolutions. We completely agree with the provisions in the report suggesting that the international community should react more rigorously to deviations by members of international community from democratic principles and norms. Once again, we urge international institutions to use the powerful tools in their possession to influence the behaviour of some international actors to bring them into compliance with internationally accepted codes of conduct based on democratic principles.