



Economic News Bulletin  
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## Macroeconomics

### SECO: Swiss companies could contribute to Azerbaijan's large projects

Transport, energy and non-oil sectors are regarded as priority areas between Switzerland and Azerbaijan. A big potential of cooperation in these fields with participation of local and Swiss companies promises early results. State Secretariat for Economic Affairs (SECO) told Trend that Swiss companies could contribute to projects as Baku-Tbilisi-Kars (BTK) railway.



In Switzerland, there are certainly well-known companies in the field of transport and infrastructure that can contribute to projects such as the BTK railway. "The decision to join this project must be made by the private sector in Switzerland," SECO said.

As for the trade turnover between two countries, the SECO especially noted a business roundtable held in Zurich with the Joint Chamber of Commerce (JCC) in partnership with Azerbaijan Export and Investment Promotion Foundation (AZPROMO) and the Embassy of Azerbaijan.

The State Secretariat emphasized that Switzerland and Azerbaijan maintain their economic and political relations by holding regular meetings at all levels. The countries regularly hold joint economic commissions and political consultations.

"The 8th Joint Economic Commission took place in Berne On June 2, 2019," the State Secretariat said.

Earlier, SECO reported that in the process of diversifying Azerbaijani economy, Swiss companies can become valuable partners in the development of the country's non-oil sector. Moreover, the rich experience of Swiss companies working in the field of infrastructure and transport could make a significant contribution to the development of Azerbaijan as a transit hub.

SECO underlined that one of the major investors within the non-oil sector of Azerbaijan is the Swiss company Holcim, engaged in cement production.

In turn, Azerbaijan state oil company SOCAR is a main Azerbaijani investor in Switzerland. Since 2012, SOCAR has been operating ESSO Switzerland's 172 petrol stations under its brand.

Trade turnover between the two countries reached \$881 million in January to May 2019, which is 8.8 times more than that fixed within the first five months last year. Moreover, 52 percent of Switzerland's total trade turnover in the South Caucasus accounted for Azerbaijan.

### Swiss business delegation to visit country

Thanks to its economic potential and the projects implemented in the region, Azerbaijan is an attractive market for Switzerland.



Close ties have been established between the business circles of the two countries in many spheres of economy.

A business delegation from Western Switzerland will visit Azerbaijan in

October. Thirty companies to participate in the visit have been determined at a business forum in Switzerland, organized by Azerbaijani Embassy in Switzerland and the Swiss Chamber of Commerce and Industry. The event was attended by 85 Swiss businessmen representing energy, agriculture, construction, tourism, ICT, healthcare and food industry.

In her presentation, Hanum Ibrahimova, Ambassador of Azerbaijan to Switzerland, pointed to the business climate and investment opportunities of Azerbaijan and encouraged Swiss businessmen to invest in various fields of economy.

She stressed the high level of political relations between Azerbaijan and Switzerland as well as the development of trade and economic cooperation between the two countries. Ibrahimova reminded that as part of the visit by a large delegation led by the Minister of Economy of Switzerland to Azerbaijan last year, the opening of a plant built with the Swiss investments in the city of Sumgayit took place.

She further noted that the growth recorded in the tourist flow after the launch of direct flights between the cities of Baku and Geneva, as well as the signing of a cooperation agreement between the travel agencies of the two countries.

Furthermore, Ibrahimova highlighted the regional projects implemented by Azerbaijan and the existing business prospects for Swiss companies, as well as spoke about the work on the improvement of transport infrastructure in the country, realization of the country's transit potential and development of transport corridors.

Switzerland is one of the largest investors in the non-oil sector of Azerbaijan's economy. In the period of 1992-2018, Switzerland invested about \$851.9 million in Azerbaijan's economy.

Azerbaijan closely cooperates with Switzerland in the financial sphere, particularly, with the SECO and SDC (Cooperation and Development Agency). As mentioned in the Swiss Cooperation Strategy South Caucasus 2017–2020, Swiss assistance to Azerbaijan aims to create a conducive and risk-conscious business environment that will lead to the improvement and diversification of the country's income base.

Switzerland supports large-scale energy and transport projects implemented in the region by Azerbaijan. Last year, trade turnover between the two countries increased 2.7 times compared to 2017 (\$240 million) and reached almost \$650 million. The Swiss exports to

Azerbaijan accounted for \$513 million in 2018.

Recently, the 8th meeting of the Azerbaijani-Swiss intergovernmental commission and Azerbaijani-Swiss business forum has been held in Switzerland.

As a part of the visit to Switzerland, Azerbaijan Export and Investment Promotion Foundation (AZPROMO) signed a memorandum of understanding on cooperation with the Chamber of Commerce and Industry of the Swiss Thurgau canton.

At the same time, a memorandum of understanding was signed between the Agency for Development of Small and Medium-sized Enterprises (SMEs) of Azerbaijan and the Swiss Federation of Small and Medium Enterprises on cooperation issues at the meeting of the intergovernmental commission.

The two countries mull the possibility of creating joint ventures for activities in industrial parks in Azerbaijan.

## **Industry**

### **Switzerland may create JVs in Azerbaijan's industrial parks**

Azerbaijan and Switzerland enjoy high level of economic relations, but still have the potential for further expansion of the scope of economic ties.

The two countries mull the possibility of creating joint ventures for activities in industrial parks in Azerbaijan.

This was discussed during a meeting between



Shahin Mustafayev, Azerbaijani Economy

Minister and co-chairman of the Azerbaijani-Swiss Joint Commission on Trade and Economic Cooperation, and Muriel Peneveyre, Swiss Ambassador to Azerbaijan. Mustafayev stressed that Azerbaijan is Switzerland's main trading partner in the South Caucasus, adding that trade between the countries amounted to \$1.3 billion in January-July 2019.

He said that currently, about 60 companies with Swiss capital operate in Azerbaijan.

Mustafayev also noted that the countries signed about 25 documents, including agreements on trade and economic cooperation, avoidance of double taxation.

He gave information about the reforms carried out in the private sector in Azerbaijan, transport and transit opportunities, the potential of economic cooperation in various sectors of the economy.

Mustafayev also pointed to the importance of the events, business

forums, and export missions in the development of Azerbaijani-Swiss economic relations.

Peneveyre, in turn, emphasized Switzerland's interest in expanding ties with Azerbaijan.

The parties exchanged views on the creation of joint ventures with participation of Swiss companies in industrial parks in Azerbaijan, as well as on cooperation in energy, industry, agribusiness, education, healthcare, tourism etc.

### **Swiss chemical industry to expand its activity in Azerbaijan**

Existence of decent, high-level infrastructure is important for business. Azerbaijan has taken serious steps to improve business environment. This is proved by Azerbaijan's being among the top ten reformist countries and holding the 25th place in Doing Business program. Of course, this plays and will play a positive role in involvement of investments in Azerbaijan. All leading international financial organizations highly appreciate Azerbaijan's activity in this field. Therefore, foreign companies like Swiss chemical company Sika operates in Azerbaijan.

Switzerland-based Sika was established in 1910 and has been operating more than 200 plants in 104

countries. It entered Azerbaijan's market 14 years ago and has been operating as Construction Chemicals Plant in Sumgayit Chemical Industry Park since 2018.

Director General Adem Yayla said that they were trying to introduce all necessary services in construction field: "In 1910, the company aimed at operation in water isolation systems. Thereafter, it started to operate in several fields. Our strategy intends quick expansion in the developing markets our activity. It's observed in the markets that the urbanization extends and megacities are developing. This leads to increase of demand for safe, quake- and fire-resistant materials. Among them are hermetization and reinforced concrete."

According to him, Sika is a company specialized in production of systems and products on combination, compression, strengthening and protection in construction material and automobile industry: "More than 50% of automobiles are equipped with Sika products. Moreover, thanks to supplements reducing use of water, more than 25 million litres of water resources are saved during concrete production."

He said that more than 30% of products designed for interior of machines and reducing sounds belong to Sika.

According to him, they invested AZN 5 million in Sumgayit Chemical industry Park: "Currently, Sika's share in Azerbaijan's construction market is 15%. We try to have more share in the market. For the present, the company has 26 employees and we plan to increase the number of employees to 44 in the future. Along with this, we'll make more investments in the country. Some of raw materials used in the construction field are still imported, but we want to produce those products in the country'.

He also spoke about the export potential: "Azerbaijan has transit opportunities. Our intention is to export products to other countries. These countries are Georgia, Uzbekistan, Turkmenistan. In addition, our products are introduced under the brand of 'Made in Azerbaijan'."

Speaking about business environment in the country, Adem Yayla said that the business environment in the country reached higher level in the past three years: "The state created a condition meeting European standards. Construction Materials Association was established. I believe we'll see more positive changes in the construction materials soon."

For the present, 60 Swiss companies operate in Azerbaijan. Azerbaijan implements 38 projects jointly with SECO and 16 projects with SDC.

Switzerland invested nearly \$844 million in Azerbaijan, and Azerbaijan invested \$1.2 billion in Switzerland.

## Agriculture

### Swiss companies to discuss hazelnut import prospects in Azerbaijan

Representatives of Swiss companies will visit Azerbaijan August 24-28. Swiss companies specializing in hazelnut imports will hold a series of meetings, according to the report.



During the visit, Swiss companies will discuss with their Azerbaijani partners the possibility of importing hazelnuts into Switzerland from Azerbaijan. The delegation's visit is supported by the embassy in Switzerland and Liechtenstein and the Association of Hazelnut Producers and Exporters of Azerbaijan.

Switzerland, one of the leading manufacturers of chocolate, annually imports about 20,000 tons of hazelnuts mainly for the production of chocolate. On June 25-29 last year, as part of the export mission, representatives of 14 companies involved in the production of hazelnuts in Azerbaijan held a number of meetings in Switzerland with leading companies of this country.

During the meetings, Swiss companies expressed interest in buying hazelnuts from Azerbaijan, and an agreement was also reached regarding the visit of representatives of Swiss companies to Azerbaijan and the organization of meetings with local hazelnut producers. Hazelnuts have been exported to Switzerland from Azerbaijan since 2018.

### Non-oil exports grow

Under the strategy of diversification of the country's economy, the non-oil sector constantly strengthens its position in the total exports of Azerbaijan. Azerbaijan exported non-oil products worth \$1.1 billion in January-July 2019, which is 17 percent more than in the same period in 2018, reads the export review by the Center for Analysis of Economic Reforms and Communication.



In the reporting period, the bulk of exports accounted for tomatoes - \$141.2 million (a 2 percent decline), gold - \$85 million (an increase of 24 percent) and raw cotton - \$82.2 million (an increase of 83.8 percent). They are followed by peeled hazelnuts - \$71.3 million (an increase by 1.9 times), electricity - \$56.5 million (a decline of 0.7 percent), polyethylene -

\$47.1 million (a decline of 17.8 percent), cherries - \$42.2 million (an increase of 11 percent), polypropylene - \$41.8 million (an increase by 83.6 times) and methanol - \$38.5 million (an increase by 2.9 times).

The non-oil products were exported to Russia in the amount of \$395.9 million, Turkey - \$251.2 million, Georgia - \$100.4 million, Switzerland - \$88.3 million, and Italy - \$32.4 million.

Non-oil exports to Russia grew by 12 percent, Turkey – 16.7 percent, Georgia – 23.5 percent, Switzerland – 12 percent, and Italy - 2.4 times.

As much as 35 percent of the export of non-oil products accounted for Russia.

Azerbaijan's non-oil exports reached \$1.7 billion in 2018, which is 10 percent or \$151 million more compared to 2017.

At present, oil and gas account for the main share in Azerbaijan's export, although export of non-oil products shows an upward trend.

Opening of Azerbaijani trade houses abroad and organization of export missions to foreign countries to promote the Made in Azerbaijan brand in foreign markets have further developed the share of non-oil products in the structure of country's exports.

The steps made for diversification of the economy and the state program “Socio-economic development of regions of Azerbaijan in 2014-2018” made huge contribution to the non-oil sector, because main potential for production of non-oil products is concentrated in the regions of Azerbaijan.

In addition, the increasing number of plants operating in the non-oil sector promises very good prospects for Azerbaijan to diversify economy, reduce dependency on oil and gas sector and increase the inflow of foreign currency into the country.

SOCAR Carbamide plant is the biggest project in the non-oil sector of Azerbaijan. Its total cost is about 800 million euros, 197 million euros of which were allocated from the state budget of Azerbaijan, 500 million euros were provided via borrowed funds, and 80-85 million euros were allocated from tax and other deductions to the budget, which SOCAR paid for from its own funds.

## **Transport**

### **Stadler to deliver new railcars for BTK**

Offering wide range of opportunities, the Baku-Tbilisi-Kars railway improves constantly in terms of the

safety, speed and competitiveness of transportation.



Ten more cars will be delivered for the Baku-Tbilisi-Kars railway (BTK) in the first quarter of 2020, Swiss company Stadler Rail Group said. “Currently, ten more railcars for one more complete train composition are under production at our plant in Minsk, Belarus,” said the company. The deliveries are expected in the first quarter of 2020.

Earlier, Azerbaijan Railways said it is planned to purchase another ten railcars for passenger traffic on Baku-Tbilisi-Kars.

The company noted that new railcars of Stadler arrived in Azerbaijan in the first quarter of this year. “The first batch of ten railcars (nine passenger and one dining car) has already arrived in Azerbaijan.”

The railcars are presented in four categories: “standard” for 32 passengers, “comfort” for 20 passengers, “business” for ten passengers and a dining car.

Azerbaijan Railways has been cooperating with Swiss Stadler Rail Group since 2015. The Stadler Rail Group focuses on regional and

suburban traffic, light S-rail traffic, the tram and rack railway sectors.

A passenger train of 10 wagons intended for operation on the Baku-Tbilisi-Kars railway, which is intended to transport one million passengers and 6.5 million tons of freight at the first stage, arrived in Baku on March 29.

The train includes nine passenger cars and a dining car. The train is designed to carry 246 people in one direction and is able to run at a speed of 160 km/h.

Railway departments of Azerbaijan, Georgia and Turkey have to make decisions on the days of the week and hours of movement of the trains and on the tickets prices.

### **Transit cargo traffic grows dramatically**

Cargo transportation in the region,



which is carried out through several routes from the East to

Europe, passes through the territory of Azerbaijan. International North-South Transport Corridor, which was constructed to transport goods from India and the Persian Gulf countries to Russia, Western Europe, and the Baltic and Scandinavian countries, is



the major one of these routes. The transit cargo traffic through the country reached 4.1 million tons in the first six months of 2019, Azerbaijani Economy Minister Shahin Mustafayev said at the meeting of the board of the ministry.

In particular, the volume of cargo transported via the International North-South Transport Corridor amounted to 131,000 tons for the reporting period. This made up a growth of 63 percent.

The North-South Transport Corridor which is designed to connect Northern Europe with Southeast Asia, including the railways of Azerbaijan, Iran and Russia plays major role in it. The coverage of the transport corridor is impressive - it is multi-mode network of ship, rail, and road route for moving freight between India, Iran, Afghanistan, Armenia, Azerbaijan, Russia, Central Asia and Europe.

Meanwhile, the volume of transit goods transported through the North-West corridor amounted to 829,000 tons (an increase of 70 percent), and the volume of non-oil goods transported along the East-West corridor equaled 795,000 tons (an increase of 42.8 percent).

Mustafayev also noted that the country's economy grew by 2.4 percent in the first six months of this year.

In particular, the non-oil sector grew by 3.2 percent, the non-oil industry - by 15.7 percent, trade turnover increased by more than 20 percent, non-oil export - by 15 percent, and agriculture - by 13 percent.

Mustafayev said that more than \$6 billion of investments have been invested in the economy of Azerbaijan, most of which accounted for non-oil sector.

Within the first half of the year, foreign exchange reserves reached a record high of \$49 billion. Inflation was only 2.5 percent, while household incomes rose by 6.6 percent.

Mustafayev also noted that social packages adopted on the initiative of the President covered 4.2 million citizens of Azerbaijan.

In January-June this year, up to 50 million manats (\$29.4 million) of concessional loans were issued to local entrepreneurs. Thanks to implementation of projects through these investments, 1,265 new work places were created.

As much as 68 percent of concessional loans accounted for the agricultural sector, and 32 percent - for industrial production and processing. About 44 percent of the loans were allocated for the regions and 56 percent - for Baku.

Earlier, Mustafayev said that the concessional loans in the amount of 120 million manats (\$70.58 million) will be issued in the second half of the year.

In general, Entrepreneurship Development Fund, operating under the Ministry of Economy, has issued concessional loans in the amount of 2.3 billion manats (\$1.35 billion) so far.

## **Tourism**

### **Number of tourists rises markedly**



Azerbaijan is consistently becoming the major tourist center of the region. Year by year, more and more tourists from various countries choose Azerbaijan as their holiday destination.

The country was visited by 361,000 people in August, which is 42,000 people or 13.2 percent more compared to August 2018, the State Tourism Agency said.

The Russians made up a major part (111,000 people) of these tourists. In addition, a considerable increase of 82.2 percent was recorded in the number of Iranian tourists. Their number amounted to 17,000 people.

Meanwhile, the number of Georgian tourists visiting Azerbaijan in August was 11,000, a 20 percent increase year-on-year.

In addition, the number of tourists from Turkey, Central Asia and Southern Asia increased by 13, 50 and 11.55 percent, respectively, to make up 27,000, 14,000 and 11,000 people,” said the Agency.

As for the Middle East, tourists from Saudi Arabia made up the major part of visitors from the region. The number of Saudi tourists increased by 18.3 percent to 22,600 people in August.

Meanwhile, in January-August 2019, the number of tourists visiting Azerbaijan increased by 8.3 percent year-on-year, making up 2.1 million people. More than half of them (53 percent) were Russian (653,000 people) and Georgian (472,000 people) tourists.

The number of Georgian tourists increased by 22.8 percent to 87,000 people, while the number of tourists visiting the country from Central Asia and Southern Asia increased by 40.4 and 38.1 percent, respectively, said the Agency.

Successful international events held in Azerbaijan have resulted in the fact that the country is already a globally recognized tourist destination. Moreover, simplification of the visa

regime plays a major role in the development of tourism in Azerbaijan. Nowadays, citizens of a number of countries receive visas right at the Azerbaijani airports, while other tourists can visit the country by getting online tourist visas.

Azerbaijan seeks to further develop the tourism sphere to ensure sustainable development of the non-oil sector.

### **Announcements and Notifications**

The largest exhibition of the Caspian region in the



construction area BakuBuild is the most important professional event of the whole region in the field of

construction and architecture, design and repair. Every year thousands of specialists from different countries visit the exhibition, who finds business partners here. **BakuBuild** 2018 welcomed 219 companies from 23 countries, 8 889 visitors got acquainted with the exposition.

**BakuBuild** will be held 22 to 25 Oct 2019 in Baku, Azerbaijan. BakuBuild is a crucial professional event in the field of construction and architecture, design and reconstruction, as well as

venue for discussion of key aspects of conducting construction business in Azerbaijan. Azerbaijan has remained one of the most stable and fastest-growing economies in the CIS. Furthermore, numerous infrastructure projects are currently taking place, with the country forecasted to become such metropolis as the UAE or Singapore. This presents invaluable opportunities for international industry players looking to invest in this fast-growing market. In last edition, the fair welcomed 413 companies from 25 countries, 11,562 visitors got acquainted with the exposition.