



Economic News Bulletin
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Macroeconomics

On 26 May 2016, the Azerbaijani-Swiss Business Forum was held in Winterthur

On 26 May 2016, the Azerbaijani-Swiss Business Forum was held in the headquarters of Sulzer Management Ltd. in Winterthur, organized by Joint Chamber of Commerce Switzerland-CIS. A delegation led by Vice-Minister of Economy Niyazi Safarov represented Azerbaijan at the event, which was entitled “Azerbaijan-Switzerland Business Forum: Trade & Investment Opportunities in a Diversifying Economy”.

Azerbaijani and Swiss officials and business people representing various sectors of economy attended the event.

Ambassador of Azerbaijan Akram Zeynalli delivered a welcoming speech. He emphasized a high level of bilateral relations between Azerbaijan and Switzerland as well as the role of intensive bilateral visits and meetings in broadening of cooperation between these two countries. He further stated that Azerbaijani-Swiss economic cooperation cover various domains and are based on solid legal framework, that the countries provide mutual investments, contacts between the businesses develop. According to the Ambassador, it was the fourth such business forum in the last two years.

In his presentation, Vice-Minister



Niyazi Safarov spoke about Azerbaijani economy, recent reforms aimed at improving entrepreneurship, business and investment

environment. He underlined the development of Azerbaijani-Swiss relations and untapped potential for further deepening bilateral economic cooperation. According to the Vice-Minister, there were 40 companies with Swiss capital active in Azerbaijan. In the recent decade, 550 million USD of Swiss capital was invested in the

Azerbaijani economy. Niyazi Safarov invited the Swiss businesses to invest in Azerbaijan taking advantage of favourable business and investment environment established in the country.

Swiss Ambassador to Azerbaijan Philipp Stalder pointed out the favourable business environment in Azerbaijan and encouraged the Swiss companies to be active in taking share in the projects carried out in Azerbaijan.

Further, Counsellor to the President of Azerbaijan Export and Investment Promotion Foundation (AZPROMO) Natig Madatov, Executive Director of Azerbaijan Investment Company Rovshan Najaf, representative of MG Consulting Mahammad Guluzada informed the participants about the Azerbaijani economy and investment environment in the country. Representatives of Trüb Trading International AG and Holcim-Azerbaijan AG shared their experience of doing business in Azerbaijan.

State Committee to offer many enterprises for privatization

The State Committee for Standardization, Metrology and Patent has prepared a list of the enterprises to be privatized, as part of the country's anti-crisis actions of switching into the strict regime of savings for the next four years.

Head of the Committee Ramiz



Hasanov said that enterprises not tied to the state and those directly

related to the market will be privatized. "This will be the enterprises issuing certificates, conducting calibration in the field of metrology and others," Hasanov said.

Today, the government carries out control over certification, but issues them as well. "That's why we suggested privatizing these bodies. Proposals were sent to the parliament and were supported at the state level. Appropriate changes were made to the legislation, and we are now ready for the privatization of these enterprises," he added.

Head of the Committee noted that the government does not intend to engage in services sphere, and for the development of small and medium-sized businesses, these areas should be privatized and handed over to the market.

Earlier this year President Ilham Aliyev noted the need to prepare a broad program of privatization, attracting both foreign and local investors, to improve the business environment and to accelerate business.

Both local and foreign investors can participate in the projects, targeting to increase the state budget revenues. Some countries including Turkey are interested in participating in the privatization of state property in Azerbaijan.

Last year, 685 small state enterprises and objects, unfinished buildings, vehicles, 456 land plots, and 20 joint stock companies have been privatized. Moreover, 464 non-residential area and 298 plots of land were leased and five state-owned enterprises were privatized through investment competitions.

Today, there are still a sufficient number of businesses in Azerbaijan that are entirely on the state balance sheet.

Health facilities are among the state-owned companies. Deputy Prime Minister Ali Ahmadov announced earlier that most of the medical institutions in the county could be privatized in the future.

There are many fields where privatization can take place including energy sector, as well as oil and gas sectors

The process of privatization is not the guarantee of the economic revival, but it strengthens the competitiveness of the economic sphere, which includes a

combination of private and public ownership.

Industry

Azerbaijan become regional and global energy player: European Commission

Azerbaijan, an initiator of the giant Southern Gas Corridor project, has become very important energy player at the regional and global level.

The statement was made by Maros Sefcovic,



Vice-president of the European Commission for Energy Union during

the Greek Energy Forum held in Thessaloniki, Greece on May 17. Europe is the largest importer of the energy resources in the world, emphasized Sefcovic. Sefcovic called the Southern Gas Corridor the true diversification project, as it will provide the European countries with a new source of gas supply (the Caspian region) and a new supply route (the Trans Adriatic Pipeline – TAP).

At the initial stage, the gas to be produced at Shah Deniz 2 field of Azerbaijan will be the main source for the Southern Gas Corridor pipeline network.

Sefcovic further added that in future, Turkmenistan, Iraq and the Mediterranean region can also become the potential sources of gas supplies for the Southern Gas Corridor.

The European Commission expects the first gas to be supplied to Turkey in 2019 as part of the Southern Gas Corridor, and reach Europe in 2020, said the vice-president. He also stressed the significance of the TAP groundbreaking ceremony planned to be held in Thessaloniki. Sefcovic highlighted that this important event will go down in history.

The Southern Gas Corridor is one of the priority energy projects for the EU. It envisages the transportation of 10 billion cubic meters of Azerbaijani gas from the Caspian Sea region to the European countries through Georgia and Turkey. The 870-kilometer pipeline will be connected to the Trans Anatolian Pipeline (TANAP) on the Turkish-Greek border and run through Greece, Albania and the Adriatic Sea, before coming ashore in Italy's south.

TAP shareholders are BP (20 percent), SOCAR (20 percent), Snam S.p.A (20 percent), Fluxys (19 percent), Enagas (16 percent) and Axpo (5 percent). European Bank for Reconstruction and Development, European Investment Bank, as well as, credit agencies of the OECD countries are expected to finance the TAP project.

The SGC is one of the biggest construction projects of our times with a value of \$45 billion which aims to improve the energy security of the EU and diversify its energy supply routes.

Duty-free regime for industrial parks to stimulate Azerbaijani economy

The exemption of the industrial parks



in Azerbaijan from customs duties and several

taxes is expected to increase the profitability of these parks for its residents.

The recent decision on exempting the residents of the industrial estates from customs duties on imports for five years starting from May 1, 2016 will further stimulate the faster development of the non-oil sector of the country, economist Ogtay Hagverdiyev said.

The expert further elaborated that foreign investors mostly prefer to invest in oil sector of the country. However, the steps taken by the government to create favorable conditions for investors will likely increase their interest in the non-oil sector of the country as well.

In addition, the Azerbaijani government implements a program to increase share of the non-oil sector, and great works will be realized in these direction in coming 4-5 years, Hagverdiyev said, but not ruled out the possible increase in the number of the industrial parks in the country.

The decision to apply tax-free frames for residents of the industrial parks has been made as part of the amendments to the Law on Customs Tariffs that was adopted at the plenary session of the Milli Majlis (Azerbaijani parliament) on May 6.

The parliament adopted amendments to the Law on Social Insurance as well, exempting foreign residents of Azerbaijan's industrial parks from payment of compulsory social insurance for five years from May 1, 2016.

In addition, the residents of the industrial parks are exempt from income, land and property taxes for seven years.

Moreover, the equipment and technology used in the industrial parks are also free from the value added tax. Today, Azerbaijan conducts works to create infrastructures and organize four industrial parks in Sumgait, Balakhany, Mingachevir and Garadagh.

Furthermore, the creation of the Neftchala Industrial Site is at its final

stage. Overall, there are 12 residents in total in the industrial parks of Azerbaijan. Seven out them are in Sumgait, four in Balakhany and one in Garadagh.

Agriculture

Azerbaijan to upgrade system of agricultural subsidies

The Azerbaijan Agriculture Ministry intends to upgrade the system of subsidies allocated for the entrepreneurship in the sphere of agriculture.

“The Ministry has united subsidy allocations to farmers on fuel, engine oil and grain in an effort to facilitate the process,” Ilham Guliev, Deputy Minister of Agriculture said.

The Ministry also created regional agencies on subsidy allocation to ensure efficiency and transparency in grant allocation.



The Agriculture Ministry offers to enhance targeted agricultural subsidies. In accordance with proposals made by the ministry, subsidies which have been previously allocated only for seeding grains and planting stocks will also be issued for sowing of cotton and tobacco.

The Ministry has defined subsidy rates, which are used in relation to mineral fertilizers. The amount of subsidies for land use is 100 AZN (\$66.52) for each hectare of cultivation area.

The government allocates subsidies since 2007. In accordance with the law on Allocation of tax remissions to manufacturers of agricultural goods, dated 2001, manufacturers of agricultural goods are exempt from all taxes (with the exception of land tax). “Ministry of agriculture plans to submit a report on out-of-use lands for the governmental consideration by the end of this year,” deputy minister said. The Administration on Agricultural Industry, which have already been created in the field, will held a monitoring of out-of-use lands and inform the government on the situation. “Main objective is proper use of the lands, in particular, use of the lands for the production of agricultural goods. We have already implemented several projects in this direction, by the end of the year we will submit a report and will take all necessary measures specified in the legislation,” Guliyev said.

He noted that within a short period of time the country will be able to provide itself with braid grain. One of the main objectives is to provide all necessary agricultural products. For now we are unable to provide for 100 percent of grain and definite part of this product is imported. Quality of locally

produced grain meets all requirements and corresponds to international standards.

He also added that water tariff increase will not influence the irrigation process of lands which are allocated for growth of agricultural products. The Ministry is currently working on ensuring water supply timely.

Agricultural sector in Azerbaijan is a central direction in a bid to diversify the national economy. The government supports the development of agriculture at the state level, ensures all necessary brand-new equipment, implements various agricultural projects aimed at increasing volume of domestic production and expanding range of the goods and entering foreign market.

Transport

Azerbaijan to upgrade transport sector through innovations

Azerbaijan plans to introduce brand



new technologies and systems in the transport sector to upgrade the

field. U.S. Wavetronix has offered Azerbaijan a new radar system to monitor traffic, Jake Fillmore, the

company's regional sales manager for Eastern Europe, told Trend.

Wavertronix is engaged in creating tools for intelligent transportation systems (ITS) including advanced radar sensors, power and communication solutions and data management appliances.

He added that the company proposes to use different radars, road sensors in Azerbaijan, which enable to monitor the traffic on highways and motorways, as well as city roads.

This detector allows determining the exact number of the vehicles at crossroads, as well as provides forecasts and reports. "This system is widely used in many countries of the world," noted Fillmore, adding that among the CIS cities it is used in Moscow and Astana.

Azerbaijan also plans to introduce the system of toll roads, which is innovative for Azerbaijan.

The Baku-Shamakhi-Kurdamir and Baku-Guba leading to the Russian border, Baku-Ganja and Haji Zeynallabdin Tagiyev – Sahil motorroads, will be paid roads. Construction of paid roads presupposes existence of alternative roads, otherwise charging for the use of the road is considered illegal.

The new Alat-Astara highway may be paid in the future as it is considered to be an alternative highway. Alat-Astara-Iran highway is considered an integral part of the transport corridor "North-South". Ongoing works on ground stabilization are currently implemented in the area. Major peculiarity of the highway is absence of residential areas in the territory beginning from entrance of Salyan till Astara-Iranian border. The route is expected to shorten the distance by about 40 km as compared to the previous one.

Work on the construction of underground passages, highway tunnels in the area also draw to a close. Speed limit of toll roads is considered to be at the rate of 120-140-160 kph which is higher as compared to standard roads.

Experts say that toll roads offer a solution to the majority transportation problems. The system of paid roads is widely used in most of the European countries. The number of paid autobahns is steadily increasing all over the world.

Tourism

Baku among top three popular cities this summer

Charming and cheerful Baku entered the Top three cities of summer 2016, according to the Russian tourist service

Travel.ru, which determined the most popular cities to visit for a sporting competition this summer. Baku, also known as the City of Winds, became the second after Paris in the category of the cities, where Russian tourists can enjoy exciting competitions.

From June 17 to 19, Baku will host one of the fastest races in the world -- Grand Prix of Europe Formula 1. The capital of Azerbaijan for the first time hosts the stage of the "royal race", which will take place on the city streets.



The race organizers say that Russians take the first place among foreign fans to visit the European Grand Prix in Baku. One of the main advantages of Azerbaijan for Russians, besides the captivating beauty of the country and hospitable population, is the fact that many people here know Russian and English.

More than 10,000 foreigners are expected to attend the Baku stage of Formula, according to the Travel.ru. The 6-kilometer track with 20 turnings and the top speed of 340 kilometers per hour will showcase the best of the capital city.

Many experts believe that the event will increase the flow of tourists to Azerbaijan by 40 percent.

Russian service of booking hotels online Oktogo.ru reports that accommodation in the center of Baku will cost from \$40 per day during the race weekend and a three-day ticket for access to the Formula 1 will start from \$200.

Paris, which leads the Top 3, will host the 15th UEFA EURO 2016 Football Championships from 10 June to 10 July 2016.

According to Oktogo.ru, it is more profitable to stay in Paris in the middle of June than in the cities hosting Euro 2016. It will cost less than 100 euros for two people to stay in a three-star hotel in Paris in mid-June.

Rio de Janeiro comes third in popularity of Russian tourists this summer.

The 2016 Summer Olympics, commonly known as Rio 2016, is a major international multi-sport event in the tradition of the Olympic Games due to take place in Rio de Janeiro, Brazil, from 5 to 21 August 2016.

Some 300 sets of medals will be played during the Olympics that will welcome 10,000 athletes from more than 200 countries.