



Economic News Bulletin
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Macroeconomics

President Ilham Aliyev received delegation of Swiss Confederation

President of the Republic of Azerbaijan Ilham Aliyev has received a delegation led by head of the Swiss Federal Department of Finance, Federal Councillor Ueli Maurer.

Head of the Swiss Federal Department of Finance, Federal Councillor Ueli Maurer informed the head of state about the aim of the visit and the meetings that he held in the country.

Highlighting Swiss-Azerbaijani relations, Ueli Maurer hailed the importance of the activities of Azerbaijan State Oil Company (SOCAR) in Switzerland. He expressed his confidence that the two countries would maintain their good ties.

Describing the bilateral relations between the Republic of Azerbaijan and the Swiss Confederation as very fruitful, President Ilham Aliyev hailed good potential for developing these ties in economic, investment making and other fields. Pointing to energy cooperation, the head of state underlined the importance of the Swiss Confederation's support for TAP project.

President Ilham Aliyev praised Swiss companies' active work in various sectors of Azerbaijan's economy.

Azerbaijan takes next step for WTO accession

The next stage of talks on Azerbaijan's joining the World Trade Organization (WTO) started in Geneva. Delegation of Azerbaijan at the talks is headed by the Deputy Foreign Minister Mahmud Mammad-Guliyev.

The Azerbaijani side is expected to respond to the certain questions which were submitted at a meeting in 2015.



Earlier it was reported that main issues to be discussed within the framework of the meeting with the representatives of the WTO member states cover ability of the country to support the economy given low oil prices, as well as economic development strategic plan in such situation.

Joining the WTO may give a number of privileges to Azerbaijan including greater access to international financial institutions, which in its turn may boost the economic well-being of the country. Membership will open foreign markets to Azerbaijani goods, as well as support competition in domestic market.

Moreover, a country with the developing status can qualify for subsidies at a level of 10 percent of GDP while the figure stands at five percent for developed countries.

Azerbaijan has had an observer status at the WTO since 1997. Azerbaijan began negotiations with WTO member states in 2004. Currently, the country negotiates with 19 countries.

As of today, Azerbaijan has completed the negotiations and has signed protocols with Turkey, Oman, the UAE, Georgia and Kyrgyzstan. The

country is currently at the stage of signing protocols with China and Moldova.

Azerbaijan introduces changes in customs

Azerbaijan has recently introduced certain changes in its customs system. The country has changed the import procedure of precious stones and metals that are presented in written form at customs checkpoints of Azerbaijan. The changes envisage introduction of certain restrictions in the sphere and include time limit on the issue.

Individuals will be eligible to import some 20 grams of gold and golden materials, 0.5 carat of processed, sorted, framed and consolidated diamond once a month for personal use without customs clearance charge. Precious materials exceeding the amount will be reported to customs checkpoints in written form. Time limit was not applied previously. Moreover, individuals will also be able to import goods with the worth not exceeding \$1,500, without paying customs duties. Until now, precious stones and materials exceeding the sum of \$1,500 used to be reported to customs checkpoints in written form. Certain changes were also introduced for the import of vehicles to the country. The changes envisage mandatory fulfillment of one of the requirements within 72 hours. The

requirements include removal of a vehicle from the customs territory, application of certain guarantee methods for the provision of payment of customs duties, preservation of a vehicle under customs control at the territory defined by the customs authority, provision of documents, issued by relevant authorities and confirming breakdown of a vehicle as a result of accident or decision of a state authority on seizure of a vehicle as well as implementation of simplified customs clearance with the collection of defined customs duties.

The changes which are connected with the introduction of time limit also cover the sphere of import of alcoholic beverages and cigarettes. Individuals will be able to import goods (excluding excisable goods and transport facilities) with the cost not exceeding \$1,500 without payment of customs duties once a month. The restriction is not applied to goods meant for private use of individuals during their trips. Individuals will also be eligible to import up to 5 kg of sturgeons and 125 grams of sturgeon caviar once a month without paying customs duties. Moreover they will also be able to import up to three liters of alcoholic beverages and 600 units of cigarettes. Previously, individuals were able to import up to 10 kg of food commodities per day. The changes envisage that individuals will be eligible to import up to 30 kg of food commodities per month without

making customs payments. The changes are envisaged in the decision of the Cabinet of Ministers dated 8 July 2016 on amendments to the preferential and simplified rules for goods crossed from customs checkpoints by individuals for non-production and non-commerce purposes. The changes entered into force on August 8, 2016.

Industry

Azerbaijan encourages medicines production

Pharmaceutics remains one of the industries yet to be developed in



Azerbaijan as the country is almost fully dependent on imports of medicines. In this regard,

some business agreements on construction of new medical plants have already been signed between Azerbaijani and foreign companies, while many are expected to be inked.

The country has favorable preconditions for development of own drug production -- there are two operating Azerbaijani factories, Azerfarm and the Baku Chemical Plant that produce respectively 5 and 45 types of drugs. Nevertheless, the population needs more local-medicines supply with cheaper prices. To this end,

the production capacity of these two enterprises should be increased, and more medicines-producing plants constructed.

Azerbaijani President Ilham Aliyev focused on this topic on July 10, speaking at the meeting of the Cabinet of Ministers dedicated to the results of socioeconomic development in first half of 2016 and objectives for the future. He mentioned that the Azerbaijan's Ministry of Economy and the Ministry of Health have been engaged in this issue for over a year.

“As a result, the prices of medicines have dropped significantly. At the same time, there is already strict control over quality. But the time has come for Azerbaijan to begin the production of medicines,” the President claimed.

Appropriate instructions have been issued and currently, negotiations with several foreign companies are under way. Their interest is linked with quite a large volume of the Azerbaijani market and number of population that makes up about 10 million people.

“At present, a serious program for the production of drugs is being designed. A cluster must be created. Thus, we will develop industrial potential in this area too and reduce dependence on imports. At the same time, we will be able to provide our citizens with high-

quality medicines,” President Ilham Aliyev said.

This year, the construction of new pharmaceutical factories is expected. Azerbaijan negotiates with several companies from Turkey, Ukraine, Germany and Switzerland for the joint production of medicine products. Currently, there are agreements with two of them – Iranian Tamin Pharmaceutical Investment Company and Russian R-Pharm.

In April, Tamin Pharmaceutical Investment Company signed a Memorandum of understanding with Azersun Holding. This provides for the production of drugs in the Sumgayit Chemical-Industrial Park. That will result in opening of 60 new jobs, and production of 84 local vitamins, antihistamines, diabetic, anti-infection drugs, medicines on diseases of the nervous system and gastroenterological illness.

The Protocol with R-Pharm was signed in June by Azerbaijan Investment Company and Vita-A. The joint business will open 200 jobs, providing population with antibiotics and cures against cancer, neurological, mental illness, hepatitis and AIDS. Furthermore, Egypt and Hungary are also curious on cooperation with Azerbaijan. Egypt has expressed interest in the opening of a plant on production of medical equipment and drugs in Azerbaijan, in particular

medicines against hepatitis C. The country has already got the permission to deliver some drugs to Azerbaijan.

All this is expected to make a positive impact on the Azerbaijani economy and population – the prices will go down, and the production of drugs will provide Azerbaijan with additional capital inflow.

Agriculture

Proper use of lands in focus of government

The improper use of lands remains a



problem in the sphere of agriculture of Azerbaijan. The issue was high on agenda during

the meeting of Cabinet of Ministers on results of socio-economic development in the first half of 2016 and future objectives.

President Ilham Aliyev addressing the meeting said that non-used lands will be withdrawn and allocated for the use in the sphere of agriculture.

Agricultural lands often remain not cultivated and enclosed, while no activity is implemented in the areas.

In this context, the presidential decision is believed to be necessary and timely because these lands may

produce crops and give a stimulus for the development of the economy. Besides, that shows the priority given to food security in the country.

Short after President Aliyev signed a decree to approve the state program on the development of cadastre of immovable property, increase of effectiveness of proper use and security of lands for 2016-2020. Azerbaijan State Committee on Property and Cabinet of Ministers will be engaged in the implementation of relevant measures which are envisaged in the State Program, according to the order.

The government is taking steps to provide rational and proper use of agricultural lands as the sphere remains one of the most essential in country's bid to diversify its economy.

Azerbaijan State Committee on Property reported that as many as 198,000 hectares of sowing lands remain unused in Azerbaijan. The data was revealed as a result of monitoring of about 1.8 million hectares of sowing area in the country. The inspection revealed illegal operation of about 91 rock and sand-gravel quarries at the area of 2,600 hectares which is envisaged for agricultural production. A part of leased state-owned lands (44,300 hectares out of 1.2 million hectares) are unused.

The checking also revealed that executive authority and municipal corporations allocate sowing areas for non-agricultural needs. As many as 72,000 hectares were allocated by executive authority while municipality allocated roughly 15,000 hectares of lands. The total volume of lands which were used without leasing contract amounted to 122,000 hectares of lands. Overall volume of violations revealed by land inspectors in the sphere totaled 19,200 with 4,500 being serious breaches. The inspectors have made severe warnings and draw up a report in certain cases.

Certain changes in this regards have been recently made to the Tax code of the country. The changes provided for the increase of tax and application of fees for the violation. Possibility of misuse of lands is determined in accordance with the rules and criteria approved by appropriate government agency. In contrast to the revenues from land tax which are forwarded to the budgets of municipalities, taxes for misuse of lands will be directed to the state budget.

Transport

Azerbaijan open seventh international airport

Repairs in Naftalan airport, which will be the seventh international airport in Azerbaijan will begin in 2017, director of the Department of Culture and

Tourism of Naftalan Zohrab Adigozalov said.

Adigozalov said that it gets international airport status after the restoration of activity.

Previously, through the airport flew



Yak-40 aircraft in the direction of Baku-Naftalan, and now it will be

possible to fly in foreign destinations.

"Sometimes the day the airport took five flights, gradually their number was reduced to two and one flight per day, therefore it was decided to suspend flights" - Adigozalov said.

Construction of the new airport will be carried out at the expense of state funds. At the same time the director of the department did not name the time for completion of works and putting the airport into operation, as well as the cost.

"The activities of the airport was suspended in 1994 and since then it functions as cashbox, where you can buy tickets for air travel through airports in Ganja and Baku. However, the restoration of flights increases the number of tourists" - Adigozalov said. According to him, until 1988, the annual number of tourists in Naftalan was about 80-84 thousand people, and

in 2015 their number was 20,000, including 4,800 foreign tourists. For five months of 2016 the total number of tourists reached five thousand (in 1200 growth), including 900 foreign tourists.

Tourism

Land of Fire to attract more travelers

Azerbaijan, also referred as the Land of



Fire, continues to attract more and more tourists. Last year, about 2.5 million tourists visited

the country, and this figure tends to rise in the current year. All this became possible thanks to several major international events recently hosted by the country.

Azerbaijan is annually visited by representatives of 160-170 countries of the world. This means the growth of state revenues and employment in the country and creation of new work places, believes Akif Melikov, Director of the Azerbaijan Academic Opera and Ballet Theatre.

Melikov mentioned that the country has managed to achieve such results thanks to many international events, including major sports tournaments, held in the country.

A stage of the World Cup on Rhythmic Gymnastics held in Baku in 2003 can be considered as one of the first steps in becoming a tourist country, he said, adding that Azerbaijan successfully passed that exam. The country hosted a number of championships in the further years, namely Rhythmic Gymnastics European Championships of 2007, 2009 and 2014.

Another event that surely should be mentioned is festival World of Mugham. The first festival was held in 2010 in Baku, followed by the second and third in 2011 and 2013 respectively. A number of Musicians and bands from Europe, Asia and Africa took part in this joy of music.

The Eurovision Song Contest, organized here in 2012, also attracted the attention of the whole Europe to Azerbaijan, said Melikov. The contest involved 42 countries. Participants and spectators of the competition were delighted with the highest level of organization and holding of the competition, and especially mentioned the beauty of the Azerbaijani capital.

The inaugural European Games 2015 also facilitated Azerbaijan in promoting its name in the international arena. The outstanding fact is that they were the first ever European Games, and Azerbaijan had the honor to hold them. Thousands of tourists and athletes came to Baku from different

countries stressing the highest level of organization of the Games.

This summer, Azerbaijan welcomed Formula 1 Grand Prix of Europe. Bernie Ecclestone has acknowledged that he received many offers from different countries, but his choice fell on Baku. That means that Azerbaijan has already gained its international recognition as a sports country. Baku stage of Formula-1 was held smoothly as no unsportsmanlike incident was detected, that indicates the highest level of its organization.

He further mentioned that this September Baku will host the 42nd World Chess Olympiad and in 2017, the country will receive the IV Islamic Solidarity Games, which will bring together athletes from 57 Muslim states. In 2019 Baku is expected to hold another Rhythmic Gymnastics European Championship; in 2020 the country will host four games of the UEFA Euro Championship.

Today, there are about 300 travel agencies and more than 570 accommodation establishments in Azerbaijan. The prices for hotels and hostels became even more attractive for the visitors of the country due to the devaluation of the national currency in 2015. The provided accommodation establishments are of any price range, starting from just \$6-7 per a night in hostel and \$25 in hotels.

Taking into account the increase of tourists, the Azerbaijani government decided to facilitate their relaxation. As a result, a single online portal for providing visas for foreigners will be established. Thus, tourists will not have to apply to state organizations in order to enter the country -- visas will be issued online within three days.

In the near future, Azerbaijan can become not only one of the visited countries of the region, but also of Eurasia and the world, and everything possible is being done for that.