



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

Minister: Growth in Azerbaijan's non-oil exports to be 10%

Growth in Azerbaijan's non-oil exports is expected to be 10 percent in 2018, Economy Minister



Shahin Mustafayev said at an event on the development of industry and entrepreneurship in Azerbaijan. The minister noted that last year the growth was 30 percent. Speaking about the development of Azerbaijan's economy in recent years, Mustafayev added that over the past 15 years, the country's economy has grown over

three times, the non-oil sector - by 2.8 times, industrial production - by 2.6 times and the non-oil industry - by 2.2 times.

"The volume of investments directed to fixed assets increased threefold and the state budget revenues went up 13.5 times. The country's strategic currency reserves, having increased by about 28 times, exceeded \$45 billion," the minister said.

He further added that the share of the private sector in the country's GDP reached 84 percent. As for industrial parks, according to the minister, their number has reached 70. "The residents have invested about 5 billion manats. Along with this, as a result of using investment promotion mechanisms, 330 projects have been implemented or are being implemented in the country. Moreover, 2.8 billion manats were invested, as a result of which up to 22,000 new jobs were created," Mustafayev added.

The minister stressed that the reforms carried out in recent years have shown serious results. "I would especially like to mention the measures taken in the field of entrepreneurship. Thanks to these reforms, Azerbaijan in the latest Doing Business report, rising by 32 steps, ranked 25th among 190 countries," he added.

Azerbaijan interested in applying standards for small & micro businesses

Azerbaijan is interested in applying single standards for small and micro businesses, Deputy Economy Minister Niyazi Safarov said. “We are interested in the application of standards to be attractive for small and micro businesses as well,” he said. “This is also an important issue for consumers.”



At the same time, he noted that it is necessary to create such conditions so that representatives of small and micro businesses would be interested in participating in the standardization process, adding that this, in turn, shouldn't be a burden for them.

Safarov reminded that the Agency for the Development of Small and Medium-Sized Enterprises (SMEs) was recently established in Azerbaijan, noting that it is possible to establish cooperation on standardization issues with the Agency.

He added that Azerbaijan cooperates with Turkey on standardization issues. He said that standardization and certification of products holds an important place in production.

“These issues are reflected in the state program and road maps,” he noted. “In recent years, we have been actively cooperating with Turkey on this issue.”

The Sumgait Chemical Industrial Park was created in Azerbaijan, where the country conducts cooperation with Turkish partners on standardization of products, he said. “In particular, we have already begun to implement a joint project in standardization,” he noted. “This project concerns the administration system, risk prevention, etc.”

Industry

Azerbaijani industrial park set to become local pharma center

Establishment of industrial parks with modern production infrastructure



envisages sustainable development of Azerbaijan's non-oil sector, increasing the export capability of the country's economy, as well as the production of competitive, import-substituting products, providing employment of local population.

At present, Pirallahi Industrial Park, Sumgait Chemical Industrial Park, Balakhani Industrial Park, Mingachevir Industrial Park and

Garadagh Industrial Park are operating in the country.

The Pirallahi Industrial Park of Azerbaijan is expected to become an important center for the local production of pharmaceuticals, Executive Director of the German-Azerbaijani Chamber of Commerce (AHK Azerbaijan) Tobias Baumann.

He went on to say that Germany together with Switzerland and Turkey are considered the world's most important suppliers of pharmaceuticals, measured by the value of imports.

Bauman also said that Germany's pharmaceutical companies are interested in this sector and are observing the market considering the possible market entries in 2019-2020.

Azerbaijan plans to produce pharmaceutical products worth 1.3 million manats (\$760,000) in 2019. The production will be expanded in subsequent years. Thus, the output will reach 38.8 million manats (\$ 22.83 million) in 2020, 39.5 million manats (\$ 23.24 million) in 2021 and 40.2 million manats (\$ 23.65 million) in 2022 due to the operation of pharmaceutical companies here starting from 2019.

The park, established in 2016, is specialized in the production of pharmaceutical products. Here, as in other industrial parks, investors are

exempted from various tax and customs duties for seven years.

The Pirallahi Industrial Park, located in the Pirallahi district of Baku, covers 30 hectares of land.

The foundation of this park aimed at the development of the pharmaceutical industry in the country, reducing dependence on imports in this area, meeting the medicine demand of the population and increasing employment.

The Pirallahi Industrial Park currently has four residents including the joint Azerbaijani-Russian plant Hayat Pharm, the Azerbaijani-Iranian plant Caspian Pharmed, the plant of Diamed Co., and the plant of IFFA. These plants are under construction.

Gilan Holding and India's "SunPharma" are currently negotiating to establish such a venture in Azerbaijan.

Agriculture

Farmers to gain enormous benefits from "Green corridor" on customs borders of Azerbaijan

Application of "Green corridor" on customs borders of Azerbaijan will enormously benefit farmers. Agriculture Minister Inam Karimov made the statement at the Foreign Trade Participants Forum: Application of Green Corridor Pass System.

Agrarian products spoil quite fast and



from this point of view the implementation of Green corridor will be beneficial and fruitful for

farmers, he said. Over the first 11 months of 2018, agrarian production increased by 4.6 percent, plantings by 6.6 percent, and cattle breeding by 2.7 percent, Karimov added. "Development of non-oil sector remains a priority of the head of state's economic policy, while agriculture occupies an important place in the non-oil sector," he stressed.

Thanks to attention attached to the agriculture sector, this field of economy has entered a new stage of development, Karimov said, noting the importance of increasing productivity and output of quality products.

"In this connection it is necessary, first of all, to create favorable conditions for the producers," he said, adding that Azerbaijan is one of countries that rendered overall support to farmers.

Supporting the farmers with an objective to bring their products to local and foreign markets remains to be an important task, Karimov believes.

The State Statistical Committee recorded that in January to November of 2018 the volume of agriculture production in the country made up 6.6 billion manats in actual prices, up by 4.6 percent over the year.

In this period production rose by 2.7 percent in the cattle breeding to 3.5 billion manats, and 6.6 percent in planting field to 3.1 billion manats.

Local tobacco production to cover 80pct of Azerbaijan's demand

Azerbaijan aims at the rational usage



of the potential of the local tobacco production and increase of its competitiveness.

The volume of tobacco production in Azerbaijan in aggregate expression is expected at the level of 62.7 million manats (\$36.8) in 2018, which is 37.5 percent more than last year. This is stated in the concept of socio-economic development of Azerbaijan and the forecast figures for 2019 -2022.

In subsequent years, according to government forecasts, tobacco production will expand. Thus, in 2019, this figure will be 76.9 million manats (\$45.1), in 2020 - 94.4 million manats (\$55.4), in 2021 - 115.7 million manats (\$67.9), in 2022 - 141.7 million manats (\$83.2).

Earlier, Azerbaijani President Ilham Aliyev signed a decree approving the "State Program for the Development of Tobacco Growing in Azerbaijan for 2017-2021" on August 10, 2017.

According to the order, the State Program is aimed at the development of tobacco growing, deepening the sphere of tobacco processing, increasing profitability and export potential as well as increasing employment of the rural population.

The state program takes into account all the necessary factors for the development of this industry - control over the quality of seeds, phytosanitary. This shows that the state aims to create all conditions and provide targeted support for the development of tobacco growing.

Tabaterra CJSC intends to cover 80 percent of the demand for tobacco products in Azerbaijan. According to the company, the plant plans to install 5 production lines with an annual production capacity of 11 billion cigarettes. At the same time, the company added that, at present, the annual demand for cigarettes in the country is 14 billion pieces.

Currently, the bulk of raw materials that are used in production falls on imported products, but at the same time, the company is taking steps to localize the purchase of raw materials, the "Tabaterra" noted.

"The factory, built using British, German and Italian technologies, will produce cigarettes with a high-quality filter in three different formats that fully meet international standards. Currently, the factory produces cigarettes under its "Argo", "Kingston" and "Senate" brands. The products under the "Argo" brand have already been presented to consumers. It is also expected that the Kingston and Senate brands will be presented in the near future. In addition, the company plans to produce products of such world largest cigarette manufacturers as British American Tobacco, Japan Tobacco International and Imperial Tobacco," the company said.

Speaking about the company's goals for the future, Tabaterra noted that along with work in the domestic market, export opportunities are also being studied. "The first step we will take in this direction will be to ensure the presence of the company's products in the Trading Houses of Azerbaijan operating in foreign countries," the company pointed out.

Azerbaijan eyes to minimize the import of tobacco products. To this end, the manufacturer of tobacco products "Tabaterra" built its first factory in the Sumgayit Chemical Industrial Park in November 16, 2018. The factory produces 7 billion cigarettes per year.

Under the project, which cost \$48 million, 200 jobs were created. Currently, over 10 billion cigarettes are consumed in the country. Of these, only 1.6 billion are produced in Azerbaijan, while 9 billion cigarettes are being imported. As of January-May 2018, 1,275 billion cigarettes were produced in the country. In the reporting period, the country produced more cigarettes than during the entire 2017, when 1.241 billion cigarettes were produced.

The price of a pack of cigarettes in Azerbaijan in average amounted at \$1.2, while it is \$3 in Turkey, \$3.5 in Russia, and \$4 in Poland. At the same time, the state is concerned about the population's health and, in this connection, Azerbaijani President Ilham Aliyev signed a law on amending the Code of Administrative Offenses. The changes are related to the fines which concern smoking.

Smoking in buses regularly traveling on intracity (intra-district), intercity inter-district) and international routes is subject to a fine of 40 to 50 manats. This penalty will also apply to persons smoking in public motor vehicles and taxis.

Azerbaijan also adopted the law "On Restriction of the Use of Tobacco Products" in the end of last year.

In accordance with the law, smoking is forbidden throughout the territory of

various educational institutions, in hotels, health care facilities, rehabilitation centers, health resorts, social facilities, theaters and cinemas, at exhibitions, reading rooms, libraries, museums and other cultural institutions, in underground and above-ground crossings, buses (including intercity and international), taxis, metro, air, railway, sea and river transport, bus stops, railway stations, river and sea ports, airports, elevators, common areas of multi-apartment buildings, in buildings and enterprises where flammable substances are stored, on playgrounds, beaches, workplaces of organizations, enterprises, offices, regardless of organizational and legal form and ownership.

In accordance with the article 212.1 of the Code of Administrative Offences, a fine of 30 manats (\$17.6) is charged for smoking in prohibited places. For the absence of specially designated smoking areas at enterprises, offices and organizations as well as the absence of warning signs or "Smoking is prohibited" signs, office holders are fined 400 manats (\$235), and legal entities – 1,000 manats (\$587). Smoking prohibitions already exist in such countries as the U.S., Finland, Ukraine, Great Britain, Scotland, Northern Ireland, Germany, France, Belgium, Croatia, Greece, Turkey, Kazakhstan, Syria, Egypt etc.

Transport

Alstom delivers first freight locomotive for BTK to Azerbaijan

France's Alstom continues to develop its business relations with Azerbaijan. The company delivered the first of the 40 contracted Prima T8 AZ8A freight locomotives that will run on Baku-Tbilisi-Kars regional railway link to the Azerbaijan Railways, the press-service of the company reports.



The locomotive arrived in Bilajary (Azerbaijan), after being shipped from Astana, Kazakhstan, on December 7. Alstom will now conduct validation tests on the Azerbaijani railways infrastructure during the next few months.

“We are delighted to continue being a strategic partner of Azerbaijan Railways and to deliver the first freight locomotive to Azerbaijan that will help satisfy the increasing need for freight transportation in the country,” Alstom Managing Director for Western and Central Asia Bernard Peille said.

French company Alstom earlier presented its first electric freight locomotive Prima T8 AZ8A for Azerbaijan Railways. The presentation of the locomotive was

held at the Electric Locomotives Assemblage Factory (EKZ), located on the territory of the Astana special economic zone.

The company operates in about 100 countries and has been operating actively in the Azerbaijani market for over 20 years.

The first AZ8A locomotive became a part of the contract signed by EKZ with Azerbaijan Railways in 2014 for the supply of 50 locomotives, including 10 passenger locomotives Prima M4 AZ4A. AZ8A is a heavy-duty freight locomotive from the Prima T8 series, which is based on the KZ8A locomotive, currently operated in Kazakhstan. AZ8A is designed for operation at temperatures from -25 to 50 degrees Celsius.

The locomotive is designed according to the specific technical requirements provided by the ARW Company, and also meets the GOST and TU standards. Prima T8 is one of the most powerful electric locomotives in the world. The model consists of two sections, is able to pull a train weighing up to 9,000 tons and reach a speed of 120 km/h.

Founded in 1928, Alstom develops and markets systems, equipment and services for the transport sector. The company offers a complete range of solutions (from high-speed trains to metros, tramways and e-buses),

passenger solutions, customized services (maintenance, modernization), infrastructure, signaling and digital mobility solutions.

The solemn ceremony was held to mark the opening of the Baku-Tbilisi-Kars railway on October 30, 2017 at the Baku International Sea Trade Port, designed to connect not only the three countries, but also entire continents.

The total length of the BTK railway is 846 km, with 504 km running through the territory of Azerbaijan, 263 km - Georgia and 79 km - Turkey.

Azerbaijan Railways Closed Joint Stock Company earlier told Trend that the organization of passenger transportation on the Baku-Tbilisi-Kars route is planned for the third quarter of 2019.

Providing the shortest rail link between Europe and Asia, BTK plays an important role in the implementation of China's "One Belt, One Road" strategy and International North-South Transport Corridor.

In fact, the BTK railway route is the shortest way to deliver cargo from the Russian regions located in the Volga, Ural and Siberian Federal Districts to the Mediterranean ports of Turkey, and further to the countries of Africa and the Middle East.

At present, the BTK provides transportation from Kazakhstan to Mersin port. Some cargoes are delivered from Russia to Turkey and Europe.

The BTK railway has been constructed on the basis a Georgian-Azerbaijani-Turkish inter-governmental agreement. The project implementation began in 2007 and construction began in 2008. The line is intended to transport one million passengers and 6.5 million tons of freight at the first stage. This capacity will then reach 3 million passengers and 17 million tons of cargo. The main purpose of the project was to improve economic relations between the three countries and attract foreign direct investment by connecting Europe and Asia.

Tourism

Health tourism developing rapidly

Azerbaijan has all chances to develop



the health tourism due to its unique natural conditions.

Azerbaijan is rich with hot and mineral springs, thermal sulphur-hydrogen water sources and all types of mud volcanoes the mud of which can be used for medical purposes. There are around 300 mud volcanoes existing in Azerbaijan. The mud is used for the treatment of radiculitis, skin, cardiovascular,

gynecological, urological diseases, and gastrointestinal disturbances. It is also widely used in the cosmetology.

Another exceptional medical product of Azerbaijan is its well-known healing “Naftalan” oil which is used for treatment of many diseases. Naftalan is a famous balneotherapeutic health resort well-known for its oil baths. It has been known since ancient times as an effective treatment for lesions of the musculoskeletal system. Naftalan oil is also used in the treatment of skin, urological, gynecological diseases. It relieves inflammation, reduces pain, improves blood circulation, speeds up metabolism. “The spring of black gold is the key to healing” - this is the slogan of Naftalan sanatoriums and health centers.

Moreover, Azerbaijan is also known for its salt mines used for asthma therapy. The most popular one is called “Duzdagh Cave” (salty mountain cave) located in Nakhchivan. There are over-and underground treatment premises located 300 meters below sea level. The cave is rich with sodium chloride ions which are helpful in treatment of bronchial asthma, hay fever, bronchitis, rhinitis and other respiratory organs diseases. One of the most famous thermal springs is the Istisu Hospital in Lankaran district, in Masalli. Today there are several hospitals on the

territory of Istisu, which are designed for both budget and vip guests.

The first thing you notice when you arrive at Istisu is the smell of sulfur and steam that rolls over the ground. The water emerges from the depths of the earth, and its temperature exceeds 60 degrees.

The list of diseases for which they are treated here is very wide: rheumatism and its side effects (arthritis, polyarthritis, joint pain), skin diseases (psoriasis, dermatitis, neurodermatitis, fungal diseases, eczema), kidney and urethral diseases, radiculitis, prostate, diseases of the liver and biliary tract, gastrointestinal and female diseases, as well as female and male infertility. Locals call this water “miraculous water” and claim that this is one answer to a hundred misfortunes.

The number of tourists visiting Azerbaijan for health and medical purposes will increase by 18 percent in 2019, the chairman of the Association for the Support of Medical and Thermal Tourism of Azerbaijan, President of the World Organization of Health Tourism Ruslan Guliyev. He said that in January-November 2018, the number of tourists who visited Azerbaijan for health purposes increased by 30 percent compared to the same period last year. "More than 45,000 tourists from over 70 countries visited the Recreational Center

Naftalan alone," he noted. "This figure is expected to grow by the end of the year."

The health tourism in Azerbaijan has been noticeably improved after the adoption of the state program on development of resorts in 2009-2018. To boost the sector, an association to support the health and thermal tourism in Azerbaijan was established, and modern medical and health centers were opened in Baku, Naftalan, Nakhchivan and other regions of the country. The fresh mountain air, pure water, organic fruits of the Azerbaijani regions and beach recreation on the Caspian Sea Shore have already been known among many tourists. It would suffice to mention the world famous Istisu, Galaalti, Naftalan, Duzdag recreational resorts. It should be noted that a global forum on health tourism will be held in Azerbaijan in February 2019. More than 100 participants will participate in the event, in particular, heads of structures for health tourism of the participating countries, top managers of the medical and health sector of the countries, as well as authoritative scientists in this field.

As part of the event, which will be held for two days, a number of official meetings, plenary sessions, exhibitions, and also B2B meetings are planned. Azerbaijan's potential in the therapeutic and health sector, real opportunities and prospects, startups, etc., will be demonstrated at the event.

At the end, it is planned to organize an info-tour for the participants to the Naftalan, Istisu, Galaalti and Duzdag medical and health centers.

Announcements and Notifications

Azerbaijan International Travel & Tourism Fair (AITF)

Azerbaijan International Travel & Tourism Fair (AITF) is a 3 day event being held from 4th April to 6th April 2019 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.

Website www.bakutel.az