



Economic News Bulletin
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Macroeconomics

Free trade zone may be launched in Baku next year

Free trade zone may be launched within Baku Sea Trade Port CJSC (Baku Port) in 2017. Report informs, general director of Baku Port Taleh Ziyadov told. According to him, construction works in port's territory are expected to be completed by the end of 2017.

“At present, the works focused on “ro-ro” and ground freight terminal. It is realistic to expect that free trade zone will start to operate by mid-2017”, T.Ziyadov added.



Notably the free trade zone within the port will embody facilities for various industry sections; segments of light industry will be given priority.

First of all, warehouses and value adding spaces will be located on the site. T. Ziyadov noted that small production facilities of pharmacy, oil chemistry, light industry will be created in next stage.

Talking about works towards creation of legislative basis of free trade zone, T.Ziyadov told that the process launched in March of this year by respective order of President Ilham Aliyev is underway: “In September of this year agreement was signed with Dubai’s DP World company. We intend to submit appropriate documents to government by the year-end. Master Plan of free trade zone will be developed within first two months of the next year”

SECO continues to support macroeconomic and private sector development in Azerbaijan

Swiss State Secretariat for Economic Affairs (SECO)



has prepared a strategy for cooperation

with Azerbaijan in years 2017-2020. Report informs, SECO representative Simone Haerberli said. "SECO will

continue to support macroeconomic development and private sector of Azerbaijan. In particular, we have an interest in the development of the financial sector, and from this point Financial Markets Supervision Chamber is our important partner", said S. Haeberli.

SECO has successfully implemented 30 projects worth \$90 million in Azerbaijan. The secretariat itself has allocated \$25 million of this amount.

Currently, SECO is implementing eight projects worth \$15.7 million in the country, including the infrastructure projects and the projects on improving the business sphere.

Industry

Works on opening new pharmaceutical enterprises in Azerbaijan underway

About 80 types of medicines will be produced in the pharmaceutical production plant, which foundation will be laid in Pirallahi settlement, Economy Minister Shahin Mustafayev said.

According to him, 74 mln USD will be invested in the construction of the plant: "The plant will be launched for about 2 years. Construction of the plant is the

first step toward eliminating Azerbaijan's dependence on imported medicines."

The minister noted that in addition, currently, works are underway to launch several pharmaceutical manufacturing enterprises: "In this regard, Russian, Turkish and some European companies hold talks."

Automotive industry on rise in Azerbaijan

Azerbaijan may soon turn into a regional hub of automotive industry, as the interest of foreign car manufacturers in the market is rising steadily. Being a favourable platform for major automakers, the country is now enlarging its car production and encourages foreign investments.



Azerbaijan has an access to major transportation routes, which enables investors to easily reach the markets they are aiming at. The roads leading from East to West and West to South that pass through Azerbaijan, substantial road, maritime and air transport infrastructure of the country, transform the country into strategic logistics hub of the region and make it an alluring destination for foreign investments.

Moreover, the interest of investors is also triggered by such factors, as a reputation of a reliable partner, stable political situation, construction of state-of-the-art port in the country, as well as favourable conditions created for investors.

The country imported only 3,454 units of cars in January-August 2016, while the figure is less by 17,693 units or some 83.67 percent, as compared to the index recorded last year. The significant drop in imports is mainly due to the switch to the Euro-4 ecological standard in 2014.

At present, only cars produced in the EU since 2005, in the U.S. since in 2004, in China and Japan since 2011, in Korea since 2006, and in Turkey since 2009 can be imported to the country.

Certain countries have already made investments in the development of automotive industry in Azerbaijan. Iranian multinational giant automaker Iran Khodro is currently engaged in the implementation of automotive plant project in Azerbaijan. The project, which is implemented jointly with Azerbaijan's AzEuroCar LLC will be located at Neftchala industrial district and cover an area of 10 hectares. The total cost of the plant is \$15 million, while some 25 percent of the cost will be provided by the Iranian side.

Twenty percent of the produced cars will be exported. The cars produced at the plant will meet Euro 5 standard. Four Iranian car brands – Dena, Runna, Soren and Samand will be produced at the new plant, which will have a capacity of 10,000 cars a year. The car factory is expected to launch its first products as of May 2017.

Moreover, Bipek Avto – Group, the largest holding in the automobile market of Kazakhstan earlier expressed its interest in exploring the possibility of entering the market in Azerbaijan.

Also, the country is studying the possibility to build a GTL (Gas to Liquid) plant for the production of synthetic motor oils as the world's leading car manufacturers recommend using synthetic oils and their aggregates in the automotive engines. That can eliminate a shortage for such products, as the country is well placed to develop the GTL technology.

There are currently two operating plants for the production of motor vehicles in the country located in Nakhchivan and Ganja. Nakhchivan Automobile Plant was put into operation on January 11, 2010, as a result of the Azerbaijani-Chinese cooperation in the sphere. The capacity of the plant is the production of 5,000 cars per year. The plant will soon launch the manufacture of new

generation of cars in cooperation with Chinese auto producer Lifan.

Ganja Automotive Plant, which started its operation in 2004, is engaged in assembling Minsk tractors and trucks. The plant also produces tractor trailers, communal machinery, and snow removal equipment. The assembly of communal machinery is conducted as part of an agreement signed with the German Haller Company. Currently, the plant is engaged in the assembly of Belarus tractors and MAZ, KAMAZ and Ural vehicles.

SOFAZ in Top 5 of most transparent sovereign wealth funds

Azerbaijan's state oil fund SOFAZ has managed to enter the top five of the most transparent sovereign wealth funds of the world. The Fund ranked the fourth among 60 sovereign wealth funds with overall score of 92 out of 100 in the fourth edition of Sovereign Wealth Fund Transparency and Accountability scoreboard published in October 2016. The rating, prepared by Peterson Institute for International Economics put Norway Government Pension Fund to the top of the list followed by New Zealand Superannuation Fund (2nd place), Permanent Wyoming Mineral Trust Fund, United States (3rd place), SOFAZ (4th place) and Alberta



managed to enter the top five of the most transparent sovereign wealth funds of

Heritage Savings Trust Fund, Canada (5th place).

Peterson Institute for International Economics was established in 1981 and is a private, nonprofit research institution specialized in the study of international economic policy. SOFAZ, which is engaged in accumulation and management of oil and gas revenues of the country, was established in 1999 with assets of \$271 million.

Based on SOFAZ's regulations, its funds may be used for construction and reconstruction of strategically important infrastructure facilities, as well as solving important national problems. The transfers of the Fund to the state budget are forecasted to hit 7.61 billion manat (\$ 4.64 billion) in 2016, while the forecasted index for 2017 stands at 6.1 billion manat (\$3.7 billion). The assets of the Fund currently amount to some \$33.7 billion, with some 80 percent of the volume falling to a share of bonds and short-term financial instruments.

Agriculture

Azerbaijan seeks to eliminate problems in agriculture

Agriculture, which remains one of the profitable and fast-growing sectors in the economy of Azerbaijan, is regarded as the major alternative to petrodollars. The country spares no effort to

improve the sector and minimize problems existing in it. Agriculture Minister Heydar Asadov said that the ministry has already submitted certain proposals on the proper use lands, meant for cultivation of agricultural production, for the consideration of the government.



Agricultural lands often remain not cultivated and enclosed, while no activity is implemented in the areas. In this context, the ministry of agriculture and other authorized institutions of the country implement monitoring of lands.

Azerbaijan possesses about 4.8 million hectares of agricultural land, which comprises over 50 percent of its total territory, with some 39.6 percent of which being arable.

Asadov said that one of the main issues in this regard is the completion of work on the creation of a legal base, mentioning the importance of defining criteria for the use of lands.

“Work on the application of criteria will be implemented jointly with Taxes Ministry, as soon as the proposals are approved by the government,” he said. Asadov went on saying that one of the main tasks of the ministry in near-term outlook is tackling the problem of shortage of seeds, while the sector faces no problems in terms of material

and technical basis, technical support, supply of fertilizers, and issuance of subsidies.

“Work is currently underway on the purchase of seeds of vegetables, wheat and fertilizers. We will soon launch work on the creation of large vegetable-growing base in the country. Cultivation of wheat, corn and other agricultural production will be implemented in Salyan this year,” he said.

Moreover, the ministry will also create agrochemical laboratories in some 12 regions of the country. The minister said that tender has already been held in this regard. “This is an extensive process. Veterinary and phytosanitary laboratories are planned to be created. Moreover, we will also purchase equipment and held trainings both within the country and abroad,” he said.

Laboratories are expected to perform analysis of food products, animal feed, soil, fertilizers, as well as contaminant analysis such as of pesticide residues and remains of drugs, metals, mycotoxins, nitrates and nitrites.

Moreover, Azerbaijan has great opportunities for development of silkworm breeding. The country will purchase some 1.5 million of planting stock of mulberry from China. The contract on the supplies of planting stock has already been signed, and the

supplies are expected to be implemented soon.

Being one of the leading producers of agricultural goods in the CIS, Azerbaijan seeks to further develop its agriculture and food industry for import substitution as well as for export.

Developed concept for establishing agricultural products brand in Azerbaijan

The State Oil Company of Azerbaijan Republic (SOCAR) will give support to ABAD project. Report informs, Department Director of ABAD public legal entity Elvin Shirinov said at today's conference "Development of small and medium-sized enterprises in Azerbaijan".

E. Shirinov said, SOCAR and State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan (ASAN Service), have signed a Memorandum of Understanding (MoU) on mutual cooperation in ABAD center's activity.

The department chief said that the concept developed for establishing ABAD agricultural products brand: "Work is underway for creation of family brands within ABAD project activity. At the moment, we have launched a pilot project in Masalli region."

Transport

Official: Geographic location allows Azerbaijan to turn into major transit center

The unique geographic location of



Azerbaijan and the conditions created in the country, make it possible to become a major

transit center. Javid Gurbanov, Head of Azerbaijan Railways CJSC made the statement speaking at the Global Conference on Sustainable Transport in Ashgabat, Turkmenistan on November 27. Gurbanov also spoke about Azerbaijan's economic successes and development of the transport sector, in spite of the occupation policy of Armenia towards Azerbaijan. At the conference, Gurbanov held a bilateral meeting with the Deputy Prime Minister of Turkmenistan and Foreign Minister Rashid Meredov.

The meeting discussed strengthening and expansion of relations between the two countries, as well as prospects of relations in the sphere of transport and transit opportunities. The sides emphasized that cooperation in this sphere between Azerbaijan and Turkmenistan has great prospects.

The Global Conference on Sustainable Transport was held in Ashgabat on November 26-27, in accordance with

resolution 70/197 of the UN General Assembly on December 22, 2015 called "On the way to ensure full cooperation between all modes of transport in order to facilitate the creation of sustainable multi-modal transit corridors."

Today, the development of the transport sector is a priority for the Azerbaijani leadership. Railways of Azerbaijan with access through the Baku-Tbilisi-Kars railway to Turkey made the most important link of the new Silk Road. Moreover, the Baku-Tbilisi-Kars and North-South projects contribute to the development of not only Azerbaijan but also the whole region. Today, BTK connects railways of Azerbaijan, Georgia and Turkey. However, in the future it is planned to connect railways of the Caucasus with the European railways.

Earlier in May Azerbaijan signed a protocol about the joining of Azerbaijan Railways CJSC to the international railway project "Viking". Combined transport train Viking started running in 2003. Participants in the project are Ukraine, Belarus, Lithuania, Latvia, and in 2012 Bulgaria joined the project. The total length of the route Ilyichevsk (Ukraine) - Minsk (Belarus) - Draugyste (Lithuania) is 1,766 kilometers.

In February 2016, Ukraine and Lithuania signed a Memorandum on joining the container train Viking to the

Trans-Caspian International Transport Route from Europe to China, passing through Azerbaijan and Kazakhstan. The participation of Azerbaijan Railways in the Viking project will allow extending the container train route to more distant Asian countries, an alternative route to reach Kazakhstan and China. It is expected that once Azerbaijan Railways joins the project, more freight will be transported to the Baltic region from Kazakhstan and China, and the new Baku-Tbilisi-Kars railway will be used to transport containers from Turkey to Ukrainian ports.

Tourism

Azerbaijan expects winter spike in tourism numbers

Azerbaijan has left behind a successful tourism season, which turned into a great couple of months thanks to nice weather and popular attractions. Hosting a record-breaking for the country 1.7 million tourists in the first nine months of 2016, Azerbaijan has raised the bar in this sphere. The number of tourists visiting the Land of Fire increased by 30 times this summer compared to last year, according to the Culture and Tourism Ministry.



Now Azerbaijan, also known as the pearl of the Caucasus, is preparing to

welcome winter guests. Muzaffar Agakarimov, the adviser of the Chairman of Azerbaijani Tourism Association said that in 2017 Azerbaijan expects more tourists, mainly from Russia, Iran, and Arab countries, especially Iraq. The country also welcomed tourists from Indonesia, who have shown great interest in our country. The expert mentioned that in recent years the number of tourists from these countries significantly increased.

"In general, this winter we expect even larger number of tourists, both local and foreign," he said." During the New Year holidays booking in hotels of the capital city reaches its peak. What is more, according to the adviser alongside Azerbaijanis, foreigners also show interest in Shamakhi, Ismayilli, Sheki and Gusar regions.

"Foreign tourists prefer to spend winter tourism in Azerbaijan's regions, as infrastructure and recreational facilities established here are at a high level," Agakarimov added. Winter season in Azerbaijan is no less attractive as the summer season, suggesting many activities for individual and family holidays. Winter tourism season in the country will be open by December 15 and many resorts have already started preparatory process.

Despite being a hot country perfect for summer holidays, Azerbaijan is

offering wintry holidays for both locals and foreign visitors in its Shahdag and Tufandag complexes, located on the north of the country.

Winter in Azerbaijan is also a lovely season of food lovers and gourmards, who can enjoy delicious fruits and meals here.

Tourism activities can be further supported

Azerbaijan attracts visitors from all over the world for its rich historical, cultural and natural heritage. Today, the government of Azerbaijan takes measures and improves legislations in order to hold these achievements and further develop the tourism industry. A new bill "On Tourism" offers some privileges for those, who start business in tourism industry, including financing and documenting. However, alongside the privileges, the state will severely punish those who will provide poor services to tourists, and their certificates will be canceled. In case of poor quality of service in any tourist facility and the non-compliance of its activities with the established requirements, a certificate of conformity of these organizations will be canceled. The number of tourists to the Land of Fire has increased by 30 times this summer compared to last year, according to the Culture and Tourism Ministry.