



Economic News Bulletin
Embassy of the Republic of
Azerbaijan to the
Swiss Confederation and
Principality of Liechtenstein
Kramburgstrasse 10, 3006 Bern
tel: +41 31 350 50 44
fax: +41 31 350 50 41
e-mail: bern@mission.mfa.gov.az

Macroeconomics

President Ilham Aliyev met with Swiss President Alain Berset

President of the Republic of Azerbaijan Ilham Aliyev has met with President of the Swiss Confederation Alain Berset in Davos. The presidents hailed Azerbaijan-Switzerland bilateral relations in political, economic, energy and culture fields. President Alain Berset said Switzerland regards Azerbaijan as an important partner.

The global energy and transportation projects initiated by and involving Azerbaijan were highlighted during

the meeting. It was noted that Azerbaijan has already become a transportation hub, the country's role in ensuring Europe's energy security was emphasized. The measures to diversify Azerbaijan's economy, development of the country's non-oil sector, mutual investment making, SOCAR's successful activities in Switzerland were highlighted.

The importance of increasing trade between the two countries and defining new areas of cooperation was emphasized at the meeting.

WEF ranks Azerbaijan at 3rd place on Inclusive Development Index

Azerbaijan took the third place among the developing countries in the annual Inclusive Development Index 2018 of the World Economic Forum (WEF). In the current report, Azerbaijan received 4.69 points out of seven possible.

WEF said the index takes into account the living standards, environmental sustainability and protection of future generations from further indebtedness: "It urged the leaders to urgently move to a new model of inclusive growth and development, saying reliance on Gross Domestic Product as a measure of economic achievement is fuelling short-termism and inequality."

The top-five most inclusive emerging economies are Lithuania, Hungary, Azerbaijan, Latvia and Poland. Norway remains the world's most inclusive advanced economy, and is followed by Iceland, Luxembourg, Switzerland and Denmark in the top five.

Small European economies dominate the top of the index, with Australia (9) the only non-European economy in the top 10. Of the G7 economies, Germany (12) ranks the highest. It is followed by Canada, France, the UK, the US, Japan and Italy.

Performance is mixed among BRICS economies, with the Russian Federation ranking 19th, followed by China, Brazil, India and South Africa. Although China ranks first among emerging economies in GDP per capita growth (6.8 per cent) and labour productivity growth (6.7 per cent) since 2012, its overall score is brought down by lacklustre performance on inclusion, according to the WEF.

The Inclusive Development Index (IDI) is an annual assessment of 103 countries' economic performance that measures how countries perform on eleven dimensions of economic progress in addition to GDP. The 2018 index measures progress on three individual pillars – growth and development; inclusion and inter-

generational equity – has been divided into two parts. The first part covers 29 advanced economies and the second 74 emerging economies.

The IDI is a project of the World Economic Forum's System Initiative on the Future of Economic Progress, which aims to inform and enable sustained and inclusive economic progress through deepened public-private cooperation through thought leadership and analysis, strategic dialogue and concrete cooperation, including by accelerating social impact through corporate action.

Industry

Azerbaijan's private sector to get incentive for creating industrial parks

The Azerbaijani government will encourage the creation of special economic zones and industrial parks by the private sector, Azerbaijani



Deputy Economy Minister Niyazi Safarov said. He noted that according to the plan of measures for implementation of the State Program for the Development of Industry in Azerbaijan in 2015-2020, the country constantly works to create industrial zones in its districts.

Meanwhile, the creation of industrial zones in districts with a view to

supporting small and medium-sized enterprises (SMEs) is envisaged by the Strategic "roadmaps" for production of foodstuffs at the SME level, approved by a decree of President Ilham Aliyev on Dec. 6, 2016.

Five industrial parks, two high-tech parks, two agro parks, two industrial quarters and one special economic zone have been established in Azerbaijan (some of them have been created and some are in the process of establishment). All of them were created by the funds of the state budget.

Safarov noted that the creation of industrial parks and zones is of particular importance in terms of increasing the volume of the economy, the production of import-substituting products and increasing its competitiveness, luring investments, modern technologies, ensuring sustainable development of the non-oil economy and export potential, and increasing employment in the country.

The deputy minister emphasized that the industrial parks and zones created in the country serve these purposes and are a part of the policy to ensure a balanced development of the economy. Implementation of the industrialization policy through the application of tax and customs privileges for industrial parks, providing them with infrastructure, the

low cost of land rental, preferential lending and the simplification of administrative procedures will undoubtedly have a positive impact on the development of the country's economy, added Safarov.

Main challenge for Azerbaijan is to ensure the export-oriented economy, said the deputy minister. To achieve this goal, he continued, it is necessary to raise the level of competitiveness of goods produced domestically. "Increasing competitiveness is possible only through competitive pressure formed in the market with an effective competitive environment. Thus, competitive pressure on market participants creates the conditions for increasing productivity and economic efficiency, wide application of technologies and innovations. The industrial parks created in the country serve precisely these purposes," noted Safarov.

He went on to say that industrial enterprises that already operate, or will operate in the country, will produce the most demanded and most often imported products by Azerbaijan. "Meanwhile, the goods produced in industrial parks and zones will not only meet the domestic demand, but will also be supplied to foreign countries, which will positively affect the trade balance of the country," added the deputy minister.

Agriculture

Azerbaijan allocates over 50pct of preferential loans to develop cotton growing

As of the end of 2017, preferential lending by the State Service for Management of Agricultural Projects and Credits under the Ministry of Agriculture of Azerbaijan totaled 9.5 million manats, Zaur Aliyev, deputy head of the state service, said in his article published in the Respublika newspaper.

He said that these loans were allocated to 57 entrepreneurs in 30 districts of Azerbaijan.

As many as 5.06 million manats were allocated for projects in the cotton growing, 2.975 million manats were allocated for projects in animal breeding, 600,000 manats were allocated for projects in potato growing, he said.

This is while 20,000 manats were allocated for projects in horticulture, 100,000 manats were allocated for projects in flour processing, and 570,000 manats were allocated for creation of greenhouses, he added.

Zaur Aliyev said that loans worth 640,000 manats were also allocated within international projects in 2017.



The allocated preferential loans made it possible to create 298 temporary and permanent jobs, he added.

Azerbaijan may grant subsidies for tomato export

There should be no problems with the export of Azerbaijani tomatoes to Russia in 2018. The statement came from Chairman of Azerbaijan's State Customs Committee Aydin Aliyev, who was addressing a conference dedicated to the results of fourth year implementation of "The State Program on socio-economic development of the regions of the Republic of Azerbaijan in 2014-2018" in Baku.

"Last year, we faced some difficulties in exporting our tomatoes to Russia. This was related primarily to the fact that Russia banned the import of Turkish tomatoes. We repeatedly met with our Russian colleagues during the past year, and the latest such meeting took place in September 2017. We managed to prove that it is economically unprofitable for Azerbaijan to re-export Turkish tomatoes to Russia," he explained.



Aliyev noted that there should be no serious problems with the export of tomatoes to Russia, but if such problems arise, the Customs Committee is always ready to solve them.

In turn, Economy Minister Shahin Mustafayev stressed that the Ministry may consider granting subsidies for export of tomatoes. Answering the question of Bashir Guliyev, chairman of Fruit and Vegetable Producers and Exporters Association, Mustafayev asked to prepare relevant proposals.

The minister noted that currently, comprehensive measures are being taken in order to increase exports, saying creation of the Fruit and Vegetable Producers and Exporters Association also serves these purposes. Meanwhile, it is important to produce high-quality products for export growth, added Mustafayev. Azerbaijan has already started supplying tomatoes to Riga, he continued. Export deliveries may increase, since the head of Azerbaijan's Trade House, recently registered in the Latvian city, has already started activities, said Mustafayev.

The minister also reminded that work is underway today for expanding the export of Azerbaijani products to the countries of the Middle East.

Interest in vegetables, and especially in Azerbaijani tomatoes, began to increase since 2004, and this undoubtedly affected the economic activities of farms that began to expand the area of vegetable gardens for growing products. The peak year

for tomato production became 2008, when the production areas reached 27.212 hectares throughout the country.

Today, the export of tomatoes is the most profitable area of the non-oil sector. For the first eight months of 2017, it brought \$128 million the country, growth of almost 60 percent.

Recently, President Ilham Aliyev, opened a new greenhouse in Baku Agropark, located in Zira settlement, which covers 11 hectares areas for cultivation of tomatoes. The first phase of this tomato greenhouse project in Azerbaijan was started by the Dutch greenhouse construction company, Debets Schalke on December 2016. Last July, this project was completed and the cultivation started.

The main export product of the non-oil sector in 2017 was tomatoes, the total volume of purchases on foreign markets amounts to \$151.6 million.

Transport

2017 - a historic year for Azerbaijan's transport sector

2017 can be described as a very successful year for the transport and logistics sector of Azerbaijan. Special attention of the country's leadership to this sector - which has the potential to become the main locomotive of the

non-oil sector's development - played a decisive role here.

2017 was remembered by a number of important events and trends - the launch of the Baku-Tbilisi-Kars (BTK) railway, the progress in implementation of other major projects, the growth in freight traffic compared to last year, the work carried out to improve the transport infrastructure and the situation in public transport are the key ones.

The Baku-Tbilisi-Kars railway



The launch of BTK is certainly the main event of the year. A solemn ceremony to open the Baku-Tbilisi-Kars railway took place on October 30 at the Baku International Sea Trade Port with participation of President of Azerbaijan Ilham Aliyev, First Lady Mehriban Aliyeva, Turkish President Recep Tayyip Erdogan and his wife Emine Erdogan, heads of governments of Kazakhstan, Georgia, Uzbekistan, as well as the delegations of Tajikistan and Turkmenistan.

On the same day, the first freight train was sent along BTK. It carried 32 containers loaded with grain. The train was sent from Kazakhstan's Kokshetau on Oct. 24 and its final destination was Turkish Mersin.

The first cargo transshipment operation along BTK took place at the Akhalkalaki station.

In November, Turkey announced its readiness to begin construction of a second railway line within the Baku-Tbilisi-Kars corridor in its territory.

Later, a protocol was signed in Baku, which approved the reduction of tariffs for transportation along BTK in 2018. The tariffs for cargo transportation between Azerbaijan and Turkey on the Baku-Tbilisi-Kars railway were announced in December. In late November, the first freight train was launched along the corridor in the opposite direction - from Turkey to Central Asia.

The project receives a great and wide coverage - BTK is covered by media outlets of the US, South America, and Asia. A number of countries are interested in using BTK. Specific interest is expressed by Uzbekistan, Pakistan, Belarus, Afghanistan, Russia and even the Netherlands. This year, Azerbaijan will hold a presentation of BTK's potential in China. The main goal now is to increase the volume of cargo transportation from 6.5 to 17, then to 25 and subsequently to 50 million tons per year.

Trans-Caspian Transport Route (East-West)

In April, the Azerbaijan Caspian Shipping Company CJSC and

Kazakhstan Railways JSC established a joint venture for cargo transportation along the Trans-Caspian International Transport Route (TCITR). Also, Azerbaijan, Georgia, Kazakhstan and Ukraine may create a joint venture to introduce the principle of a "single window" in the processing of goods carried through TCITR.

In June, the TCITR International Association signed a memorandum of cooperation with the Association of Transport and Communications of China during a meeting of the corridor participants in Astana.

In 2018, new competitive tariffs will be set for transportation along TCITR. At the same time, the 2018 plan of transportation via TCITR was approved at more than 3.5 million tons, while about 15,000 containers are planned to be transported from Turkey to Kazakhstan, Central Asia and China. Also all railway administrations and ports of the Caspian Sea and the Black Sea set preferential attractive tariffs. TCITR is planned to reach 7-8 million tons of cargo in transportation by 2020.

Also, the TCITR International Association plans to expand the range of transported goods. There are plans to transport 520,000 tons of oil products, 350,000 tons of grain, 364,000 tons of non-ferrous metals and 360,000 tons of coal from Kazakhstan along the route in 2018.

In addition, the TCITR International Association will open a representative office in Istanbul.

North-South

The North-South project also took quite big steps in 2017. The route is expected to be fully put into operation in two-three years. In March, a test train was successfully sent via the border railway bridge across the Astarachay River. In February 2016, Iran began construction of the Qazvin-Rasht and Astara (Iran) - Astara (Azerbaijan) railroad sections.

The Astara-Astara railway, as well as a station and cargo terminals in Iranian Astara were expected to be put into operation on Dec. 25, but then this was postponed to January 2018. Azerbaijan will use railway facilities in Iranian Astara for at least 15 years.

For the Rasht-Astara railway - another



important section of the corridor - Azerbaijan has allocated a \$500 million loan for Iran

to finance its construction. Construction will begin in the first half 2018. The opening of the 164-kilometer section is planned for 2020, making it possible to travel from Baku to Nakhchivan by train.

In early December, the Board of Directors of the Asian Development

Bank (ADB) approved the granting of a loan for implementation of the North-South Transport Corridor Project, as well as for development of the railway sector of Azerbaijan. ADB itself will issue \$400 million, and the French Development Agency (FDA) will provide another \$175 million in co-financing.

Funds from ADB will be allocated in two tranches of \$250 million and \$150 million, respectively, while the funds of FDA will be allocated similarly in tranches of \$75 million and \$100 million. Also, the project provides for \$1 million worth of technical assistance. Cargo transportation along the route is currently being carried out multimodally. Cargoes are delivered from Iran by trucks to Azerbaijan's Astara, and from there by rail to Russia and also to Georgia with the purpose of developing the South-West direction.

Already in January 2018, member countries of the North-South project will discuss the freight transportation to Europe with the operators and freight forwarders of India. Also in January, as expected, India will begin exporting container cargoes to Russia via Iran and Azerbaijan. Meanwhile, cargo transportation along the North-South international transport corridor for three quarters of 2017 exceeded 4.7 million tons, which is 21.6 percent more than the indicator for the same period of 2016.

Baku International Sea Trade Port and Free Trade Zone

In March 2016, President of Azerbaijan Ilham Aliyev signed an order on measures to establish a free trade zone type special economic zone in the Alat Settlement of the Garadagh District of Baku, including the territory of the new Baku International Sea Trade Port.



The work on the establishment of the FTZ is underway. Furthermore, the first phase of construction is coming to an end in the port itself. The first phase is expected to be completed closer to the middle of 2018, after which the volume of cargo handling will be 1,280 tons per day.

After the completion of the first phase, the Baku International Sea Trade Port will be able to receive up to 10-11 million tons of cargo each year, and annually handle up to 50,000 TEU (standard 20-foot containers). However, as early as 2017, the Port showed a significant increase in cargo handling compared to 2016.

Roadmap for Development of Logistics and Trade

The Strategic Roadmap for the Development of Logistics and Trade, approved in December 2016 by President Ilham Aliyev, remains as a

key factor in the development of transport and logistics sectors of Azerbaijan. Under the Road Map, until 2020 it is planned to create 18,900 new jobs, and GDP is planned to increase by 605 million manat.

Growth of cargo transportation

Throughout 2017, the State Statistics Committee of Azerbaijan recorded an increase in cargo transportation in Azerbaijan.

So, in January-November 2017, transportation sector of Azerbaijan transported 206.2 million tons of cargo, which is 1.8 percent more than the same period of 2016.

In general, the transportation and logistics sector of Azerbaijan is an extremely promising direction of economic development, and the work carried out by the state in this direction gives every reason to expect further success in this segment in 2018.

Tourism

Prices in Azerbaijan's hotels are not so high - minister

Prices in Azerbaijan's hotels are not so high when compared to hotels in other countries, Minister of Culture and Tourism Abulfas Garayev said.

As international practice shows, hotels usually raise prices on weekends and before holidays, he said. "Today, the

hotels of Azerbaijan can offer suitable prices to any potential tourist," he noted. "In some hotels prices don't reach 50 manats, and in some they exceed 1,000 manats."



Garayev said that the majority of Azerbaijani tourists decided to spend holidays at home.

In the future, the work will continue in Azerbaijan to expand tourism infrastructure and build new hotels in the country, he added.

"The ministry receives information that some hotels are overcrowded and people are searching for rooms in hotels," Garayev said.

Business Insider lists Heydar Aliyev International Airport among world's most beautiful airports

Business Insider has published a list of world's 14 most beautiful airports, in which the Baku-based Heydar Aliyev International Airport is also listed.



The list also includes Adolfo Suárez Madrid-Barajas Airport, Vancouver International Airport, Singapore Changi Airport, Kuala Lumpur International Airport, Munich Airport

, Shenzhen Bao'an International Airport , Hong Kong International Airport, Hamad International Airport, Dubai International Airport, Beijing Capital International Airport , Marrakesh Menara Airport , Incheon International Airport and Haneda Airport .

The Heydar Aliyev International Airport was awarded the category of "4 stars" by the Skytrax, which is influential British consulting company specializing in the study of the quality of services provided by various airlines and airports worldwide.

Last year, Baku Heydar Aliyev Airport was named the best airport among airports of Russia and CIS countries for the level of the provided services, being awarded the prestigious Skytrax World Airport Awards.

Announcements and Notifications

Azerbaijan International Travel & Tourism Fair (AITF)

Azerbaijan International Travel & Tourism Fair (AITF) is a 3 day event being held from 5th April to 7th April 2018 at the Baku Expo Center in Baku, Azerbaijan. This event showcases products like reflects dynamic development of the very promising tourism market in the region and establishes a solid platform for domestic and international experts to demonstrate the recent trends in

business, incentive, health and luxury travel etc. in the Business Services, Travel & Tourism industries. AITF is the main event in Azerbaijan's fast growing tourism market attracting a large number of international participants and trade visitors from year-to-year becoming the 'hub' for the tourism industry of the entire Caspian region. It is where important meetings are organised, partnership agreements are concluded, new programs and destinations are announced.

