



Economic News Bulletin
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Macroeconomics

Krystyna Marty Lang: We are proud that Azerbaijan is one of our key partners

“We are proud that Azerbaijan is one of our key partners,” said Deputy State Secretary of the



Federal Department of Foreign Affairs of the Swiss Confederation Krystyna Marty Lang as she met with Prime Minister of the Republic of Azerbaijan Novruz Mammadov in Baku.

Noting the successful development of Azerbaijani-Swiss relations on various fronts, Prime Minister Novruz Mammadov said that good

cooperation was established between the two countries in political, economic, investment and other areas. Underlining that there is big potential for expanding the bilateral ties, Prime Minister Novruz Mammadov stressed the importance of high-level reciprocal visits in terms of developing cooperation.

Recalling the meetings of the Azerbaijani and Swiss presidents, Prime Minister Novruz Mammadov noted that President Ilham Aliyev attaches great importance to developing relations between the two countries. Prime Minister Novruz Mammadov expressed confidence that Krystyna Marty Lang`s visit to Azerbaijan will make significant contributions to further expansion of the bilateral ties.

Saying that Azerbaijan and Switzerland celebrated the 25th anniversary of the establishment of diplomatic relations, Krystyna Marty Lang pointed out that the two countries have successfully cooperated on the international level for 20 years. She said Switzerland and Azerbaijan maintain fruitful cooperation in a variety of fields.

The sides hailed Swiss Axpo company`s participation in the Trans Adriatic Pipeline project, as well as the activities of the intergovernmental joint commission. The sides also exchanged views on a range of other

issues of mutual concern, including the expansion of political, economic and interparliamentary ties.

Tax minister: It is easy to invest in Azerbaijan



A favorable business environment has been created in Azerbaijan and it is easy to invest in the country, Azerbaijani Minister of Taxes Mikayil Jabbarov said on the John Batchelor Show of the famous American host John Batchelor. The minister noted that Azerbaijan significantly improved its position in the latest Doing Business 2019 report and ranked 25th, entering the top ten major reformers.

Jabbarov spoke about the tax reforms carried out in late 2018. In particular, it was decided to reduce the tax burden on small and medium-sized businesses and, thus, to ensure the development of the non-oil economy, he said.

During the interview, the minister stressed that agriculture as a whole is exempt from taxes, which also helps to ensure the competitiveness of agricultural products when exported. "We try to support economic growth through tax policy, because just like tax policy ensures economic development, the level of a country's economic development has an

important influence on tax policy," Jabbarov said.

Speaking about the economy of Azerbaijan, the minister noted that development is observed not only in the capital, but also in the regions of the republic.

"Since 2004, under the leadership of President Ilham Aliyev, the State Program on the socio-economic development of regions has been implemented in the country. Because one of the main challenges we face is to ensure equal growth, so that it is not limited to the capital only," the tax minister said.

Noting that the implementation of the fourth State Program on the Socio-Economic Development of Regions has recently begun, the minister added that over the years of implementation of these programs, tens of billions of manats have been invested in the country's regions, over 3,000 schools, more than 600 hospitals and tens of thousands of kilometers of roads have been built.

Industry

Wind power production in Azerbaijan increases eight-fold

The rapid development of technology in the modern world, offers wide opportunities for developing environmentally friendly and

inexhaustible energy resources. Azerbaijan produced goods and services in the amount of 368.8 million manats (\$217.01 million) in production, distribution and supply of electricity, gas and steam in January-February 2019.

According to the State Statistics



Committee, this makes 2.3 percent increase compared to the same period last

year. Production volumes in the sector of water supply, wastewater treatment and processing increased by 12.1 percent reaching 49.4 million manats (\$29.07 million).

The capacity of the energy system of Azerbaijan is more than 6,000 megawatts. At the same time, according to the experts, the potential of renewable energy sources in the country is more than 25,300 megawatts.

At present, 18 percent of electricity production in Azerbaijan fell on alternative energy sources, in which hydro power plants hold main share, although most of the country's potential in this area falls on solar energy (estimated at 5,000 megawatts).

The favorable geographic location and climatic conditions allow the widespread use of environmentally friendly alternative energy sources in Azerbaijan. Aiming to lessen its

dependency on oil, Azerbaijan carries out a number of measures for further development of alternative energy sector.

The Azerbaijani government is planning to increase the share of alternative energy by 30 percent by 2030 in total power generation. There are plans to implement a number of projects totaling \$2.3 billion in alternative energy. The projects include a plant for production of biofuels (pellet fuels) in the Sabirabad district, construction of wind power plants in the Pirallahi district, an agro-energy residential complex in the Samukh district and others.

Construction of two wind power farms worth \$800 million and \$408.9 million in the Pirallahi district, as well as a wind power farm worth \$377.7 million in the Khizi district are the biggest projects planned for implementation.

Volumes of production from Azerbaijan's largest oil and gas fields revealed

To date, 3.5 billion barrels of oil have



been extracted from the Azeri-Chirag-Guneshli field, and more than 100 billion

cubic meters of gas from the Shah Deniz field, BP Azerbaijan's Vice President Bakhtiyar Aslanbayli said at

a high-level forum on "Diversifying the economy - the role of the private sector" in Baku, Trend reports. The vice president noted that over 27 years of its activity in Azerbaijan, BP has made a great contribution to the economy of Azerbaijan.

"BP plans to continue its active and successful operation in Azerbaijan. We are proud that BP is an operator in the country's main oil and gas projects," Aslanbayli said. Further, the vice-president noted that since the conclusion of the "Contract of the Century" to the present day, there has been no change in the contract.

Aslanbeyli further noted the role of the oil sector in the development of the non-oil sector.

BP has made a significant contribution to the development of the non-oil sector in the country, Aslanbayli noted. He added that BP has different programs in the social, agricultural, educational sectors and so on. The contract for developing the ACG field was signed in 1994. A ceremony to sign a new contract on development of the ACG block of oil and gas fields was held in Baku Sept. 14, 2017.

The new ACG participating interests are as follows: BP - 30.37 percent; AzACG (SOCAR) - 25 percent; Chevron - 9.57 percent; INPEX - 9.31 percent; Statoil - 7.27 percent; ExxonMobil - 6.79 percent; TP - 5.73

percent; ITOCHU - 3.65 percent; ONGC Videsh Limited (OVL) - 2.31 percent. Shah Deniz participating interests are: BP (operator – 28.8 percent), TPAO (19 percent), AzSD (10 percent), SGC Upstream (6.7 percent), PETRONAS (15.5 percent), LUKOIL (10 percent) and NICO (10 percent).

Agriculture

Azerbaijan to export pomegranate to Europe

Land of Fire is preparing to bring



national pomegranate to new export markets in

Europe. Azerbaijan plans to export pomegranate to several European countries, Executive Director of the Azerbaijan Pomegranate Producers and Exporters Association Yusif Akhundov said.

Akhundov stressed that negotiations are underway on export to Latvia, Poland and France. "The quality of the products is a very important issue for these countries. In this regard, local producers are working to improve quality. The export of products to these countries is expected in September," he noted. Akhundov added that last year, 180,000 tons of pomegranates were produced in Azerbaijan. Products worth \$ 13 million were exported. During the first

three months of 2019, the pomegranate has been exported in small quantities. Main export destinations were Russia, Ukraine and Kazakhstan. He also touched open the pomegranate processing plants, noting that establishment of businesses is planned in Aran districts. So far, this issue is under discussion.

The Pomegranate Producers and Exporters Association was established on October 31, 2016. Today it brings together 26 members. In 2017, 165,000 tons of pomegranates were produced in the country, while the export revenues for 2017 amounted to \$10 million. Pomegranate is a national fruit that plays a big role in the development of non-oil sector in Azerbaijan, both agriculture and tourism. Azerbaijan's national brand pomegranate has received worldwide recognition as one of the best for taste and quality. Azerbaijan is considered the only country where all varieties of pomegranate grow. About 70 varieties of pomegranate were spread in Azerbaijan, while about 20 varieties are grown in Azerbaijan today.

The varieties Gulovsha, Vesel, Shandi, Shirin and Bala Mursal are mainly cultivated in local gardens. For the further development of pomegranate production, measures to cultivate new varieties and create new gardens are being taken. Goychay region is distinguished for the pomegranate cultivation in Azerbaijan. Since 2006,

traditional festivals of pomegranates have been held in Goychay region every year. It serves to promote the Azerbaijani pomegranate that has become a cultural and tourism symbol of the country. Pomegranate is not only economically profitable, but also of great importance for human health. Pomegranate juice and peel are used in the treatment of up to 20 diseases. Pomegranate rind, as well as oil from its seeds are used in cosmetology, pharmaceutical production.

This year Azerbaijan plans to begin construction of a large complex for the production of pomegranate products. The



complex can be built in one of the industrial parks of Azerbaijan. It is planned that the complex will consist of four enterprises for the production of pomegranate juice, concentrate, processing of pomegranate peels and seeds. The total cost of the complex, according to the business plan is 25 million manats. Construction is scheduled to begin in 2019 and be completed by 2021.

Transport

Azerbaijan is in unique geographic position on New Silk Road

Azerbaijan is in a unique geographic position on the New Silk Road, Bruce

Pannier, expert on Central Asia said. "Azerbaijan is in a unique geographic position, as it is with many of the new trade routes. Railways from China run through Kazakhstan to Kazakhstan's Caspian ports, and possibly to Turkmenistan's Caspian port at Turkmenbashi city, where goods can be loaded onto ships to Azerbaijan and sent by rail through the Caucasus to Turkey. These goods could also be loaded onto ships at Georgia's Black Sea ports and sent across to the Romanian or Bulgarian ports for transport further into Europe. Goods from Europe and Turkey can ship goods eastward along the same route," he said.

Pannier believes that in all cases, these goods transit through Azerbaijan, meaning there will be fees paid to Azerbaijan for railway use and loading and unloading on the Azerbaijani Caspian coast.



"The amount of revenue the route would bring to Azerbaijan will vary of course, depending on traffic, but there will always be something being shipped by this route so there will always a revenue flow into Azerbaijani state coffers," noted the expert.

He went on to add that shipping goods using only railways (from China through Russia and on to Europe)

would be quicker and probably cheaper, but China has stressed BRI includes maritime routes, which ensures Azerbaijani ports will never be left out.

"Kazakhstan and Turkmenistan are depending on this and we can see that from those countries' decision to improve their Caspian Sea ports, specifically with an eye toward trade between the West and China as part of BRI. And there is also the North-South railway connecting Iran and Russia through Azerbaijan. Some of that cargo might be unloaded in Azerbaijan and head west toward Turkey and the Black Sea," said Pannier.

The New Silk Road, or Belt and Road Initiative, is an ambitious project to greatly enhance trade routes; road, rail, and sea, he said, adding that if successful, this estimated \$1 trillion network would connect dozens of countries around the globe.

"Many of the world's less-wealthy countries are included and for countries such as these the BRI offers needed opportunities to export their goods, and Chinese financial institutions have been loaning large amounts of money to help these countries connect to the network. These loans have proven a mixed blessing. While it allows poorer nations to build roads, railways and ports they could not afford to build

themselves, some of these countries are discovering they will be hard pressed to repay these loans," said the expert.

However, he believes that any country involved stands to gain something from being connected to this trade network. "It will help bring some countries out of relative isolation. Other countries stand to benefit from transit fees. And most countries are upgrading existing facilities or construction entirely new facilities for BRI, which helps them modernize their ability to export and import generally, even outside of BRI. So BRI it good, so long as you don't fall deeply in debt," the expert concluded. Azerbaijan became a signatory to the Belt and Road Energy Partnership Declaration in October 2018.

The document emphasized that the Belt and Road Initiative will provide new opportunities for the international cooperation as an open and inclusive platform. By signing the Declaration, the signatory countries have also expressed their support for Building the Belt and Road Energy Partnership. One Belt, One Road initiative was put forward by Chinese President Xi Jinping.

Azerbaijan expressed its support to the initiative when the country signed the Memorandum of Understanding on Joint Encouragement of the

Establishment of Silk Way Economic Belt in 2015.



The Baku-Tbilisi-Kars (BTK) railway is an important

transport corridor connecting Europe with the countries of the region and serving the development of regional cooperation, Director-General for Mobility and Transport (MOVE) of the European Commission Henrik Hololei said.

He said the full launch of BTK is directly related to the start of operation of the Baku International Sea Trade Port in Alat. The BTK railway, in fact, originates from the port of Alat, he noted.

The port of Alat has always been on the agenda of discussions on the EU-Azerbaijan cooperation and the EU will always try so that it remains the most modern and environmentally friendly port in the region, he added.

Regarding the issue of investments, Hololei said if attention is paid to the transport map of the region, Azerbaijani authorities may make their decision on what sources they intend to raise funds from. There are international financial institutions for this, he noted.

The financing mechanism of the EU Eastern Partnership program can be the second source, he said. The EU

talked about expanding the Trans-European Transport Network in the Eastern Partnership countries, and this initiative should be completed by 2030, he noted.

To do this, the EU and the countries of the Eastern Partnership should agree among themselves and determine which corridor is of more priority for them and, based on this, implement their initiatives, he added.

Azerbaijan may attract new loan from WB for reconstruction of railways



Azerbaijan Railways CJSC is considering the prospects of obtaining a loan from the World Bank (WB) for the reconstruction of a part of the Baku-Astara-Iranian border railway, Javid Gurbanov, chairman of the company said. According to Gurbanov, part of the funds for the reconstruction will be allocated from the state budget. Overall, as noted by the head of the department, the reconstruction will affect 243 kilometers of roads and will allow for its expansion, making it double-tracked. Also, work is currently underway in conjunction with foreign companies to design a new section of the Baku-Astara railway in Azerbaijan's Lankaran District, he added. Designing is set to be completed by late 2019. It was

earlier reported that the Azerbaijani government was conducting preparatory work on the relocation of the Baku-Astara railway. Particular focus was made on the part of the railway that passes through Lankaran and Astara. The railway runs along the sea coast and restricts access to the sea. In addition, the tide erodes the foundation of the road, it falls faster, despite repairs.

Tourism

Bill on tourism under development

The State Tourism Agency of



Azerbaijan is working to create a bill on tourism, head of the State

Agency's office Kanan Gasimov said. As he noted, the document is aimed at stimulating the tourism sector, as well as its qualitative development. "The document is now at the development stage, and we plan to complete the work on it before the end of this year," said Gasimov.

He noted that currently the agency is actively working in this direction, applying international experience, as well as taking into account the important quality standards necessary for the effective promotion of the tourism industry in the foreseeable future.

Meanwhile, deputy director general of the tax policy department at the Ministry of Taxes Nijat Imanov talked on how the recent changes in tax code affected the tourism industry. He said that these changes caused some problems with travel agencies in Azerbaijan.

In particular, according to Imanov, due to the recent changes in the Tax Code, there were problems with the use of electronic invoices by travel agencies. However, the department managed to solve these problems promptly.

He noted that every year changes are made in the tax legislation of Azerbaijan, and any innovations are aimed at facilitating the activities of entrepreneurs.

Imanov stated that all changes are aimed both at eliminating the shadow economy in this area and at creating preferential conditions for the development of the tourism sector.

“Of course, most changes in tax legislation were aimed at supporting business entities, and, in general, at supporting the development of business areas. Taxes are a balancing tool, therefore, innovations in legislation relating directly to the field of entrepreneurship are also related to the tourism sector,” said Imanov.

The Deputy Director General also noted that the Ministry of Taxes is actively involved in solving the problems of business entities in the field of tourism.

Growth of tourist flow to Azerbaijan shows development of tourism – PM

The growth of tourist flow to Azerbaijan shows the development of the tourism sector, Prime Minister



Novruz Mammadov said. He was speaking at the Azerbaijani parliament with a report on the results of the work of the Cabinet of Ministers in 2018, said. Mammadov reminded that last year in Azerbaijan great attention was paid to the development of healthcare, strengthening the material and technical base of medical institutions, providing them with modern equipment, as well as repair and construction work was carried out in 47 medical institutions.

The prime minister also noted the development of the tourism sector. “The number of tourists who arrived in Azerbaijan last year reached 2.8 million people, which indicates the development of this sphere,” he said. He added that last year Azerbaijani athletes achieved great success.

“Fifty-eight international competitions were held in Azerbaijan last year,” he said. “Our athletes participated in 236 international tournaments, they won 753 medals, including 263 gold medals.” Mammadov stressed that work will be carried out to improve the business environment in Azerbaijan.

“In the Doing Business report, Azerbaijan has risen by 32 positions, taking a leading position among the CIS countries,” he said. He added that last year 1.7 billion manats were allocated for the road infrastructure in the country.

“Last year, 2,000 kilometers of roads were overhauled and 14 kilometers of the Lyaki-Gabala railway have already been built,” he said.

Mammadov added that last year Azerbaijan also acquired two planes.

Announcements and Notifications

BAKU SUMMER ENERGY SCHOOL (BSES) is an annual two-week certificate program of the Caspian Center for Energy and Environment (CCEE) of ADA University held in July in partnership with the State Oil Company of the Azerbaijan Republic (SOCAR) and



British Petroleum in Azerbaijan. It brings together world-renowned scholars, academicians and policy makers to examine and gain a better understanding of global energy and environment issues and their practical application.

Specialists dealing with energy and environment related issues are warmly invited to attend.

For additional information, please contact Ms. Aytan Mehtiyeva, Program Specialist, Executive Education at summerschool@ada.edu.az or visit website at: <http://ccee.ada.edu.az/apply-now/>