



Economic News Bulletin
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Macroeconomics

Bern hosted 8th meeting of Azerbaijan-Switzerland Joint Commission on Trade and Economic Cooperation

The eighth meeting of the Azerbaijani-Swiss intergovernmental commission has been held in Bern. Speaking at the meeting, Shahin Mustafayev, Azerbaijani Economy Minister, stated that the trade turnover between the two countries in January-May 2019 reached \$881 million, which is 8.8 times more than



within the first five months last year. The minister noted that in 2018, 52 percent of Switzerland's total trade turnover in the South Caucasus accounted for Azerbaijan.

He noted that Switzerland holds one of the leading places in the export of non-oil products of Azerbaijan. Touching on the economic relations between the two countries, Mustafayev said that there is a great potential for cooperation in such areas as agriculture, pharmaceuticals, transit transport and tourism. He reminded that in the first quarter of 2019, Azerbaijan's GDP grew by 3 percent, non-oil GDP - by 1.7 percent and non-oil industry - by 16.1 percent. The minister stated that taking into account estimates, in 2019 the GDP of the country will increase by 3.2 percent, and non-oil GDP- by 3.4 percent.

Mustafayev also stressed that last year, \$15.3 billion were invested in Azerbaijan's economy, and \$8.2 billion of them accounted for foreign investments. In general, since Azerbaijan gained independence, \$263 billion were invested in the economy of the country, and more than 50 percent of them account for foreign investments.



In turn, Delegate of the Swiss Federal Council for Trade Agreements Erwin Bollinger noted that the relations between Azerbaijan and Switzerland are at the highest level. Bollinger praised the reforms carried out in Azerbaijan and noted the successful activities of Swiss businessmen in Azerbaijan.

As part of the meeting, the Agency for



Development of Small and Medium-sized Enterprises (SMEs) of Azerbaijan and

the Swiss Federation of Small and Medium Enterprises signed a memorandum of understanding on cooperation issues. The document was signed by Chairman of the Board of the SMEs Development Agency Orkhan Mammadov and President of the Swiss Federation of Small and Medium Enterprises Josef Rothenfluh. The memorandum involves the mutual exchange of information in the areas of trade, investment, economic cooperation and small and medium-sized business, as well as the exchange of experience and joint activities for the development of SMEs.

It is noteworthy that Switzerland is one of the largest investors in the non-oil sectors of Azerbaijan's economy. In the period of 1992-2018,

Switzerland invested about \$851.9 million in Azerbaijan's economy.

Switzerland supports large-scale energy and transport projects implemented in the region by Azerbaijan. The Swiss company AXPO is involved in the construction of the Trans Adriatic Pipeline (TAP), which envisages delivering Azerbaijani gas to Europe.

Azerbaijan state oil company SOCAR successfully operates in Switzerland. Since 2012, SOCAR has been operating ESSO Switzerland's 172 petrol stations under its brand.

Business co-op with Switzerland expands

The development of economic cooperation is a priority in the



bilateral relations between Switzerland and Azerbaijan. Azerbaijani-

Swiss business forum, organized by Azerbaijan Export and Investment Promotion Foundation (AZPROMO) and the Embassy of Azerbaijan in Switzerland, was held in Zurich, Switzerland.

Representatives of companies working in the fields of energy, agriculture, construction, tourism, ICT, food industry, along with officials from

Azerbaijan and Switzerland attended the forum “South Caucasus Markets - Gateway to CIS, Middle East and Europe”.

Speaking at the event, Hanum Ibrahimova, Azerbaijani Ambassador to Switzerland, and Tony More, representative of Swiss State Secretariat for Economic Affairs (SECO), pointed to the high level of Azerbaijan-Switzerland political relations and the development of economic and trade cooperation.

Yusif Abdullayev, Acting President of AZPROMO, informed Swiss businessmen about reforms undertaken in Azerbaijan in the field of entrepreneurship, business and investment climate, and highlighted opportunities for expanding relations. Abdullayev also invited Swiss businessmen to invest in various spheres of economy in Azerbaijan taking advantage of the favorable conditions created in the country

During the business forum, Orkhan Mammadov,



Chairman of the Board of the Agency for Development of Small and Medium-sized Enterprises (SMEs); Nemat Nagdaliyev, Azerbaijan’s Trade Representative for Central European countries; Fuad Allahverdiyev, Chief Executive

Director of Azertelecom LLC; Leyla Mammadova, Director of State Agro Trade Company; Jamila Talibzadeh, Head of Department at the State Tourism Agency; Natig Heydarov, Director of Alliance Logistics; and Mammadali Huseynov, Deputy Director General of SOCAR Polymer, made presentations on various fields of Azerbaijan's economy.

As a part of visit to Switzerland, AZPROMO signed a memorandum of understanding on cooperation with the Chamber of Commerce and Industry of the Swiss Thurgau canton. The document envisages mutual support in the development of economic cooperation, exchange of experience, expansion of ties between entrepreneurs of both countries and the establishment of new contacts and other issues.

The Chamber of Commerce and Industry of the Swiss Thurgau Canton brings together more than 600 companies and provides various services to entrepreneurs engaged in industry, trade and services.

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Azerbaijan closely cooperates with Switzerland in the financial sphere,

particularly, with the SECO and SDC (Cooperation and Development Agency). Thus, 38 projects with SECO and 16 projects with SDC are being implemented. Azerbaijan is a member of the WB and IMF Election Group, led by Switzerland.

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.

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Currently, about 70 Swiss companies operate in service sector, trade, construction, industry, transport, banking and insurance in 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.

It should be noted that over the first four months of this year, non-oil exports to Switzerland made up \$45 million. At the same time, Azerbaijan will send an export mission to Switzerland in July this year to promote the export of local products.

CBA, Swiss SECO sign memorandum

State Secretariat for Economic Affairs of Switzerland (SECO) supports Azerbaijan's efforts to develop a stable financial sector and



make the private sector more competitive.

Elman Rustamov, Chairman of Central Bank of Azerbaijan (CBA) and Simone Haeberli, SECO Deputy Director on the South Caucasus, have signed memorandum of understanding.

Within the framework of the meeting, the parties discussed issues on technical support as part of the implementation of the second phase of the support program entitled "Bilateral assistance and capacity building program for central banks" embracing the period of 2019-2022.

The Geneva Graduate Institute, which is the executing agent for the program, is expected to provide technical assistance in analyzing and implementing the monetary policy, macroeconomic statistics and forecasting, etc.

SECO has provided technical assistance in such areas as inflation forecasting, interest rate transmission, financial stability, exchange rate policy and monetary economy, and the creation of an extensive monitoring system for the real sector of economy.

In general, SECO's mission is to plan and implement economic and commercial criteria for emerging economies in Eastern Europe and Central Asia, as well as in new members of the European Union.

Cooperation between SECO and Azerbaijan was established in the mid-1990s. Bilateral technical and financial cooperation projects have been implemented since 1998. SECO's program on Azerbaijan covers infrastructure, private sector development, policy advice and capacity building.

SECO's projects in Azerbaijan are complementary to those of the Swiss Agency for Development and Cooperation (SDC) under the joint Swiss Cooperation Strategy for the South Caucasus.

Industry

Clothing production up

Azerbaijan, which is well-known by its rich traditions in cotton growing, has a great potential for the development of this field. With the enhancement of cotton growing, textile industry develops too. The total volume of textile production amounted to 131.05 million manats (\$77.08 million) in Azerbaijan in January-May 2019, and recorded 47.4 percent growth in comparison with the same period of 2018, according to the State Statistical Committee.



Clothes production declined by 0.1 percent and accounted for 57.22 million manats (\$33.65 million), while the production of leather goods and footwear decreased by 27.7 percent and amounted to 9.02 million manats (\$5.30 million) in January-May 2019.

In total, yarn products, shoes, clothing and leather goods worth 197.3 million manats (\$116.05 million) were produced in the country in January-May (a 56.1 percent increase year-on-year).

During the reporting period, the retail turnover of yarn products, clothing and footwear reached 2.585 billion manats (\$1.516 billion), having

increased by 3.2 percent compared to the same period of 2018. In retail chains, consumers spent about 18 percent of money on clothes and shoes. The prices for clothes decreased by 0.5 percent, while prices for fabrics rose by 0.1 percent in May compared to April. However, the prices of footwear did not change. The prices for these products showed increase by 1.2, 4.3 and 1 percent during the year, respectively.

It is noteworthy that Baku Textile Factory play major role in textile production in Azerbaijan. The company uses the best raw materials and technologies from Germany, Italy, the Netherlands, Japan and Turkey. Currently, more than 5,000 different types of high quality textile products are produced by the company, which meet world and European standards.

Baku Textile Factory production profile includes special-purpose garments, promo clothing, school uniform, medical clothing, sportswear, underwear, stockings etc. Moreover, there is a plan to launch supply of finished product to external markets.

Agriculture

Cooperative on pomegranate cultivation to be created

Pomegranate, one of Azerbaijan's national symbols, is the product that

plays important role in the country's agriculture.

A meeting dedicated to the establishment of a cooperative on pomegranate cultivation was held in Goychay region,



according to Azerbaijan Pomegranate Producers and Exporters Association. The meeting was attended by Executive Director of the Association Yusif Akhundov, experts of the EU “Regional Development Support” Project Dario Caccamisi and Elchin Atababayev, Director of Goychay State Agrarian Development Center Elchin Ismayilov, representative of the Economy Ministry Akif Abbasov and Deputy Head of Socio-Economic department of the Goychay Executive Power Mahir Malikov.

During the meeting, the participants discussed the forms of cooperation and the mechanism of the cooperative's activities. As a result, it was agreed initially to conduct training courses in the village of Bygyr of Goychay region and to attract 20 small farms to the project.

The main goal of the cooperative is to create favorable conditions for the effective cultivation of pomegranates, to reduce the production costs and to increase productivity and sales.

Azerbaijan's 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 the country 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.

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. At the same time, the negotiations are underway on export to Latvia, Poland and France.

This year Azerbaijan plans to begin construction of a large complex for the production of pomegranate products. The complex may 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 (\$15 million). Construction is scheduled to begin in 2019 and be completed by 2021.

Transport

President Aliyev: Azerbaijan interested in increasing transport potential, transit capacity

Azerbaijan is interested in constantly increasing its transport potential and transit capacity and makes major investments and implements large-scale infrastructure projects in this area, Azerbaijani President Ilham Aliyev said in his appeal to

participants of the World Customs Organization Information Technology/Technology and Innovation Conference and Exhibition. “I welcome you to the capital of our country at the opening of the Information Technology/Technology and Innovation Conference and Exhibition of the World Customs Organization and wish the conference and exhibition success,” Ilham Aliyev said.

“We highly appreciate the holding of such a prestigious event in the city of Baku,” said the president. “Our country, which plays the role of a bridge between the Asian and European continents thanks to its favorable geographical location, is the cornerstone of the North-South and East-West transport corridors.” “Azerbaijan is interested in increasing constantly its transport potential and transit capacity and makes major investments and implements large-scale infrastructure projects in this area,” the Azerbaijani president noted. “Great importance has always been devoted to the applying information and communication technologies in different areas of Azerbaijan`s economy, relevant national strategies have been adopted to build and develop information society.”



“The establishment of electronic services, which is crucial to our society and implementation of large-scale projects on electronic government, contribute to increasing productivity, transparency and efficiency in public administration,” Ilham Aliyev said. “In the face of these global challenges, considerable work has also been done in Azerbaijan`s customs service. Essential projects are implemented to develop digital customs administration, organize business processes and customs control, facilitate and increase the transparency of customs procedures, with a special emphasis on the application and use of advanced information and communication technologies in the field of customs.” “Held annually by the World Customs Organization, this event showcases global technological advancements, reaffirming the necessity of international cooperation,” said the president.

“I welcome the holding of the WCO conference and exhibition themed “New technologies for SMART borders – New opportunities for Trade, Travel and Transport” in our country, and hope that the conference will produce fruitful results and the discussions and meetings to be held here contribute significantly to the deepening of mutual cooperation and the emergence of new initiatives in this area,” the Azerbaijani president added.

Tourism

UNWTO highlights importance of rural tourism development

Baku hosted the 110th session of the



Executive Committee of the UN World Tourism Organization

(UNWTO) on June 17-18. The event was attended by the official delegates from 37 countries and 5 international organizations.

UNWTO is seriously working on the issue of increasing the tourist flow to Azerbaijan, said Zurab Pololikashvili, Secretary General of the organization, at a press conference. In his words, UNWTO strives to demonstrate the tourist attractiveness of Azerbaijan.

Pololikashvili stressed that at present, China, India, and Persian Gulf countries are considered as priority areas for attracting tourists to Azerbaijan.

“In this direction, we are actively working with both the Chinese government and the airlines of this country. Azerbaijan, which is an active member of the UNWTO Executive Committee, has an attractive infrastructure, airports, nature. However, with the increase in tourist traffic, it is necessary to

improve the quality of tourist services,” he said.

The secretary general added that in this regard, it is necessary to open special centers for the training of professional staff, especially among young people.

He further stressed that UNWTO will declare the next year as a year of rural tourism.

“In this regard, it is necessary to take into account that Azerbaijan is not limited only to Baku. These are, of course, the regions in which it is necessary to invest, promote rural tourism, open new jobs,” Pololikashvili noted.

He also underlined that Azerbaijan uses profits from energy production for the development of tourism.

Pololikashvili further expressed hope for the opening of a UNWTO center in Azerbaijan soon.

“During the year we plan to open more than 10 centers in various countries. It is possible that we will open 20-30 centers, as various countries express extreme interest in cooperation with our organization. We would like to hope that such a UNWTO center will appear soon in Azerbaijan,” he said.

Pololikashvili also praised the participation of the U.S. delegation in the 110th session of the UNWTO Executive Committee in Baku.

“The U.S. left UNWTO 23 years ago. The more valuable is their joining the work of our organization in Baku. The partnership with such a large state as the U.S. is a great achievement for us,” he stressed.

The World Tourism Organization (UNWTO) is a specialized intergovernmental agency of the UN system, uniting 158 member countries. UNWTO acts on the basis of the Charter and the Financial Rules attached to it, which entered into force on January 2, 1975.

Being a leading international organization in the field of tourism and travel, the World Tourism Organization is engaged in the development of sustainable and accessible tourism.

Azerbaijan was elected a full member of the World Tourism Organization (WTO) in September 2001. This allowed the country to have the right to vote in the WTO General Assembly, to participate in all the activities of this organization and, by adopting the experience of advanced countries in the field of tourism, integrate into the world family of the tourism community.

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.