



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

### Talks on Azerbaijan's accession to WTO in progress

The Azerbaijani government has sent new proposals - responses to questions of WTO member states within the framework of negotiations on joining the World Trade Organization (WTO), said Mahmud Mammadgulyev, Deputy Foreign Minister of Azerbaijan.



“At this stage, negotiations with WTO member countries are conducted through correspondence. They send us their suggestions, and we reply,” Mammadgulyev said.

He added that the date of the next meeting in Geneva with WTO members has not yet been established.

“For the Azerbaijani government, the main aspect is the quality of negotiations, the compliance of the agreements reached with the criteria for economic development, the receipt of benefits provided for countries in the status of a developing country” he said.

Azerbaijan is negotiating on four main directions - goods (tariffs on agricultural and industrial products), trade in services, legislation improvement (bringing it in line with WTO requirements) and agriculture support (subsidization).

In accordance with the suggestion of the WTO secretariat, currently, Azerbaijan continues negotiations on the country's accession to the organization on a bilateral basis. So far, the meeting of the Azerbaijani delegation with the WTO working group was accompanied by both bilateral negotiations with the organization's member countries and multilateral negotiations on agriculture.

Azerbaijan began negotiations with WTO member states in 2004. Currently, the country is in the process of negotiations with 13 countries. As of today, negotiations have been

completed and protocols have been signed with Turkey, Oman, the United Arab Emirates, Georgia and Kyrgyzstan. Azerbaijan is at the stage of signing protocols with China and Moldova.

Azerbaijan has recently implemented a number of reforms, including 12 strategic roadmaps for economic development; introduced changes in the regulation of trade, in the system of import customs tariffs; improved trade and logistics infrastructure. It is expected that the implementation of the road maps will serve as the basis for the successful accession of Azerbaijan to the WTO.

After receiving preliminary results from ongoing economic reforms in the country, which is expected until 2020, intensification of negotiations and completion of the process of Azerbaijan's accession to the WTO will be possible.

It is noteworthy that Azerbaijan has had an observer status at WTO since 1997. In July 1997, the Working Group on Azerbaijan under WTO Secretary was established.

### **EU, Azerbaijan mull trade issues in new agreement**

Discussions on trade issues as part of a new partnership agreement between the EU and Azerbaijan are underway

in Baku, the EU Delegation to Azerbaijan said.

Reportedly, the discussions are taking



place with the participation of the EU delegation headed by Representative

of the European Commission for Trade Petros Sourmelis. The European Council adopted a mandate for the European Commission and the high representative for foreign affairs and security policy to negotiate, on behalf of the EU and its member states, a comprehensive agreement with Azerbaijan in November 2016.

The new agreement should replace the 1996 partnership and cooperation agreement and should better take account of the shared objectives and challenges the EU and Azerbaijan face today.

The agreement will follow the principles endorsed in the 2015 review of the European Neighborhood Policy and offer a renewed basis for political dialogue and mutually beneficial cooperation between the EU and Azerbaijan.

Currently, bilateral relations between the EU and Azerbaijan are regulated on the basis of an agreement on partnership and cooperation that was

signed in 1996 and entered into force in 1999.

The new agreement envisages the compliance of Azerbaijan's legislation and procedures with the EU's most important international trade norms and standards, which should lead to the improvement of Azerbaijani goods' access to the EU markets.

Creation of a common aviation area is an initiative of the European Commission and aims to open and integrate aviation markets. This will lead to new opportunities for consumers and operators, and, most importantly, to high standards in terms of flight safety as well as air traffic management.

## Industry

### Reconstruction of South Caucasus' biggest thermal power plant underway

Throughout history, the power industry of Azerbaijan has been considered to be a dynamically developing one. The electric power industry, along with the oil and gas industry, plays a leading role in the economy of the country. It also occupies an important place in the social infrastructure. To date, there are no settlements in Azerbaijan that do not have access to electricity.



At present, reconstruction work at the Azerbaijan thermal power plant (TPP) in Mingachevir city is being conducted at the most advanced technological level in accordance with the instructions of the head of state.

Azerenergy OJSC has stated that comprehensive reconstruction work has already been carried out at the sixth unit of the eight-unit Azerbaijan TPP, which is the biggest thermal power plant in the South Caucasus that meets 43 percent of the country's electricity demand.

As a result of the replacement of all elements of the commissioned seventh unit, its capacity was raised from 250 to 310 megawatts.

The message says that in general, the three-year Rehabilitation Action Plan for the TPP envisages a full restoration of turbines, generators, relay protection systems, workshops, substations, 330- and 500-kilovolt transmission lines and installation of a new fire-prevention system.

Also, a new bridge and a road through the Upper Karabakh Canal are being built, and the fire-prevention system of underground water supply is being restored.

After the large-scale measures, the capacity of the Azerbaijan TPP will increase by 380 megawatts to 2,000

megawatts and the reliable and stable operation of the power plant will be ensured.

Touching upon electric power industry, it should be pointed out that the construction of the Shimal-2 power plant with a capacity of 400 megawatts is nearing completion. Test work is carried out every week at the plant together with the specialists from Mitsubishi. The Shimal-2 power plant will be commissioned this summer. The launch of the 400-megawatt Shimal-2 power plant is expected to become an important event in the history of power industry of the country. Azerbaijan fully provides itself with electricity and even exports it in large quantities. The process of rehabilitation and reconstruction of existing power units has been launched around the country.

Azerbaijan's electricity production amounted to 22.52 billion kilowatt-hours in 2018, thus showing an increase of 3.4 percent compared to 2017. Electricity exports to Russia, Georgia, Iran and Turkey increased by 175 million kilowatt-hours or 14.2 percent.

### **Country increases wind power production**

Aiming to lessen its dependency on hydrocarbons, Azerbaijan, as many other energy-rich states, now looking for alternative ways of energy

generation. In January-March 2019, Azerbaijan produced goods and services worth 552.2 million manats (\$324.9 million) in production, distribution and supply of electricity, gas and steam.

This makes 3.2 percent increase



compared to the same period last year,

according to the State Statistics Committee. Cost of products produced in water supply, wastewater treatment and processing sector increased by 9.3 percent to 71.9 million manats (\$42.3 million). In the past three months, the total electricity production in Azerbaijan amounted to 6,340.5 million kWh, which is 3.5 percent more than in the reporting period of last year.

Compared to the same period of last year, production at hydro power plants decreased by 11 percent to 295 million kWh, while energy generation at thermal power plants increased by 4.1 percent to stand at the level of 5,778.8 million kWh. In January-March of this year, 31.8 million kilowatt-hours of wind power was generated in Azerbaijan, which is 8.4 times more than in the three months of 2018. During this period, solar power production increased by 10.8 percent and amounted to 8.2 million kWh.

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.

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.

According to the Market Analysis Azerbaijan 2019, expansion of renewable electricity generation is estimated at 430 MW in 2018-2020, 840 MW in 2021-2025, 925 in 2026-2030.

However, the share of renewables in total power generation is expected to

be 15 percent by 2020, 25-30 percent by 2025 and 35-40 percent by 2030.

According to the report, wind power maintains 59.2 percent (15,000 MW) share in total potential for renewable energy. It is followed by solar power-31.6 percent (8,000 MW), biomass 3.5 percent (900 MW), geothermal 3.1 percent (800 MW), and hydropower 2.6 percent (650 MW).

## **Agriculture**

### **Azerbaijani winery eyes to increase exports to Europe**

Increasing local wine exports further



promotes Azerbaijani products abroad as well as strengthens the non-oil

sector in the county's economy. Aspi Agro LLC producing wine in Azerbaijan's Gabala city intends to export its products to more countries, Aygun Atayeva, Chief Sales Manager, said. "Presently, the company's products are sold domestically and exported to the EU countries," she said. "The products under Savalan brand are supplied to several European countries and our goal is to further popularize Azerbaijani products to promote the Made in Azerbaijan brand on the European continent."

Atayeva added that the company needs the state support for more sustainable propaganda of its wine outside the country.

The chief sales manager stressed that presently, small volumes are supplied to Europe, but these supplies are stable.

"Every year the company produces a million bottles of wine, while a certain part of this volume accounts for export to Europe," Atayeva said.

Established in 2007, Aspi Agro LLC uses the experience of Italian specialists in the wine production. Modern Italian equipment produced by Della-Toffola company is used in the company. Winery occupies one of the most important places in the food industry of Azerbaijan. The country is famous for its high quality grape varieties. The five major wine-growing regions of Azerbaijan are Shamakhi, Ismayilli, Gabala, Ganja and Tovuz. Local grape varieties include White Shani, Derbendi, Nail, Bayan Shirey, Gamashara, Ganja Pink, Bendi, Madrasa, Black Shani, Zeynabi, Misgali, Khindogni, Agdam Kechiamjayi, Tebrizi and Marandi.

The share of Azerbaijan in the wine production in the former Soviet Union was always high. Nevertheless, the Anti-Alcohol Campaign in 1985 caused the destruction of the vineyards of more than 130,000 hectares in Azerbaijan. One of the first

steps towards the restoration of vineyards and winemaking in the country was the Law on Winemaking adopted in 2001.

To ensure sustainable development of winemaking in the country, increase the interest in wine production and exports, the State Program on the development of wine growing in 2018-2025 was approved in May 2018, which will facilitate the development of wine tourism and increase loans allocated to the wine industry in Azerbaijan. The State Program envisages that the export of wine from Azerbaijan should increase fivefold by 2025.

Azerbaijan plans to develop the first wine tourist route in the history of the country by mid-2019. A new highly specialized tourist route will pass through the wineries of the Absheron, Ismayilli, Shirvan, Gabala, Sheki and Goygol regions.

Tourism experts intend to pave the route in such a way that within a few days, foreigners would be taken from one region to another, giving them the opportunity to visit wineries where the legendary Azerbaijani alcoholic beverages are produced. In addition, tourists will get the opportunity to personally taste wine drinks. Azerbaijan also intends to connect it with the famous Georgian wine route, paving the way for tourists from Sheki to Kakheti, a Georgian region.

Currently, about 40 winemaking enterprises operate in Azerbaijan producing natural wine, sparkling wine, liqueur, brandy, vodka, ethyl alcohol, cognac, etc. Most of producers target Russian and European markets as well as new markets for Azerbaijani wine, such as China. In addition, Azerbaijani wine houses operate in foreign countries to promote national brands and their export. The first wine house of Azerbaijan was opened in China in 2018.

Recently, local wine products have been featured at Prowein 2019 international exhibition in Germany, the world's leading trade fair for wine and spirits. As a result of the discussions, Absheron Wine Company has already reached a preliminary agreement on exporting its products to Germany. Moreover, Naiqin Co-Tovuz Baltiya and Aspi Agro companies held talks on exporting their products to Germany, France and the Netherlands, while Sharg Ulduzu and Agro-Azerinvest - to Norway, Germany and China.

## **Transport**

### **Baku Port starts cooperation with Europe's leading logistics hub**

The Baku International Sea Trade Port has begun cooperation with companies operating in the city of

Venlo in the Limburg Province of the Netherlands, which is considered one of the transport and logistics hubs of Europe. Port of Baku, the province of Limburg and Dutch companies have signed a memorandum of understanding on cooperation.

Memorandum envisages cooperation with the Cabooter Group, SMART Logistics Center, the Limburg



Development and Investment Company, Greenport

Venlo, KLG Europe, Northern Limburg Development Council, the Azerbaijan-Netherlands Business Hub and the Fontys University of Applied Sciences.

After the signing ceremony, Director General of Baku International Sea Trade Port, Taleh Ziyadov, noted that these agreements will help attract Dutch and European companies to the Port of Baku.

The sides also reached a preliminary agreement with the logistics companies operating in Venlo for the first test container transportation along the Venlo-Istanbul-Baku-China route in May this year.

At the same time, in order to expand bilateral trade relations, discussions were held on the opening of the

European representative office of the Baku Port in Venlo.

As part of the agreement reached with the Fontys University, Baku Port specialists will be involved in training and practical experience for a six-month period in Venlo.

Baku International Sea Trade Port was commissioned in 2018. Its territory is 400 hectares. The port can simultaneously receive up to 12 ships.

The Baku Port in Azerbaijan's Alat settlement is expected to become one of the leading trade and logistics hubs of Eurasia. The capacity of the port is 15 million tons of cargo, including 100,000 containers per year. It's going to increase to 25 million tons of cargo, including 500 000 TEU with completion of the 2nd phase.

In the future, it is planned to create a free economic zone in the surrounding areas, including the territory of the port.

The port in Alat is a transportation hub linking the west (Turkey & EU), south (Iran & India) and north (Russia). In addition, the port's location is linked to existing highways and railways, connecting the port to the inland regions of the country.

In 2018, the total volume of cargo transportation at all terminals of the Port of Baku was about 3.8 million tons, of which 84.5 percent (3.2

million tons) accounted for transit cargo.

In the first quarter of 2019, the volume of cargo transportation via the Baku International Sea Trade Port exceeded 1.03 million tons. More than 861,000 tons or 83.1 percent of all cargo transportation volume accounted for transit.

## **Tourism**

### **Beekeeping tourism to be created in Azerbaijan**

Azerbaijan eyes to create favorable conditions



for the development of beekeeping tourism

which allows visitors and guest of the country to get acquainted with rich beekeeping traditions.

Azerbaijan Beekeepers Association plans to implement a joint project with UN Food and Agriculture Organization (FAO) to establish beekeeping tourism in the country, the head of the Association Badraddin Hasratov said.

He noted that the European Union intends to provide financial support to the project to be implemented in summer.



"Within the framework of the project, it is planned to carry out a number of works on the basis of a beekeeping farm in Gakh region. The essence of beekeeping tourism is to create conditions for tourists so that they can follow the process of producing honey and other beekeeping products," he said.

The rich climate of subtropics, the riotous diversity of flora and the valuable qualities of local bees - these are the favorable natural conditions of Azerbaijan, which contributed to the maintenance of the centuries-old tradition of beekeeping in Transcaucasia.

During the excavation in the Azokh Cave, where one of the most ancient settlements of the primitive man was discovered, a bowl with the bee depicted on it was found, which once again proves that beekeeping has deep roots in Azerbaijan.

Honey is used in the treatment of many diseases in folk medicine as well as in our daily lives.

Currently, Azerbaijan is doing its best to contribute to the rehabilitation and further development of beekeeping by creating favorable conditions for beekeepers.

There are about 600 species of honey plants in Azerbaijan, of which almost 200, as a source of nectar and pollen,

create even greater natural opportunities for the expansion of beekeeping.

Presently, about 6,000 people are engaged in beekeeping in Azerbaijan. Annual honey production in the republic is 3,000 tons, and honey consumption is 5,000 tons. Most of bee families are located in Zagatala (17,097), Astara (12,429), Gakh (9,125), Lerik (8,669) and Balakan (8,581).

New methods will be implemented to increase honey production in Azerbaijan. Productivity is expected to double as a result of the installation of mobile bee pavilions, which will be acquired for farmers in the framework of the "Project to strengthen the competitiveness of agriculture". The use of new methods will result in 28 instead of 15 kilograms of honey from each hive.

In 2018, 3,000 tons of honey were produced in Azerbaijan. Moreover, 65-70 percent of the country's population is provided with honey produced in the country.

For this year, it is planned to increase production to 5,000 tons of honey, which is 66.7 percent more than last year.

The negotiations are underway with various countries to study the foreign market. The association is more

focused on Arab countries such as the UAE, in particular Dubai and Kuwait. Last year, Azerbaijan exported 8.3 tons of honey worth \$ 71,500, which is 1.8 tons more than in the previous year. In particular, 96.4 percent of exported honey accounted for Japan.