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Macroeconomics

Azerbaijan takes next step for WTO accession

Azerbaijan has recently submitted a new set of documents to the WTO in an effort to move forward in its aspiration to achieve a membership at the organization. The government has submitted the answers to questions of the member states and the documents related to the improvement of the legislation and the decisions taken in the trade and economic sphere to the secretariat of the World Trade



Organization, Mahmud Mammadgulyev said.

The documents were submitted to the WTO Secretariat to set a date for the next round of multilateral and bilateral negotiations with the member countries of the organization, said Mammadgulyev. Deputy Minister stressed that Azerbaijan also needs to submit new proposals on goods and services, as well as a new schedule on the domestic support to agriculture in regards to the changes happened in the agro-industrial complex of the country during 2013-2015.

As the WTO does not have a practice of holding meetings of a working group without bilateral negotiations, it is very hard to say something about the date of the next meeting, Mammadgulyev added.

If the secretariat makes an exception for Azerbaijan, then the country could hold multilateral negotiations on the answers to questions including talks on agricultural sphere. In this case, changes applied to the agricultural subsidies over the last three years should be introduced to the organization prior to the negotiations. The last meeting was held in March 2015 in Geneva. The major talks covered the issue of domestic support for the agricultural sector. Azerbaijan stressed once again the importance of agricultural development for the country as the main non-oil sector of the economy.

Last year, it was planned to hold another meeting but the preparation of the documents required longer time.

The unification of legislative acts of the country is carried on an ongoing basis in accordance with the advent of new agreements. In addition, due to the large number of issues and proposals that have been presented to Azerbaijan by the WTO member countries following the last meeting of the working group, much time was needed to prepare all the document, as well as, to get familiar with the responses by the member countries of this organization.

Azerbaijan is required to prepare new proposals on tariffs for industrial and agricultural products.

WTO member countries including the U.S., EU, Norway, offer Azerbaijan to reduce bound tariffs



on imported goods as part of their own interest. This list includes a large number of industrial and agricultural products, Mammadguliyev said. The task of the government during the negotiations process for the WTO membership is the maximum protection of national business and producers. Previously, Azerbaijan proposed average rate of primary-bound tariffs (that will be applied after joining the organization) during the

accession process to the WTO at the level of 13.2 percent, and the final bound average rate at the level of 11.7 percent (at the end of the transition period).

Moreover, the average-bound tariffs on agro-industrial complex was proposed at the level of 14.1 percent, while this figure stands at 22.8 percent in the developed countries, 12.7 percent in the developing countries and 15.4 percent in the less developed countries. In Azerbaijan, the average custom tariffs amount to 9.4 percent while it is 9.6 percent in the developed countries and 17.7 percent in the underdeveloped countries.

Bound tariff is the maximum rate of customs duty on the import of certain goods which defined as one of the member country's commitments to WTO and cannot be changed unilaterally by the importing country. The status of the country is one of the major questions for Azerbaijan while having multilateral negotiations on the terms for WTO membership. Azerbaijan proves its claim to the status of a developing country with the fact that despite the rapid development of the economy, the country has one million refugees and IDPs.

According to the requirements of the WTO, the country which has the status of a developing country can claim for 10-percent level [of GDP] of the agricultural subsidies versus to five percent for the developed countries.

Azerbaijan holds a status as observer country at the WTO since 1997. The Azerbaijani working group under the WTO secretariat was established on July 16, 1997. Azerbaijan has begun negotiations with the WTO member countries in 2004. At present, the country is in the process of holding negotiations with 19 countries. The latest member of the organization Russia formally expressed a will to commence negotiations with Azerbaijan but the proposals from the country has not received as stated by the Deputy Foreign Minister. Azerbaijan has accomplished negotiations and signed protocols with Turkey, Oman, the United Arab Emirates, Georgia and Kyrgyzstan. Azerbaijan is at the stage of signing the protocol with China and Moldova.

Going through Customs more easily

The customs authorities of Azerbaijan have recently introduced electronic customs declarations to ensure the highest efficiency of the customs system. The new system will guarantee transparency in the process of conveying of goods and transport means across the customs borders as well as to reduce direct physical



communication between the citizens and customs authorities. The new service of customs e-declaration of goods and transport means has been made available since April 4 as a pilot project on the portal of E-Government of Azerbaijan (www.e-gov.az).

By using this e-service, the citizens can promptly convey imported goods and transport means across the customs borders under the institution of customs mediation, by means of the Asan Imza mobile e-signature. To do this, the declaring person should log in to the E-Government portal using his/her Asan Imza, then locate the relevant e-service there and fill in the e-declaration, and finally confirm. sign the ready e-declaration with his/her Asan Imza.

This service will also create favorable environment for the entrepreneurs and stimulate the foreign trade. The basic and required moment in the process of customs declaration of goods and transport means is the signing of the declaration by the declaring person. So far, this operation had been possible at the customs borders via filling in of a paper declaration and signing of the declaration by hand. The traditional method of declaration of goods involves the use of hard copy, which does not ensure efficiency.

The use of Asan Imza in customs e-declaration of goods and transport means will increase the quality, convenience and accessibility of this

service for the citizens. The persons declaring their goods at the customs borders only need to have their mobile phone with inserted SIM card supporting Asan Imza to perform the whole process of customs e-declaration. The e-service with Asan Imza does not require any additional devices such as a smart-card or USB card reader which may require the availability of a PC or relevant software for the operation.

Industry

Sumgayit Chemical Industrial Park attracts huge investments

A modern style Sumgayit Chemical



Industrial Park, providing sustainable development of the

country's non-oil sector, could remain attractive for investors, which raised 1.1 billion manats (about \$726 million) so far.

Economy Minister Shahin Mustafayev made this statement at the enlarged board meeting dedicated to the implementation of the objectives announced at the recent meeting of the Cabinet of Ministers chaired by President Ilham Aliyev on the results of socio-economic development in the first quarter of 2016 and the future tasks.

He said the Park has already had seven residents, three of which received this status in the first quarter of 2016. In the meantime, few residents are expected to enter the park soon.

The Park established in 2011 covers an area of 167.66 hectares and resides nearby Sumgayit city that is 32.5 km away from Baku.

The appropriate external and internal infrastructure (electricity, heating, water supply, communication and other systems) with offices, training centers, offices, laboratory, etc. were established within the Park to enable profitable activity and development of entrepreneurs and produce competitive products and render services through the application of modern technologies.

To make the Park more attractive for investors its residents are exempt from paying income, land and property taxes for seven years. Moreover, equipment and technology used in the park are also exempt from value-added tax.

Mustafayev spoke about the recent complex political and economic processes taking place at the regional and global levels, noting that these processes have had some negative impact on Azerbaijan's economy. However, thanks to the recent measures, the negative impact of external factors on the economy could be minimized, according to the minister.

Mustafayev further added that currently the ministry studies the possibility of establishing industrial parks and areas in other regions, and implement measures for the development of traditional areas of industry, including carpet weaving. In addition, the organizational work on creation of a free trade zone in Alat is underway.

Speaking at the event, Rovshan Najafov, the Executive Director of Azerbaijan Investment Company, said that the work on the creation of Neftchala industrial district, established for development of the non-oil industry, is at the final stage.

A ten-hectare area in Neftchala will have every necessary condition including internal and outer infrastructures and will promote small and medium entrepreneurship. Initially, some seven projects will be implemented in the district. In total, 17 similar projects have been submitted. Najafov noted that it is planned to establish such industrial districts in Masalli, Fizuli, Aghdam, Lankaran, Shabran and Shamkir regions of Azerbaijan.

Bakhtiyar Alishov, director of the foreign trade policy and World Trade Organization, for his part, said that the Economy Ministry has prepared and submitted to relevant bodies several projects such as promotional rules for exportation of non-oil products, and

promotion of “Made In Azerbaijan” brand in the foreign markets, as well as the mechanism of subsidies for export of agricultural products, the organization of export missions in foreign countries, and the study of foreign markets.

Agriculture

Azerbaijan considering to exempt import, sale of some agricultural products from VAT

It was proposed to exempt the import and sale of some agricultural products and equipment from the value-added tax (VAT) in Azerbaijan.



The corresponding amendments to the Tax Code were discussed during the meeting of Azerbaijan's Parliamentary Committee for Economic Policy, Enterprise and Industry.

It was proposed to exempt the import and sale of the following goods from VAT: breeding animals, seeds, seedlings, fertilizers, pesticides, equipment for growing seeds and those used in poultry farming and beekeeping, including laboratory equipment, machines for cleaning,

filling or grading seeds, grain and dried leguminous plants.

Moreover, it was proposed to exempt the import of veterinary drugs used for the prevention, diagnosis and treatment of farm animals and birds, as well as import and sale of irrigation and other systems, machines, equipment and machinery used in agriculture from VAT.

Transport

Caspian Shipping Company reduces cargo tariffs in a bid to attract more customers



Azerbaijan has further reduced cargo tariffs with a view to enhance the competitiveness and efficiency of transit transport corridors passing through its territory and attract additional cargo traffic to these corridors.

The Caspian Shipping CJSC decided to make a 20-percent discount on tariffs for transportation of trucks on the Baku-Turkmenbashi-Baku route since March 31.

"Thus, the tariff for one way transportation (Baku-Turkmenbashi or Turkmenbashi-Baku) of one standard

truck with a trailer with a length of 16.5 meters will be \$1,072. If the driver purchases a round trip ticket beforehand, the tariff will be \$1,716 instead of \$2,144. This amount also includes the driver's ticket," the company reported.

The tariff for transportation of wheeled vehicles of less than or more than 16.5 meters in length is calculated in proportion to its length. Last December, the company reduced the tariffs for transportation of trucks on the Baku-Aktau-Baku route by 20 percent.

The tariff for one way transportation of a standard truck with a trailer with a length of 16.5 meters was set at \$1,200. If the driver purchases a round trip ticket (Baku-Aktau-Baku) beforehand, the tariff will amount to \$2,100. The new discount comes as a continuation of measures taken by the Azerbaijani government to boost the transport sector and reduce cargo transportation tariffs to attract new customers.

Akif Mustafayev, TRACECA (Europe-Caucasus-Asia) National Secretary in Azerbaijan, commenting on Azerbaijan's decision on discount for cargo transportation tariffs, stated that Baku is taking active steps towards increasing the attractiveness of cargo traffic through its territory.

"Some time ago, Azerbaijan applied a discount on containers' transportation via railway, which amounted to about \$200 per a container," he told Trend,

adding that the new tariff for cargo transportation through the Caspian Sea is very acceptable.

Azerbaijan expects Kazakhstan and Georgia to follow Baku's tariff policy and make discounts on tariffs for cargo transportation in their territories.

"I expect that Kazakhstan and Georgia will follow the example of Azerbaijan and apply discounts. For transportation of containers, it will be a discount for each container, and if it's a car - for each truck. In case this method is applied, the attractiveness of our corridor will grow even more, and cargo flows both from Turkey and Eastern Europe will increase," he assured.

Recently, Kazakhstan has instead doubled the cost of registration of documents for one wagon in Aktau seaport - from 18,000 tenges up to 35,000 tenges (341.51 tenge = \$ 1). President of the Aktau International Sea Commercial Port, Mikhail Yalbachev believes that such a decision is aimed at not only saving drivers from overpayments and queues, but also creating most developed infrastructure in the territory of the port. Mustafayev expects Kazakhstan's this decision not to affect the process of cargo transportation with Azerbaijan as the two Caspian-littoral states are bound by close and good relations in the field of cargo transportation.

"With this decision, Kazakhstan will eliminate the illegitimate fees, which were much more than the new tariff and increase transparency by introducing a system of "single window", and in general the carriers will not lose. This is only the initial stage of reforms, and increase of the cost will not affect the transport process with Azerbaijan, which introduces discounts on cargo transportation," he concluded.

Being a project of cooperation in transportation between the European Union and its Eastern Partnership countries in the South Caucasus and Central Asia, TRACECA is very beneficial for cargo transshipment. Currently, TRACECA member countries are Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Iran and Armenia.



Tourism

Azerbaijan drafts new tourism development strategy

More and more tourists are choosing Azerbaijan as a travel destination, and experts believe this sector can turn into the core direction for Azerbaijan's

economic growth thanks to the extensive tourism potential of the country.

Azerbaijan with mix of modernity and historicity continues to be in focus of millions of foreigners despite the global economic crisis. Culture and Tourism Minister Abulfaz Garayev, addressing the opening ceremony of the 15th International Tourism Exhibition, noted that the country will welcome more foreign tourists in 2016 compared to last year. The country is expected to be visited by many tourists from Russia, Iran, and Persian Gulf countries this summer.

“All of their media wrote about the tourism potential of Azerbaijan. Azerbaijan Airlines has already discussed the organization of direct flights. Therefore, we expect a large influx of visitors from the Gulf countries,” he said. Alongside eastern tourists, the Land of Fire also attracts visitors from western countries. The minister said the latest data shows that the number of European tourists coming to Azerbaijan increased by 15-20 percent.

Noting that over 250 tourist companies are operating in Azerbaijan, Garayev added that the number of tourists rose by five times during past 10 years.



Touching upon prices in tourism sector, he added that a 10-day holiday in Azerbaijan costs around 250 manats (\$164), what is affordable and is a result of strong competition in the tourism sector of Azerbaijan, according to the minister.

The minister emphasized that tourism occupies one of the key places in the state policy, and the state has already reached success in



certain projects and is going to realize a new tourism strategy that is already in the agenda of the Parliament. Garayev also spoke about obstacles faced in the tourism sector, pointing to insufficient number of facilities for tourists. “Despite their number increased in recent years reaching 570, this is not enough. The flow of tourists is growing. Most of tourists coming to Azerbaijan in recent years live in homes of villagers, who rent out their houses. For this purpose we have developed a special program, where we are conducting special training for owners of homes that provide services, and teach them to ensure quality and safe services,” he said.

Another problem that foreign tourists faced while visiting Azerbaijan during the Novruz holiday was lack of the currency exchange points, which simply defies logic, according to the

minister. "The currency exchange points and banks in Azerbaijan, as throughout the world, have to work during holidays," he said.

The minister said that the new bill "On Tourism", targeting to improve the national tourism, which is being discussed, will eliminate such facts.

"Every company, state-owned enterprises, ministries, will carry out the necessary work for the organization of high-level tourist trips," he assured. Meanwhile, Culture and Tourism Ministry' Tourism Department Head, Mahir Gahramanov announced that a state tourist registry for tourism enterprises is planned to be opened in accordance with the law.

Gahramanov said that activities of tourism enterprises, which to be included in the State Register and receive a certificate of compliance, will be deemed under an appropriate law.

He added it's also planned to introduce compulsory certification for hotels, which is now carried out voluntarily.

"We are planning the introduction of compulsory certification as a reservation control mechanisms. But it just a proposal and the discussion is underway," Gahramnov said.