



Doing Business in Azerbaijan: 2015 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Azerbaijan

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Market Overview

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- Azerbaijan's economy continues to grow, but especially with the decline in world oil prices the rate of growth has leveled off compared with previous years. Oil and gas remain the primary economic drivers and are directly responsible for nearly half Azerbaijan's GDP, which grew from \$73.1 billion in 2013 to \$75 billion in 2014. In recent years, non-energy sectors of the economy have grown faster than the hydrocarbon sector, but no other single sector approaches the importance of oil, gas, and related products and services. Azerbaijan's government is pursuing efforts to diversify the economy, declaring agriculture, information/communication technology, transport, and tourism priority sectors.
- The official economic indicators of Azerbaijan's economy in 2014:
 - Real GDP growth: 2.8 - 4.4%
 - Inflation: 2.8%
 - Unemployment rate: 5.0%
 - Poverty level: 5.0%
- As of the first quarter of 2015, the top five trade partners of Azerbaijan were: Italy with \$806 million in trade, the United States with \$688 million in trade, Germany with \$614 million in trade, Turkey with \$397 million in trade, and Russia with \$396 million.
- Moody's Investors Service forecasts that Azerbaijan's GDP will grow 1% in 2015. The rating agency also forecasts that inflation will rise to 9% in 2015, which is roughly consistent with the IMF's forecast.
- In 2014, the country's strategic monetary reserves grew 2.4% to over \$51.4 billion, which included both foreign currency reserves (\$15 billion) and Azerbaijan's sovereign wealth fund assets (\$36.4 billion). However, following the drop in global oil prices in 2014-2015, Azerbaijan's foreign currency reserves fell nearly 50% to \$8.4 billion between November 2014 and May 2015. Facing declining reserves, the Central Bank changed the manat's peg from the U.S. dollar to a dollar/euro-weighted currency basket February 16, 2015. On February 21, 2015, the Central Bank devalued the currency by nearly 35% and set the manat (AZN) rate at 1.05 against the U.S. dollar.

- Azerbaijan is a member of the International Bank for Reconstruction and Development (IBRD), the World Bank, the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF) and the Asian Development Bank (ADB). The ADB held their 48th annual meeting in Baku in May 2015. Azerbaijan is not yet a member of the World Trade Organization but in 2014 and 2015 they made progress toward accession through bilateral and multilateral meetings.

Market Challenges

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- Azerbaijan's business climate remains challenging. The informal economy is large, but statistics relating to its scope are difficult to verify. Widespread corruption impedes the country's development. In Transparency International's 2014 report on corruption perceptions worldwide, Azerbaijan ranked 126th; in 2013 it ranked 127th.
- The areas considered to be suffering the most from corruption in Azerbaijan are law enforcement agencies, organs of the executive power (including customs and safety inspectors), medicine, and education. Customs corruption is a serious problem for most businesses. Bureaucracy is often difficult to navigate and can take significant time, while decision-making is slow and concentrated at the highest levels of organizations. However, Azerbaijan's government has taken concrete steps to improve this situation by establishing one-stop public service centers for many basic business needs, such as registering companies or property titles. The centers, called ASAN service centers, are quick, efficient, boost transparency, and have been embraced enthusiastically by the general public. The government has established four ASAN service centers in Baku as well as in Sumgayit, Ganja, Barda and Sabirabad. Additional ASAN centers are planned.
- Money generated by the oil and gas sector is popularly perceived as the source of much of the corruption within the country. Despite this perception, from 2009 through 2014 Azerbaijan achieved "fully compliant" status in the Extractive Industries Transparency Initiative (EITI). In April 2015 and under the EITI's new standards, the international EITI Board moved Azerbaijan to "candidate" status. As part of its obligations under EITI, Azerbaijan issues annual and semi-annual reports on the status of its oil revenues. These oil revenues enter the State Oil Fund of Azerbaijan (SOFAZ) transparently. In 2015, SOFAZ is expected to transfer approximately 10 billion U.S. dollars to the state budget.
- Lack of transparency is a problem in government budgets as well as the private sector. Americans considering doing business in Azerbaijan are advised to conduct due diligence carefully and seek out businesses that regularly comply with third party audits by reputable international firms. Due diligence and persistence are critical to success.
- Monopolies are a factor characterizing a number of areas. Personal relationships remain critical in business transactions. Turkish, Russian, Iranian, Chinese, Korean, U.S. and European firms are very active in the market. United

States firms find it especially difficult to compete in the market for cheap products. High-end U.S. products, however, tend to be more competitive.

- The court system is weak, inconsistent and unreliable. The enforcement of judgments is extremely difficult and alternative dispute resolution (arbitration) is a new and still undeveloped concept. The system is also not transparent and decisions appear to be made on the basis of political power more often than on the basis of law.

Market Opportunities

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The best prospects exist in the following sectors:

- Oil and Gas
- Banking and Finance
- Information/Communication Technology
- Tourism
- Transport
- Agriculture

See Chapter 4 for descriptions of opportunities in these sectors, including major infrastructure projects, significant government procurement activities, and business opportunities.

Market Entry Strategy

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For companies interested in establishing a presence in the Azerbaijani market:

- Relationships are key; whether finding a partner or working with a client.
- Plan to spend a significant amount of time, perhaps over several visits, building trust and understanding with your partner. Establishing trust is critical.
- Properly document the legal responsibilities of all parties.
- When establishing the terms of a contract, be careful to structure the terms of payment so that you do not deliver all of your goods or services up-front and then trust that the other party will honor all of its payment obligations.
- Have a local presence or agent in Azerbaijan: an ear on the ground will secure business opportunities that could otherwise go to someone else.

- A local presence or agent can also manage important relationships with government entities, reducing risk from government interference or delays.
- A local presence or agent can also be important due to language conflicts. In-country staff with local language skills will make contacting and negotiations easier with government bodies.
- Persistence and transparency on the part of foreign corporations are valued highly by potential Azerbaijani partners.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/p/eur/ci/aj/>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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For U.S. firms entering Azerbaijan, an agent or representative may be useful, especially if the U.S. good or service is new to the market. For developed market segments, a distributor provides another option. Verifying the financial bona fides of prospective

partners is difficult, while corruption, lack of transparency, and monopolistic interests make identifying importers and potential distributors a formidable challenge. Potential exporters should plan to visit Azerbaijan to build personal relationships, set up sales networks, and establish partnerships with local agents or distributors. Not-for-profit trade chambers, such as the American Chamber of Commerce in Azerbaijan (Baku), the U.S. – Azerbaijan Chamber of Commerce (Washington, DC), and AZPROMO (Azerbaijan Trade and Investment Promotion Foundation) can provide market insights and help in the search for an Azerbaijani partner. The U.S. Embassy also offers an international partner search as a paid commercial service.

Establishing an Office

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According to the Law on Protection of Foreign Investments, foreign investors may establish the following legal entities:

- Enterprise with participation of foreign investors on a shared basis (joint ventures);
- Wholly foreign-owned enterprise (foreign enterprises);
- Representative office.

United States firms need to choose between the establishment of a limited presence, a joint venture, or a wholly foreign-owned enterprise for entrepreneurial activity. A limited presence is possible in the form of a representative office or a branch. A representative office and a branch that are subdivisions of a foreign legal entity are not considered Azerbaijani legal entities, but are still subject to taxation. An Azerbaijani legal entity can take the following forms:

- Joint Stock Company
- General Partnership
- Limited Partnership
- Limited Liability Company
- Additional Liability Company
- Cooperatives

Under the “single window” principle, the Ministry of Taxes is authorized to register all types of commercial legal entities and is legally obligated to do so within two business days. The following documents should be submitted to the Ministry of Taxes to register a branch or a representative office:

1. Application for registration as a commercial (for-profit) legal entity.
2. Charter of the legal entity (2 notarized copies).
3. Original or a notarized copy of the company letter establishing the local entity and appointing the head of the local legal entity or their legal representative.
4. Notarized copies of the original incorporation papers from the United States. The documents must be certified by the consular section of the Azerbaijani Embassy in the United States and then presented to the Ministry of Taxes.
5. A copy of a lease agreement or other document certifying the entity’s legal address in Azerbaijan.
6. Other documents depending on the type of business and/or the tax regime.

To register a commercial entity with foreign capital, the foreign legal entity, in addition to completing and submitting items 1, 2, 4, 5, and 6 mentioned above, also needs to submit the following documents:

1. A resolution from the foreign legal entities' authorized body stating its intent to open an office in Azerbaijan and approving the charter of the local entity.
2. Additional information on and identification of all shareholders, with copies of identification documents for individual shareholders.
3. If a shareholder is a foreigner or a person without citizenship, they must submit appropriate documents verifying the person's identity and entrepreneurial activity.
4. Resolution by the founders identifying the Supervisory Board, the Executive Board and other company principals, as well as their identification information and copies of documents.
5. If required by type of business, copies of documents indicating contributions towards charter capital.

There is a registration fee for a branch office of 220 Azerbaijani manat (approximately \$210) payable to the accounts listed at the following link: <http://www.taxes.gov.az/>

United States firms should remember that all documents from the foreign legal entity must be notarized and legalized in the United States. It is compulsory to accompany any document written in English with its notarized translation into the Azerbaijani language.

Laws and regulations including registration are subject to change. For detailed registration, legal, and tax counseling, U.S. firms are advised to contact tax and legal professionals resident in Azerbaijan to receive expert advice (see Chapter 9 below). A U.S. firm experiencing registration problems should contact the U.S. Embassy in Baku (see contact information in Chapter 10).

Franchising

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Franchising can be a successful retail model in Azerbaijan. Over the next several years, several large shopping malls are slated to open, while demand for U.S. brands is very high. McDonald's has been present in Azerbaijan since November 1999. The Azerbaijan Franchise Association (AFA) was established in 2007 and as of 2015 Azerbaijan is working to join the World Franchise Council. Additional U.S. brands, such as Bebe, Curves, KFC, Villa Enterprises, Cinnabon, Schlotzky's Deli, and Papa John's Pizza operate in Azerbaijan. International hotel chains have seen significant growth. In addition to high-end Hilton, Marriott and Four Seasons properties, a luxury Trump Tower is due to open in 2015. Franchises of leading Turkish and European brands are also operating in Azerbaijan. U.S. brands are encouraged to consider this opportunity, but may wish to partner with a local entity to navigate the legal requirements for setting up a franchise. The Commercial Section at the U.S. Embassy also provides paid commercial services to parties interested in identifying an international partner and setting up a franchise in Azerbaijan.

Direct Marketing

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In Baku, business-to-business and e-marketing to potential customers is common. Direct marketing via mobile phones is also popular. For instance, the largest mobile operator Azercell Telecom sends text messages advertising discounts for clients, sales at certain shops, etc. Person-to-person direct marketing for health and beauty products is also well known. Other direct marketing channels (catalogs, e-commerce and regular mail) are in their infancy.

Joint Ventures/Licensing

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American firms considering joint ventures (JVs) should consider the deal structure carefully before committing to a JV, particularly in the non-energy sector, which is not protected by the profit sharing agreements that shield oil and gas investments. If a JV is selected, U.S. firms should ensure there is tight management control, clear capital increase and cash call provisions, iron-clad confirmation of share increases and decreases, clear procedures for calling shareholder meetings, and a well-planned exit strategy.

While there are dozens of licensable activities, licensing efforts have run into obstacles in Azerbaijan. The following is a list of some activities subject to licensing and the authority responsible for issuing the license:

Chamber of Auditors

- Auditing activities

City and regional executive organs (with the exception of city districts)

- Sale of ethyl alcohol and strong drinks
- Sale of tobacco goods

Ministry of Agriculture

- Production and import of ethyl alcohol and strong drinks
- Production and import of tobacco goods
- Private veterinary activity
- Sale and production of veterinary medications

Ministry of Communications and High Technologies

- Communication services (telephone, cellular – including 3G mobile communication services, paging, radio relay, installation and operation of cable television, express postal service)

Ministry of Ecology and Natural Resources

- Storage and disposal of radioactive and ionized waste
- Utilization and neutralization of toxic waste

Ministry of Economy and Industry

- Purchase, processing, and sale of non-ferrous metals and industrial waste including precious metals and stones
- Activities of labor exchange

Ministry of Education

- Activities of educational institutions (pre-school, secondary, vocational, and higher education institutions, as well as religious education institutions)

Ministry of Emergency Situations

- Engineering and building inspections
- Fire Protection Service (production and purchase of fire extinguishing equipment, testing; installation of fire protection systems and facilities, their repair and maintenance)

Ministry of Energy

- Sale of oil products
- Sale of gas products

Ministry of Finance

- Activities of non-governmental social funds
- Insurance activities
- Production of controlled accounting forms

Ministry of Health

- Medical activities
- Pharmaceutical activities
- Creation of biometric technologies and provision of services to such technologies

Ministry of Internal Affairs

- Production of various seals and stamps

Ministry of Labor and Social Protection of People

- Assistance for Azerbaijani citizens to identify employment in foreign countries

Ministry of National Security

- The use, production, sale, purchase, import and export of technical means for illegally acquiring information by juridical and civilians not authorized to conduct investigatory activities
- Activities in the field of design and production of data protection facilities

Ministry of Transportation

- Transportation of passengers and goods by sea

- Transportation of passengers and goods by air
- Passenger and cargo transportation by road
- Transportation of hazardous cargo

Ministry of Tourism and Culture

- Tourist activities
- Activities of hotels and other lodging enterprises

Central Bank of Azerbaijan

- Banking activities
- Non-bank credit institutions

National TV and Radio Broadcasting Council

- TV and radio broadcasting

State Committee for Construction and Architecture

- Design of buildings and infrastructure projects

State Committee for Land and Cartography

- Cartographic activities

State Committee for Securities

- Activities of stock exchanges
- Activities of investment funds
- Activities of professional participants in the equity market (brokerage, dealer, securities management, determination of mutual obligations (clearing), deposit, registration of holders of securities, organization of trading in the equity market)
- Activities on production and sale of all types of securities

Nakhchivan Autonomous Republic

- Medical activities
- Pharmaceutical activities
- Assistance for Azerbaijani citizens to identify employment in foreign countries
- Production of various seals and stamps
- Tourist activities

Selling to the Government

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The government of Azerbaijan and state-owned and quasi-state-owned enterprises are some of the largest players in Azerbaijan's economy. Selling directly to the central government or to these enterprises can be profitable. It can also be complicated by the lack of transparency in government procurement processes. Major infrastructure projects typically funded through the World Bank or other multilateral development bank

financing are more transparent than those funded directly by the government. The government is expected to continue to invest in public infrastructure projects, as outlined in the State Public Investment Program, but the pace of these projects may slow in the wake of declining oil revenues and the February 2015 currency devaluation. Companies selling to the government of Azerbaijan should be particularly careful to specify beforehand how the 18 percent VAT will be levied. Unless there is external financing such as tenders backed by development banks with high transparency financing, selling to the government should be approached with caution. Azerbaijan is not yet a WTO member and has not agreed to abide by the WTO Government Procurement Agreement.

Distribution and Sales Channels

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Local companies are often distributors for foreign brands. Chinese, Turkish, Iranian, and Russian products tend to dominate this price-sensitive market. Several Azerbaijani firms have successfully sold and represented U.S. and European brands in Azerbaijan. Due diligence should be done on any potential Azerbaijani distributor before concluding an agreement or shipment.

As a port city, Baku is both a destination and a growing distribution center for sea, rail, and air cargo. Azerbaijan is developing a new port as well as a modern rail network to Turkey through Georgia. As of mid-2015, these projects are expected to be completed in 2016.

United States firms looking for opportunities in Azerbaijan should focus on private Azerbaijani firms with proven track records and good financial standing. State enterprises are unlikely candidates for distribution and sales activities on behalf of U.S. firms. They lack the resources to cover the costs of maintaining U.S. product inventories for the local market. Many Azerbaijani firms have poor cash flow and other structural disincentives. Training and flexible stock/inventory options can help U.S. goods and services penetrate the Azerbaijani market. Businesses should work with Baku-based firms for internal distribution within Azerbaijan.

Selling Factors/Techniques

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Azerbaijan is a country of traders. However, retail business is becoming increasingly regulated and moving off the “street” into shops and retail outlets. Azerbaijani shoppers are price-sensitive and brand conscious. American goods and services are becoming better known, joining their Turkish and European competitors – a key factor in the Azerbaijani shopping mentality. Counterfeiting of consumer goods, however, remains a problem. There are three social groups that constitute the Azerbaijani consumer market:

- 1) The largest share of the population, which earns the average monthly wage of \$350 or less (Although the official figure from the Azerbaijan State Statistics Committee is approximately \$500, this figure does not track with most other reports.);
- 2) The small but growing middle class, whose average monthly income is approximately \$1,000, with limited disposable income; and

3) The “new Azerbaijanis” noted for conspicuous consumption of high-end items.

Historically, the first two groups have generally patronized the large unregulated bazaars such as the Bina or Sadarak for cheap Chinese, Turkish, Iranian, and Russian goods. However, the growth of shopping malls, particularly in Baku in recent years, has seen middle class shoppers increasingly direct their attention to buying Western goods and services from mid-range Western brands. Approximately one million shoppers visit the popular 28th of May Mall every month.

We recommend that U.S. consumer product firms focus on the second and third groups of the market through mid-range and high-end retail outlets in Baku, given the growing number of consumers with money to spend and interest in high quality goods and services. All sales materials by law must bear labels in the local language, Azerbaijani.

Electronic Commerce

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Electronic commerce is steadily increasing in Azerbaijan. The growing number of ATMs has increased the level of e-commerce to the market, and some B2B websites have also appeared. The number of credit/debit card transactions is rising, and as of 2015 many hotels, restaurants, supermarkets, and mid-range shops increasingly accept credit or debit card payments. Many shippers, however, are reluctant to send goods without pre-payment, and commerce is limited by a lack of clear and effective legislation and the prevalence of the shadow economy. The Ministry of Taxes has pushed retail businesses to install POS devices, but the economy is still cash-based as many small retail businesses have not implemented POS devices in their place of business.

Useful websites:

<http://B2B.az/>

Trade Promotion and Advertising

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Advertising in Azerbaijan is carried out through television, radio, newspapers, and billboards. Internet advertising is growing, but does not have the same audience as it does in countries with greater Internet access/computer ownership. Outdoor billboards are widely used in Baku for advertising and trade promotions. Outdoor advertising for tobacco and alcohol products is prohibited. Newspapers in Azerbaijani and Russian are published daily, except Sunday, and English-language papers are published weekly. Newspapers are widely read and are one means to reach Azerbaijani consumers with disposable income. Television advertising is possible on state-run and private national TV networks. There are popular private FM radio stations as well. Baku-based trade shows provide another opportunity to market U.S. goods and services.

Useful websites:

<http://iteca.az/>

<http://azpromo.az/>

<http://amchamaz.org/default.html/>
<http://abc.az/eng/>
<http://azerbaijan.usembassy.gov/doing-business-local.html/>

Pricing

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Prices in Azerbaijan must be quoted in Azerbaijani manat. Azerbaijanis will bargain over prices. With the exception of a few goods, such as gasoline, the government does not set retail prices. Retail prices include the 18 percent value added tax (VAT).

Sales Service/Customer Support

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Systemized customer service remains undeveloped. Product guarantees are rare, but are becoming more common. However, implementation is still a problem as local distributors do not always uphold parent company guarantees.

Protecting Your Intellectual Property

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Azerbaijani law protects copyrights, patents, trademarks, and industrial designs. The U.S.-Azerbaijan bilateral trade treaty also covers intellectual property rights (IPR). Azerbaijan belongs to the World Intellectual Property Organization (WIPO) and is a signatory of the following treaties:

[WIPO Copyright Treaty](#)

[WIPO Performances and Phonograms Treaty](#)

[Convention Establishing the World Intellectual Property Organization](#)

[International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations](#)

[Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms](#)

[Berne Convention for the Protection of Literary and Artistic Works](#)

In reality, however, there is little government enforcement of IPR laws. Many copyrighted products are sold in markets and stores with no provision to pay royalties to copyright holders.

Protecting Your Intellectual Property in Azerbaijan:

Several general principles are important for effective management of intellectual property ("IP") rights in Azerbaijan. First, it is important to have an overall strategy to protect IP. Second, IP may be protected differently in Azerbaijan than in the United States. Third, rights must be registered and enforced in Azerbaijan, under local laws. For example, U.S. trademark and patent registrations will not protect you in Azerbaijan. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions,

and these conditions have been greatly simplified by international copyright treaties and conventions.

The procedure of the patent registration in Azerbaijan takes from 2 to 3 years. Granting patents registering are generally is based on a first-to-file, first-in-right basis. Similarly, registering trademarks is based on a first-to-file, first-in-right basis, so a company or businessperson should consider how to obtain patent and trademark protection before introducing your products or services to the Azerbaijani market. It is vital that companies understand intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Azerbaijan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Azerbaijani law:

http://azerbaijan.usembassy.gov/legal_info.html/

While the U.S. government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit the partner to register your IP rights on your behalf. Doing so may create a risk that the partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Azerbaijan require constant attention. Work with legal counsel familiar with Azerbaijani laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Azerbaijan or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the United States and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit www.STOPfakes.gov/
- For more information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.stopfakes.gov/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- The U.S. Department of Commerce has positioned IP attachés in key markets around the world. Information on the IP attaché who covers Azerbaijan is available at: BakuCommercial@state.gov

Due Diligence

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Accurate financial documentation and credit history are very difficult to obtain on potential buyers and partners. A 2013 commercial secrecy law complicates due diligence efforts by limiting what banks and other financial institutions can share with third parties about Azerbaijani companies. Additionally, understanding the corporate structure of a company or discovering who are the beneficial owners, major partners or shareholders of a company can also be very difficult. Failure to perform a very careful survey of former partners, clients, and competitors jeopardizes investments and commercial deals. Recourse in such instances is limited and even where arbitration clauses are respected, they can take a long time to resolve. Despite these difficulties, some Azerbaijani firms have established track records of positive work with international firms.

Companies may contact the U.S. Embassy to discuss their plans in Azerbaijan. The Commercial Section can also provide an International Company Profile (ICP), a standardized service to help U.S. clients determine the bona fides of prospective foreign

business representatives or partners. These reports can be useful when businesses request financing guarantees from agencies such as the Export-Import Bank. The ICP provides a detailed credit report on the overseas company; a list of the company's key officers and senior management, banking, and other financial information; sales, profits, and liabilities; market information; and an opinion as to the viability, reliability, and strength of the potential partner in the target market.

Local Professional Services

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To identify local service providers, the websites in the section below might be useful.

Web Resources

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<http://www.taxes.gov.az/>

<http://iteca.az/>

<http://azpromo.az/>

<http://amchamaz.org/default.html/>

<http://abc.az/eng/>

<http://azerbaijan.usembassy.gov/doing-business-local.html/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

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- Information/Communication Technology
- Tourism
- Transport

Agricultural Sector

- Agriculture and Food Processing

Oil and Gas

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	N/A	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	22,154,581	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the U.S.	50,587*	N/A	N/A	N/A
Exchange Rate: 1 USD	.79AZN	.79AZN	1.05AZN	N/A

Source: Official Government of Azerbaijan statistics.

*U.S. Government statistics.

Since the mid 1990's the oil and gas sector has been the engine driving Azerbaijan's economy forward. Through a series of Production Sharing Agreements (PSAs), Azerbaijan succeeded in attracting significant foreign direct investment from international energy companies. This investment has led to a rapid increase in production, enriching the country and creating opportunities for U.S. businesses.

Azerbaijan is the beginning of a key East-West energy corridor that is in the process of expansion. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline stretches from Baku in Azerbaijan, through Tbilisi, Georgia, to a terminus at Ceyhan in Turkey. The South Caucasus Gas Pipeline (SCP) roughly parallels the BTC route, but ends in Erzurum, Turkey. Work is underway on expanding the SCP and building two new gas pipelines that will take gas from the second stage of the Shah Deniz project all the way across Turkey (via the Trans-Anatolian Pipeline, or TANAP) and then across Albania and

Greece to Italy (via the Trans-Adriatic Pipeline, or TAP). Although many major contracts have been awarded, the development of the Shah Deniz II project and the pipeline projects are likely to present opportunities for U.S. firms.

In the longer term, the establishment of a route to gas markets in Europe is likely to spur development of additional gas fields in the Caspian, which would present a wide range of additional opportunities for U.S. companies.

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Due to extensive onshore and offshore development, this sector remains the country's largest sector in terms of revenue generated as a percentage of GDP. Opportunities include most types of equipment related to the exploration, extraction, and transportation of oil and gas. Project management and engineering services, petroleum products, drilling and oilfield equipment as well as abatement and environmental services also hold potential for U.S. firms in this area.

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The oil and gas sector is expected to remain the most lucrative market for foreign businesses for years to come. In addition to oil and gas field development and transportation routes, Azerbaijan is planning a new oil and gas processing complex.

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State Oil Company of Azerbaijan: <http://www.socar.az/>
 Ministry of Energy of Azerbaijan: <http://www.minenergy.gov.az/>
 BP Caspian: <http://www.bp.com/caspian/>
 Caspian World: <http://www.caspianworld.com/>
 U. S. Energy Information Administration: <http://www.eia.gov/>
 State Statistics Committee of Azerbaijan: <http://www.stat.gov.az/>
 State Oil Fund of Azerbaijan: <http://www.oilfund.az/>

Banking and Finance

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	N/A	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the U.S.	N/A	N/A	N/A	N/A

Exchange Rate: 1 USD	.79AZN	.79AZN	1.05AZN	N/A
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Source: Official Government of Azerbaijan statistics.

Official statistics were unavailable for the financial sector.

The financial sector in Azerbaijan is dominated by banks, with the non-banking sector continuing to offer limited opportunities. Banks hold about 95 percent of financial sector total assets. The non-banking financial sector, particularly the micro-finance sector, is underdeveloped but is an important source of finance for small and medium-sized enterprises (SMEs).

The Central Bank of Azerbaijan (CBA), formerly known as the National Bank of Azerbaijan, is the central regulatory body. The CBA continued its policy of ensuring financial sector stability and sustainability in 2014 and undertook some policy actions to that end. New capital adequacy requirements came into force in January 2015, and all banks were either able to comply or given additional time to come into compliance. The largest banks, which hold 85 percent of total banking assets, already met the new requirements.

The International Bank of Azerbaijan (IBA) remains the leading bank in Azerbaijan, and the government continues to be its largest shareholder. The 45 remaining banks in Azerbaijan are privately owned and 23 of them have some foreign investment. According to the Central Bank of Azerbaijan, as of April 1, 2015, the total assets of Azerbaijani banks were 28.8 billion AZN (approximately \$27.4 billion).

In February 2015, Azerbaijan announced a nearly 34% devaluation of the manat against the dollar. Ultimately stemming from declining export receipts due to the fall in global oil prices, the larger-than-anticipated devaluation followed a 26 percent drop in foreign currency reserves over the course of December 2014 and January 2015, and the unsuccessful efforts to manage a slow decline in the manat's value. The devaluation may restore some of Azerbaijan's lost trade competitiveness following the recent devaluations or depreciations in the currencies of Azerbaijan's neighbors and major non-energy trading partners.

Most banks offer short-term trade financing, long-term project financing, mortgage products, and other modern banking products. The overall lack of medium to long-term capital is a constraint to financing private business in Azerbaijan. The credit supply is far too small to provide a suitable environment for the development of SME's in the country. In fact, most SME's have very limited access to affordable credit lines given collateral requirements, loan terms, etc. Long-term trade and project financing are in their infancy.

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Financial and wealth management, trade finance, working capital, represent the best prospects for new business development.

Leasing in Azerbaijan is in its infancy, but is a promising vehicle for business financing in this developing market. Best prospects in leasing include manufacturing equipment, as well as equipment for health care and transport.

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Many Azerbaijani banks have expressed interest in pursuing correspondent relationships with U.S. banks. In addition, an increasing number of private banks have become interested in attracting foreign equity investors, and the EBRD, IFC, and German financial institutions have taken an equity stake in several such institutions. The increasing wealth of Azerbaijan has also raised interest in financial and wealth management services.

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Central Bank of Azerbaijan: www.en.cbar.az/
International Bank of Azerbaijan: www.ibar.az/
State Oil Fund of Azerbaijan: www.oilfund.az/
IFC: www.ifc.org/
World Bank: www.worldbank.org/
EBRD: www.ebrd.com/

Information/Communication Technology

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	N/A	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the U.S.	14,909*	N/A	N/A	N/A
Exchange Rate: 1 USD	.79AZN	.79AZN	1.05AZN	N/A

Source: Official Government of Azerbaijan statistics.

*U.S. Government statistics.

Azerbaijan's IT sector remains in the early stages of development. Despite progress in improving its telecommunications infrastructure, the regulatory framework governing telecommunications and information technology needs improvement.

Tariffs on imported IT equipment are an example of an area where Azerbaijan is less competitive than it might be. Duty for personal computers is 3% in Azerbaijan but 10% for computer components. In contrast, Georgia, Turkey and Turkmenistan have no tariffs on this kind of equipment and can compete more readily. These tariff regimes require modernization to improve competitiveness.

E-governance is an area for collaboration between businesses and the Government of Azerbaijan. The government has implemented some e-governance solutions, within the comprehensive "e-government" initiative, to make their services more transparent and

more easily accessible. The Ministry of Taxes, for example, has moved tax payments on-line, making compliance easier. Other ministries could benefit from similar improvements but have not yet taken steps to modernize. American businesses with such solutions may find opportunities in these modernization and e-government efforts. Upcoming programs within this initiative include creation of an e-government data center, and development of a national e-signature standard.

In the private sector, the use of e-commerce remains rare. Few local businesses use these technologies to interact with their customers. Opportunities exist for companies that can create and successfully market electronic services that facilitate transactions on-line. Golden Pay, a service similar to PayPal, is a local company that has entered this market and is slowly expanding the ability of Azerbaijani businesses to conduct on-line transactions with customers.

The Ministry of Communication and High Technologies (MCHT), formerly the Ministry of Communications and Information Technology, hosted the Internet Governance Forum (IGF) in November 2014 concurrent with the 15th annual BakuTel Technology Expo. Both of these events gave Azerbaijan greater international exposure to major firms. Azerbaijan's president declared 2013 the year of Information and Communication Technology. Because IT is an emerging sector, there are opportunities for U.S. consultants with experience in the development of IT strategy to contribute to MCHT's goals and long-term approach to expanding this sector. Azerbaijan aims to be a regional communications hub, with plans to host the Eurasian Connectivity Alliance (EurACA) here to further the development of the conceptual Trans Eurasian Information Superhighway (TASIM) reaching from Germany to Hong Kong. The recent drop in oil prices has led to reduced public funding for planned infrastructure projects such as the "fiber to home" project which seeks to connect every home in Azerbaijan to the Internet. The Ministry of Communications has been actively seeking outside investment to launch this initiative.

Another area of development under the information and communication technology umbrella is satellites to extend communication capacity. Azercosmos, Azerbaijan's space agency launched a telecommunications satellite in February 2013. A USTDA-funded feasibility study on launching a second telecommunications satellite was completed, and approved by USTDA, in March 2015. These big-ticket purchases present significant potential for U.S. export content.

An area that hampers the IT sector is weak enforcement of intellectual property rights. Foreign Companies are reticent to produce or distribute significant IT solutions in Azerbaijan because the ability to control or protect the IPR is virtually non-existent.

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A new IT "High Tech Park" being developed by MCHT offers opportunities for firms looking to expand into the region. Favorable concessions on taxes, VAT, and a co-investment scheme for start-ups could be attractive to the right kinds of firms. Firms that can offer services for the small Azerbaijani niche market, or who would be able to use Azerbaijan as a regional base of operations to include neighboring countries, will be more likely to succeed. Azerbaijan has a need for software applications in e-governance, in e-payments, and in e-marketing/analysis.

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E-governance or e-commerce potential remains under-fulfilled and these areas present an opportunity for well-crafted and well-implemented solutions. Consulting firms experienced in the development of IT sectors may find their experience sought after by the public sector as well as by the private sector in Azerbaijan. Companies with expertise in satellites may benefit from Azercosmos' interest in acquiring new capabilities.

Web Resources

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Ministry of Communication and High Technologies (MCHT): <http://www.mincom.gov.az/>

Tourism

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	N/A	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the U.S.	N/A	N/A	N/A	N/A
Exchange Rate: 1 USD	.79AZN	.79AZN	1.05AZN	N/A

Source: Official Government of Azerbaijan statistics.

Azerbaijan's tourism sector strategy is geared hosting business conferences and international sporting events. The expansion of airline destination offerings is opening Azerbaijan to tourists from the Middle East and East Asia and giving Azerbaijani citizens increased travel opportunities. Azerbaijan received Category-1 status from the U.S. Federal Aviation Administration in March 2014 following a successful International Aviation Safety Assessment (IASA). Azerbaijan Airlines and Silk Way Airlines also started direct flights to the United States in 2014, after the completion of a review of the country's airport security by the U.S. Transportation Security Administration. Azerbaijan is expanding its tourism education capacity, including the establishment of a new tourism college, in an attempt to keep up with demand for high quality employees in the hospitality industry.

While brandishing some of the most well-known chain names in the world, including a JW Marriott, Four Seasons, Hilton, and most recently a Trump Tower slated to open in 2015, most of these hotels are owned by local holding groups. Most hotels' business plans focus on affluent tourists, large-scale conferences and sporting events rather than Western middle class travelers or backpackers. The success of these hotels rides on Azerbaijan's continued hosting of major international events. In 2012, Azerbaijan hosted the Eurovision Song Contest and FIFA's U-17 Women's World Cup. In 2015, Azerbaijan

hosted the first ever European Games and in 2016 will host a Formula One race. After significant infrastructure investments in 2014-2015, which include a new Olympic stadium and adjacent housing complex for international athletes, it is likely that Azerbaijan views these games as a preparatory step for a bid on the 2024 Summer Olympics and as an opportunity to highlight its potential as an international tourism destination. Looking ahead, the country is well positioned to host large-scale international sporting events. These hotels maintain ongoing corporate contracts that allow them to maintain profitable capacity levels year-round. These contracts insulate them from the seasonal ebbs and flows of traditional high and low tourist seasons. The Central Bank of Azerbaijan estimates that 33.5 percent of all tourist services rendered in the country were for business travelers and this is in line with the business model of most Baku hotels. The market for mid-range hotels, boutique and bed and breakfast style accommodations, and hostels remains undeveloped, but has attracted recent ministerial level support.

There are 530 hotel facilities in the country. 5.1 percent are state-owned and 94.9 percent are private. The State Statistics Committee of Azerbaijan reports that hotel revenues in 2014 amounted to \$180 million, a decrease of approximately \$30 million from 2013. Most of these revenues (64.7 percent) come from filling rooms and 23.4 percent from food and beverage sales.

The number of foreign travelers who visited Azerbaijan in 2014 reached 2.5 million, including approximately 800,000 Russian visitors, and according to the Ministry of Tourism the total number of foreign visitors has increased by 15% since 2010. Leisure tourists make up the smallest slice of the pie. Travel agencies, such as Azerbaijan24.com and STAN tours, estimate that about 15-20,000 leisure tourists visit per year. These estimates are in line with the State Statistics Committee's numbers. The travel agencies cite the cost of visas and the length of time involved in the visa application process as the major impediments to increasing tourism in Azerbaijan.

While new ski facilities have opened in Gusar and Gabala, the development of hotels and tourist destinations in the regions still greatly lags behind the level of development in Baku. Package deals combining travel to Azerbaijan with other destinations in the region might be a possibility to increase tourism, particularly after the new Baku-Tbilisi-Kars railroad to Georgia and Turkey opens in 2016. Azerbaijan recently purchased European standard sleeper carriages for this route.

Sub-Sector Best Prospects

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Firms that have expertise in hospitality management, or three to four star hotel chains and franchises have opportunities in Azerbaijan to lend their expertise to existing tourist facilities or expand services to the underserved mid-range tourist and budget traveler.

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There are opportunities for businesses that can supply hotels with skilled employees or provide them with logistical support for their supply chains. Business trips and conferences are the main targets of Azerbaijan's hospitality industry, and companies that arrange business conferences may find opportunities in the Baku market.

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Ministry of Culture and Tourism: <http://www.mct.gov.az/>

Ministry of Youth and Sport: <http://www.mys.gov.az/>

Transport

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	N/A	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the U.S.	113,059*	N/A	N/A	N/A
Exchange Rate: 1 USD	.79AZN	.79AZN	1.05AZN	N/A

Source: Official Government of Azerbaijan statistics.

*U.S. Government statistics.

Azerbaijan is positioning itself as a transportation hub for East-West trade in the region through major infrastructure investments, designed to make talk of a new “Silk Road” a reality. The completion of the Baku-Tbilisi-Kars railway and the Alat Port, if coupled with improved trade facilitation policies, would position Azerbaijan as a viable transit route for trade between Central Asia and Europe. Azerbaijan has also vastly expanded its air cargo facilities with new cold storage and a new cargo terminal at the Heydar Aliyev International Airport in Baku, which is an important commercial cargo route for supplying NATO and partner nations in Afghanistan. These air cargo facilities will complement Azerbaijan’s investments in road, port, and rail infrastructure.

The most significant transportation project in Azerbaijan is the Baku-Tbilisi-Kars (BTK) railway. The Baku-Tbilisi-Kars railway will link Azerbaijan’s rail system to non-Soviet rail systems in Turkey, and eventually the rest of Europe. Georgia, Azerbaijan and Turkey signed an intergovernmental agreement in 2007 to establish a rail link using the existing Tbilisi-Baku railway. The project includes construction of a 98-kilometer Kars-Akhalkalaki railway, of which 68 kilometers will run through Turkey and 30 kilometers through Georgia. Reconstruction of the 183-kilometer Akhalkalaki-Tbilisi section is also underway and nearing completion. Azerbaijan financed construction of the Georgian sector with two allocated loans to Georgia totaling \$775 million. Azerbaijan’s State Oil Fund (SOFAZ) has allocated \$470.6 million (as of April 1, 2014) to construct the Georgian section of the project since the beginning of the financing of the BTK railway project. The project is now scheduled for completion in 2016, when Turkey expects to complete its 68 kilometer leg. Initially, freight transport on the BTK railway will total an estimated five million tons during the first five years of operation.

The government of Azerbaijan is also building a new Caspian Sea port at Alat. It is designed to replace Baku's port as the main commercial and industrial port in Azerbaijan. As planned, it will be larger than all Caspian ports combined and there will be ample room to expand as necessary. Additionally, Alat is situated at a rail and road hub, allowing for easy multimodal North/South and East/West transit. When completed, a train-car-ferry system will operate between the Central Asian ports of Turkmenbashi in Turkmenistan and Aktau in Kazakhstan. The port is designed to accommodate rail ferries that can transport 52 train cars at a time. The most expensive, first phase of the project is estimated at 540 million AZN, with total costs for all phases estimated at 870 million AZN. During the first stage, the port will have capacity for 10 million tons of cargo, increasing to 25 million tons in the third phase.

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Freight forwarders, logistics/supply chain developers, and managers may have opportunities as the BTK railroad and Alat port open up. Firms with experience working with difficult customs regimes or helping countries reform their customs operations may also do well in Azerbaijan.

Opportunities

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Suppliers of aircraft, rail wagons, locomotives, transport equipment, construction equipment, and materials or international transportation companies may find opportunities in the transport sector, especially as the links across the Caspian and into Turkey are completed.

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Ministry of Transportation <http://www.mot.gov.az/>

Agricultural Sector

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Agriculture and Food Processing

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Agriculture is Azerbaijan's largest employer, with roughly 40 percent of the working population making some part of their living in agriculture. Azerbaijan's government released a new draft strategy for 2014-2020 to guide the development of the agricultural sector, and declared 2015 the year of agriculture. However, there remain significant barriers to growth in the sector, which comprises a mere 5.3 percent of GDP.

As a legacy of the collapse of the Soviet Union, Azerbaijan inherited outdated food processing equipment and rudimentary packaging facilities. Improvements in these facilities require imported equipment. There is potential for the development of food processing, but large-scale U.S. exports will remain limited and niche deals are more

prevalent. We advise U.S. companies and investors to work with established firms with a proven market track record.

Post-Soviet land reforms that parceled small land plots (one to three hectares) out to individual farmers created a structural impediment to larger-scale agriculture, which constrains the market for the equipment or methods used in larger-scale U.S. agribusiness. Lack of adequate record keeping and titling of land are also impediments to even small-scale consolidation of agricultural plots. Furthermore, the degradation of Soviet-era irrigation systems has led to the salinization of large areas of farmland, which will require big investments to repair and may provide a niche market for partnering with the government on restoring arable land. Access to finance is a persistent challenge for the owners of small and medium-sized land plots. Despite government subsidies to farmers, food imports from Georgia are a significant part of this market sector. In 2013, Azerbaijan imported 120,000 cattle and more than 160,000 sheep.

Despite these obstacles, there is potential for further development in the food processing industry. Azerbaijan produces a wide variety of crops, with excellent climatic conditions and an extended growing season. Fruits (apples, cherries, grapes, olives, lemons, persimmons, melons, watermelons, raspberries, strawberries, currants, plums, peaches, pears, quince, and pomegranates); vegetables (potatoes, carrots, beets, cabbage, tomatoes, cucumbers, onions and greens), grains (wheat, maize, barley), tea leaves, and nuts are high quality, have minimal unit production costs, and have strong brand recognition in post-Soviet markets. Several firms including Azersun Holding, MKT, CTS Agro, Guba Tinning Factor, M-Pro, the Azerbaijan Dairy Corporation, and Gilan Holding have already made the move to European equipment and are interested in sourcing of U.S. equipment. Additionally, AzNar, a company that produces pomegranate juice, has worked directly with a U.S. firm for the distribution of their product line in the United States.

Azerbaijan requires import licenses for food products of animal origin. Starting January 1, 2009, the State Customs Committee began issuing licenses for those products based on a letter of import permission from the State Veterinary Service (SVS). Poultry exports from the United States were banned from entering Azerbaijan in 2014 and into 2015 due to concerns of spreading avian influenza. The SVS has the latest information on Azerbaijani policies on this issue, but Azerbaijan is a member of the World Organization for Animal Health (OIE) and has been informed of its responsibility to follow the OIE's science-based guidelines in applying bans on imported meat products.

Sub-Sector Best Prospects

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There is demand for food processing and packaging equipment, especially for mid-size meat, dairy, and fruit and vegetable processing production. There is also a need for production of packaging materials for different market segments.

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American agricultural equipment manufacturers and used equipment dealers should consider traveling to the region to meet with large private holding companies active in agricultural processing. The Azerbaijani government is also interested in promoting

small-scale dairy processing in rural areas. There is demand for agricultural consulting in such areas as international certification and distribution. Azerbaijani exporters are eager to export into the more lucrative Western markets, including the United States.

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Ministry of Agriculture: www.agro.gov.az/

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Chapter 5: Trade Regulations, Customs and Standards

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- [U.S. Export Controls](#)
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- [Prohibited and Restricted Imports](#)
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Import Tariffs

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The following customs duties are applied in the Republic of Azerbaijan:

- a) ad valorem - to be calculated by percent of commodities for their customs value;
- b) specific - to be calculated by a determined value for a commodity unit;
- c) composite - to be calculated by joining of both types.

The rates of import and export duties are currently regulated by the provisions of the 2001 Resolution. Ad valorem import duties are set at rates ranging from 0% to 20%. Currently, the standard rate of value-added tax (VAT) in Azerbaijan is 18%. Goods from CIS countries (except Kazakhstan) are assessed VAT in their country of origin.

Trade Barriers

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There are several barriers to trade with Azerbaijan that make doing business difficult. Non-tariff barriers include a weak and unpredictable legal regime, arbitrary customs administration, clear conflicts of interest in regulatory and commercial matters often

leading to export/import monopolies, and corruption. The Government of Azerbaijan's inadequate enforcement of IPR protections also constitutes a significant trade barrier.

Import Requirements and Documentation

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Importers are required to provide the State Customs Committee with:

1. Signed import contract (and contract number);
2. Customs declaration;
3. Permission(s) from the relevant state entity(s) when applicable;
4. Bill of lading;
5. Sales invoice and packing list;
6. Certificate of origin; and
7. Certificate of quality of the imported merchandise.

Exporters are required to provide the State Customs Committee with:

1. Document verifying the legal status of the business entity;
2. Legal entity's code determined by the State Statistics Committee;
3. Copy of the contract (and contract number);
4. Certificate of origin of the product being exported;
5. Document issued by an authorized bank on the pre-payment or opening of a letter of credit for the exported product;
6. Permission(s) from the relevant state entity(s) when applicable;
7. Sales invoice and packing list; and
8. Customs declaration.

Once the goods are released from the customs warehouse, they are subject to all applicable duties and taxes. The customs warehouse will also assess charges for demurrage. The rate for this charge should be determined with the customs warehouse prior to consignment to the warehouse to avoid any costly misunderstandings.

Goods imported into Azerbaijan for processing and then re-exported are subject to normal duties and taxes at the time of importation. As soon as processing has been completed and the goods are re-exported, a draw-back procedure can be initiated to recover the taxes and duty paid. There is no formal procedure for submitting an application, and this process is cumbersome to use. The State Customs Committee establishes the time for the processing and re-export of the goods, usually within two years. In addition, it may also stipulate a minimum amount of finished product be held to assure that the imported goods are utilized for the purpose intended.

Provisions for the importation of goods and equipment are an integral part of production sharing agreements (PSAs). Goods, tools, equipment, supplies, and services necessary for successfully carrying out the objectives of the PSA are generally exempt from import duties and taxes. By extension, foreign firms registered to do business in Azerbaijan, and who provide services for contractor parties (CP) or foreign sub-contractors (FSC) participating in PSAs, may also be exempt from duties and VAT on imported goods and equipment.

The following is a non-exhaustive list of items exempt from import duties:

- Goods and property for official use by diplomatic missions and equivalent missions in Azerbaijan and for private use by diplomatic and administrative employees of these missions and their resident family members.
- Goods imported on the basis of financial aid, loans and technical grants of international organizations, foreign entities, and foreign persons in accordance with inter-governmental and international treaties of Azerbaijan.
- Goods delivered to Azerbaijan for a limited term and to be returned unchanged to the country of origin under pre-defined conditions (VAT shall be paid at entrance and reimbursed at exit).
- Property of foreign employees of enterprises with foreign investment in Azerbaijan for private use.

Customs duties do not apply to goods imported under bilateral free trade treaties between Azerbaijan and foreign states. Importers are subject to the payment of an official customs processing fee in the following amounts:

- if declared value of goods is 1,000 AZN or less – 10 AZN

- from 1,001 AZN to 10,000 AZN – 50 AZN

- from 10,001 AZN to 100,000 AZN – 100 AZN

- over 100,000 AZN – 275 AZN

- PSA goods, air transportation vehicles purchased under state guarantees, passport and personal identification templates, equipment and materials for the exporting oil and gas industry – 275 AZN, regardless of the total value of imported goods, plus 10 AZN for each additional sheet of customs declaration.

- transit transportation through Azerbaijan – 10 AZN, plus 10 AZN for each additional sheet of customs declaration.

- registration certificate for passenger vehicles, cargo vehicles, and buses – 20 AZN, for other vehicles – 15 AZN.

Imports of large-scale satellite dishes and other communications equipment requires the permission of the Ministry of Communications and High Technologies. American firms should be forewarned that customs clearances can be problematic, time-consuming, and bribes are often sought by customs officers.

U.S. Export Controls

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For information of goods subject to export restrictions, see the section below on Prohibited and Restricted Imports.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here:

<http://developer.trade.gov/consolidated-screening-list.html/>

Temporary Entry

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Personal items, tools of trade, and business samples may be imported with little problem. Goods to be displayed or exhibited may be brought in as temporarily imported goods for a period of time, but must be re-exported within the time stipulated to avoid paying import duties and taxes. American firms planning to exhibit at major trade exhibitions in Azerbaijan need to work closely with the show organizer well in advance to ensure timely and proper temporary declaration of goods to be exhibited. If sending samples via express mail, firms should contact the local courier service to get advice on declared customs value to avoid protracted and costly problems with customs officials. It is not common for items to enter the country to be repaired.

Labeling and Marking Requirements

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Azerbaijani legislation imposes special rules on labeling of food and agricultural products. The labels must be in Azerbaijani. English labels are also acceptable if information in Azerbaijani is also provided, although compliance, as seen on store shelves, is spotty at best.

Azerbaijani legislation requires the following product information to appear on the label, although, again, compliance is poor:

- Name and brand of the product
- Name and address of producing company
- Country of origin
- Expiration date/shelf life
- Nutrition and caloric values
- Net weight (grams or kilos)
- Usage instructions
- Name and type of packing material
- Storage instructions
- Licensing and certification information
- Special warnings, if applicable

If the product has a shelf life of less than three months, it must include the day, month, and year of expiration. If the shelf life is more than three months but less than eighteen months, the month and year are required. Products with a shelf life of more than three years are technically not allowed for sale in Azerbaijan. Fruit products must be labeled. Labels for fruit "juices" must specify whether the product contains fruit juice (90-100% concentrate), nectar (25-50% concentrate), or fruit drinks (up to 10% concentrate).

For more information, the State Committee on Standardization, Metrology and Patents manages these requirements: www.azstand.gov.az/

Prohibited and Restricted Imports

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The Government of Azerbaijan must approve, certify or license exports or imports of weapons, military equipment, explosives, special types of scientific and technical information for production of weapons, nuclear and radioactive materials and technologies, narcotic and psychotropic substances, blood and blood components, and unprocessed diamonds. In addition, it regulates the export of strategic commodities produced in Azerbaijan.

Export/import of the following goods also require government approval: wild animals and plants, and raw materials from them; information on the location of natural resources and thermal energy; works of art and antiques; results of scientific and other research, inventions; controlled psychotropic substances; medical equipment; insecticides; and veterinary drugs and substances. Prohibited and restricted imports and exports are subject to change. Please consult with industry professionals for the most up-to-date information on restrictions and regulations.

Customs Regulations and Contact Information

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A New Customs Code came into force in January 2012. Valuation of goods imported into Azerbaijan is based on the declared value that appears on the invoice. Import duties of 0.5, 5, 10 and 15% are then assessed accordingly, based on the Customs Tariff schedule of the Azerbaijan Republic. The maximum term for which goods may be stored in a customs warehouse is three years, after which they must either be declared or placed into storage facilities owned by the customs authorities. International firms have reported significant problems clearing goods through Azerbaijani customs in a timely manner.

Contact information:

State Customs Committee
2 Inshaatchilar Prospekt
Baku AZ1073, Azerbaijan
Tel: (99412) 404 22 00
(99412) 404 22 17
Web: www.customs.gov.az/en/
E-mail: international@customs.gov.az

Standards

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Overview

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Azerbaijan uses the metric system for weights and measures. Small appliances use European standard plugs and electric connectors. The State Veterinary Service (SVS) is responsible for ensuring basic health standards on imported food and animal products. State plant quarantine inspection laws ensure standards on products that may carry diseases, pests and/or weeds that have quarantine significance for Azerbaijan. Goods subject to inspection include plants, certain foodstuffs, wood, and leather.

The State Committee on Standardization, Metrology and Patents exercises authority over functions such as patenting and other standards areas. Over the course of several years, Azerbaijan has moved from defunct Soviet standards to developing new Azerbaijani standards and adopting some international standards, though this process is not yet complete. The Government of Azerbaijan is also moving to the adoption of many European Union standards in agricultural products.

Standards Organizations

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The State Committee on Standardization, Metrology and Patents develops unique national standards for Azerbaijan.
www.azstand.gov.az/

Conformity Assessment

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The State Committee on Standardization, Metrology and Patents is the main conformity assessment body in Azerbaijan.

Product Certification

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The State Committee on Standardization, Metrology and Patents exercises authority over product certification matters in Azerbaijan.

Accreditation

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The State Committee on Standardization, Metrology and Patents is the national accreditation body in Azerbaijan.

Publication of Technical Regulations

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The State Committee on Standardization, Metrology and Patents exercises authority over the publication of technical regulations in Azerbaijan.

Labeling and Marking

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The State Committee on Standardization, Metrology and Patents exercises authority over labeling and marking regulations in Azerbaijan.

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For questions on standards, firms should contact the State Committee on Standardization, Metrology and Patents. The point of contact for standards-related issues is: www.azstand.gov.az/

Trade Agreements

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Azerbaijan is working to accede to the World Trade Organization. Azerbaijan has signed bilateral free trade agreements with seven states of the former Soviet Union, although some trade liberalizing provisions have not yet taken effect. Azerbaijan signed agreements with: The Russian Federation (September 30, 1992); Moldova (May 26, 1995); Ukraine (July 28, 1995); Turkmenistan (March 18, 1996); Uzbekistan (May 27, 1996); Georgia (June 10, 1996); Kazakhstan (June 10, 1997); and Tajikistan (July 13, 2007).

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Chapter 6: Investment Climate

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Summary

The overall investment climate in Azerbaijan continues to improve incrementally, although significant challenges remain. Over the past few years, the Government of Azerbaijan has worked to integrate the country more fully into the global marketplace, attract foreign investment, diversify its economy and maintain growth. The 2.8% GDP growth in 2014 was driven by the non-oil economy and continued public investment. The European Bank for Reconstruction and Development forecasts slow GDP growth of 1.5% in 2015 as a result of the global drop in oil prices. Oil and gas products account for roughly 95% of Azerbaijan's export revenue. Economic diversification and greater foreign investment to further develop its energy sector continue to be the stated goals of President Aliyev and the government, but inefficient government bureaucracy, weak legal institutions, requests for illicit payments for cross-border transactions, and predatory behavior by politically-connected monopolistic interests hinder investment outside of the oil and gas sector and present challenges for U.S. companies. Azerbaijan has worked to improve its regulatory system over the past several years, but limited transparency and allegations of corruption remain key problems in this area.

Under Azerbaijani law, foreign investors may engage in investment activities not prohibited by law. Private entities may freely establish, acquire and dispose of interests in business enterprises. Foreign citizens, organizations, and enterprises may lease, but may not own land. The Law on the Protection of Foreign Investments protects foreign investors against nationalization and requisition, except under certain specified

circumstances. The Government of Azerbaijan has not shown any pattern of discriminating against U.S. persons or entities by way of an illegal expropriation. The Bilateral Investment Treaty between the United States and Azerbaijan provides U.S. investors with recourse to settle any investment dispute using the International Center for the Settlement of Investment Disputes (ICSID). The average length of time it takes for international business disputes to be resolved, either through the use of domestic courts or alternative methods of dispute resolution like mediation and/or arbitration, varies widely.

In February of 2015, Azerbaijan devalued its local currency the manat (AZN) by 35% to adjust to the drop in oil prices by putting pressure on the Central Bank's foreign currency reserves. In general, however, there are no restrictions on converting or transferring funds associated with an investment into freely usable currency at a legal, market-clearing rate. Azerbaijan has an underdeveloped financial services sector – of which banking comprises more than 90 percent – that inhibits economic stability, growth and diversification. Many state-owned enterprises (SOE's) enjoy quasi-governmental or near-monopoly status in their respective sectors, with unclear lines of separation between regulatory bodies and state corporate interests. Corporate Social Responsibility (CSR) is a relatively new concept in Azerbaijan and local companies generally consider basic charitable donations and paying taxes as acts of social responsibility. There have been no known acts of political violence against U.S. businesses or assets, nor against any foreign owned entity.

Openness to Foreign Investment

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Attitude toward Foreign Direct Investment

Over the past few years, the Government of Azerbaijan has worked to integrate the country more fully into the global economic marketplace, attract increased foreign investment, diversify its economy and maintain positive growth. Attracting foreign direct investment to support economic diversification continues to be the stated goal of President Aliyev and his government. Less than expected oil production over the past several years coupled with the 2014-2015 drop in oil prices – and their concomitant impact on oil revenues – may prompt the Azerbaijani government to pursue more comprehensive reforms, including completing its World Trade Organization (WTO) accession process.

Other Investment Policy Reviews

In the past three years, Azerbaijan has not conducted an Organization for Economic Cooperation and Development (OECD) investment policy review. Over the past few years, Azerbaijan has made gradual progress in the World Bank's, Doing Business Report:

<http://www.doingbusiness.org/data/exploreeconomies/azerbaijan/>

Laws/Regulations of Foreign Direct Investment

Foreign investment in Azerbaijan is regulated by a number of international treaties and agreements, as well as domestic legislation. These include the Azerbaijan-EC

Cooperation Agreement dated April 22, 1996; Law on Protection of Foreign Investment dated January 15, 1992 (the Foreign Investment Law); the Law on Investment Activity dated January 13, 1995 (the Investment Activity Law); the Law on Investment Funds, dated October 22, 2010 (the Investment Funds Law); the Law On Privatization of State Property dated May 16, 2000 (the Privatization Law); and the Second Program for Privatization of State Property of the Republic of Azerbaijan dated August 10, 2002 (the Second Privatization Program), as well as laws regulating specific sectors of the Azerbaijani economy. This legislation permits foreign direct investment in any activity in which a national investor may also invest, unless otherwise prohibited by law.

Industrial Promotion

The Government of Azerbaijan has targeted the following sectors for attracting investment: energy, transportation, agriculture, tourism, and information and communication technology.

Limits on Foreign Control

Restricted sectors on investment include those relating to national security and defense. The Government of Azerbaijan also exerts some measure of control over other key sectors, such as agriculture and communications. Foreign investments enjoy complete and unreserved legal protection granted by the Law on Protection of Foreign Investment, in addition to any other guarantees contained within international agreements or treaties. This law stipulates that Azerbaijan will treat foreign investors, including foreign partners in joint ventures, in a manner not less favorable than the treatment accorded to national investors and allows the repatriation of profits, revenues and other investment-related funds as long as applicable taxes have been paid. Azerbaijan has endorsed limits on foreign control in the domestic insurance market. In compliance with the amendments to the Law on Insurance Activity, approved by the Azerbaijani Parliament in 2013, the share of foreign capital for one individual in the equity capital of insurance companies cannot exceed 10%, while the total share of foreign capital in such equities cannot exceed 50% - with the exception of international financial institutions of which Azerbaijan is a member.

Privatization Program

Large-scale privatization has been particularly slow in Azerbaijan, and lags significantly behind that of other countries within the Commonwealth of Independent States (CIS). However, within the CIS, Azerbaijan scores higher than average with regards to small-scale privatization programs, which have also been comparatively more successful. Under Azerbaijani law, foreign investors can participate – according to existing legislation – in the privatization programs of state and municipal properties, and can invest in Azerbaijan through joint ventures with local companies or by establishing subsidiaries that are wholly-owned, as well as through representative offices and branches of foreign legal entities.

Screening of FDI

In 2008, Azerbaijan transferred responsibility for registering representative offices of foreign businesses, and the creation of business entities with foreign ownership, to the Ministry of Taxes based on the so-called “one-stop-shop” principle that greatly simplifies

the registration process and reduces waiting times. The registration of representative or branch offices of foreign non-commercial entities was not, however, transferred to the Ministry of Taxes and can be accessed in English at the following website: http://taxes.gov.az/modul.php?lang=_eng&name=birpencere&bolme=registration/; such entities are still required to register with the Ministry of Justice. The “online registration” system of legal entities has been available since 2012.

The World Bank’s, Investing Across Borders report offers an informative overview on how to start a business in Azerbaijan:

“It takes 7 procedures and 11 days to establish a foreign-owned limited liability company (LLC) in Azerbaijan. This is faster than the regional IAB average for Eastern Europe and Central Asia and much faster than the IAB global average. There are no additional procedures required of a foreign-owned company establishing a subsidiary in Baku, Azerbaijan’s capital, other than the requirement to provide an apostille or notarized and translated copy of the incorporation documents and charter of the parent company abroad. A foreign-owned company does not need to get an investment approval to establish itself in Azerbaijan. The company registration is completed at a one-stop shop that also serves for registration for VAT. The Ministry of Taxes issues the business registration within 3 business days and the VAT number within 5 days of application. In order to open a bank account (in local or foreign currency), the company submits a Ministry of Taxes registration form to the appropriate bank. The whole process can be done online and usually takes only 2–3 days. There is no minimal capital requirement for LLCs, although the capital must be fully paid in prior to the state registration.”

Source:

<http://iab.worldbank.org/data/exploreconomies/azerbaijan#starting-a-foreign-business/>

Competition Law

Over the past few years, Azerbaijan has been engaged in the process of updating several key pieces of legislation that impact the business environment. The State Committee for Antimonopoly Policy and Support of Entrepreneurship reviews transactions for competition-related concerns, whether domestic or international in nature. A new version of the Competition Code was undergoing revision in Parliament in late 2014, and some observers expect the law to pass finally in 2015. A hindrance to foreign direct investment is the difficulty of getting established Azerbaijani businesses to adapt to standard investor-friendly practices, such as those associated with the concept of good corporate governance or international accounting norms.

Investment Trends

The score and rank of Azerbaijan in the most current Transparency International Corruption Index, World Bank Doing Business Report, Global Innovation Index for Azerbaijan, and World Bank Gross National Income (GNI) per capita, and are included in the table below. Notably, Azerbaijan also ranked 38 out of 144 countries in the World Economic Forum Global Competitiveness Index (www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf), in large part due to maintaining a stable macroeconomic policy environment over the past decade.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	126 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	80 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	101 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	7,350 USD amount	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

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Foreign Exchange

There are no restrictions on converting or transferring funds associated with an investment into freely usable currency at a legal, market-clearing rate. Foreign exchange transactions are governed by the Law on Currency Regulation. The Central Bank administers the overall enforcement of currency regulation. It requires that local cash sales be conducted in Azerbaijani AZN (manats), in accordance with the Constitution. Foreign companies and individuals may have both AZN and foreign currency accounts at a local bank. Currency conversion is carried out through the Baku Interbank Currency Exchange Market (BICEX) and the Organized Interbank Currency Market. The average time for remitting investment returns is two to three business days. Some requirements on disclosure of the source of currency transfers have been imposed in an attempt to reduce illicit transactions.

In 2014, the county's strategic monetary reserves grew by 2.4 percent to over \$51.4 billion in November 2014, which included both foreign currency reserves (\$15 billion) and Azerbaijan's sovereign wealth fund assets (\$36.4 billion). However, due primarily to the erosion of Azerbaijan's balance of payments following the nearly 60% drop in oil global prices in 2014 – 2015, foreign currency reserves dropped 26% over a three-month period, falling to \$11.1 billion by the end of February 2015. Consequently, the Central Bank dropped the manat's peg in favor of a dollar/euro-weighted currency basket on February 16, 2015. On February 21, 2015, the Central Bank devalued the currency by 35% and set the new manat (AZN) rate at 1.05 against the U.S. dollar.

Remittance Policies

Foreign investors are subject to a corporate branch remittance tax of 10% on the remittance of all profits derived from business activities in Azerbaijan. There have not been any recent changes or plans to change investment remittance policies that either tighten or relax access to foreign exchange for investment remittances. There do not appear to be time limitations on remittances, including dividends; return on investment, interest and principal on private foreign debt; lease payments; royalties; and management fees. There do not appear to be limitations on the inflow or outflow of funds for remittances of profits or revenue.

For further guidance on corporate tax policies see:

[http://www.ey.com/Publication/vwLUAssets/EY-business-guide-Azerbaijan-2014/\\$FILE/EY-business-guide-Azerbaijan-2014.pdf/](http://www.ey.com/Publication/vwLUAssets/EY-business-guide-Azerbaijan-2014/$FILE/EY-business-guide-Azerbaijan-2014.pdf/)

Expropriation and Compensation

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The Law on the Protection of Foreign Investments protects foreign investors against nationalization and requisition, except under certain specified circumstances. The nationalization of property can occur when authorized by parliamentary resolution, although there have been no known cases of official nationalization or requisition against foreign firms in Azerbaijan. Requisition – by a decision of the Cabinet of Ministers – is possible in the event of natural disaster, an epidemic, or other extraordinary situation. In the event of nationalization or requisition, foreign investors are entitled to prompt, effective, and adequate compensation.

According to a local research organization (The Public Association for Assistance to a Free Economy), “Azerbaijani legislation allows the government to expropriate property in limited cases only, such as: a) for the construction of highway and communications infrastructure; b) for the protection of state borders; c) for the construction of defense and security premises; d) construction of extractive facilities. National law provides that a court order is required to expropriate property in Azerbaijan. Under national law, the government is required to purchase any property it expropriates at market value and pay an additional 20 per cent of market value as compensation to the owners. In practice, however, this does not happen. Neither national law nor administrative policies provides adequate protections for the rights of citizens in Azerbaijan. There are no effective domestic mechanisms for legal protection; nor any case law to support this provision. Moreover, there is no effective mechanism for formalizing unregistered properties, and no fair legal framework to deal with state expropriations of officially non-registered property. Evictions are therefore carried out in an arbitrary manner. Citizens in affected areas have no effective remedies in regard to obtaining fair compensation or adequate housing.”

Source:

http://www.freeeconomy.az/site/assets/files/1308/property_rights_in_azerbaijan.pdf/

The Government of Azerbaijan has not shown any pattern of discriminating against U.S. persons by way of direct expropriations. Indirect expropriation, such as confiscatory tax

regimes, is sometimes employed against international companies due to widespread corruption and monopolistic attempts to stifle competition.

Dispute Settlement

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Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Azerbaijani legal system is based on Civil Law. Disputes or disagreements arising between foreign investors and enterprises with foreign investment, state bodies of Azerbaijan, and/or enterprises, public organizations and other legal entities of Azerbaijan, are to be settled in the court systems of Azerbaijan or, on agreement between the parties, in a court of arbitration, including international arbitration bodies. However, the current judicial process is not reliable in practice. While the laws on the books promote foreign investment, in practice investment disputes can arise when a foreign investor or trader's success threatens well-connected or favored local interests.

The judiciary consists of the Constitutional Court of the Republic of Azerbaijan, the Supreme Court of the Republic of Azerbaijan, the appellate courts of the Republic of Azerbaijan, trial courts, and other specialized courts. The Supreme Court and appellate courts have civil, criminal, administrative, economic, and military panels. Trial court judgments may be appealed in appellate courts and the judgments of appellate courts can be appealed in the Supreme Court. The Supreme Court is the highest court in the country. Under the Civil Procedure Code of Azerbaijan, the judgments of the appellate court are published within three days of issuance but may, in exceptional circumstances, be published within ten days. The Constitutional Court has the authority to review laws and court judgments for compliance with the Constitution. The decisions of the Constitutional Court are published.

The procedure for the enforcement of foreign judgments in Azerbaijan is established by the Civil Procedure Code. The Code only requires the enforcement of foreign judgments either pursuant to an international treaty or based on the principle of reciprocity and provides that foreign arbitral awards may be enforced in Azerbaijan, only so long as they do not contravene local legislation or public policy, and if reciprocity exists. A Bilateral Investment Treaty between the United States and Azerbaijan – which came into effect in 2001 – provides U.S. investors with recourse for the settlement of investment disputes through the International Center for the Settlement of Investment Disputes.

The Law on Protection of Foreign Investments, dated January 15, 1992 (the Foreign Investment Law), provides guidance to foreign investors seeking to resolve investment disputes, either through Azerbaijani courts or alternatively through dispute resolution procedures agreed to by the parties involved. This may include international arbitration, either in Azerbaijan or abroad. The Law on International Arbitration, dated November 18, 1999 (the Arbitration Law), provides guidance on the conduct of international arbitration in Azerbaijan.

Azerbaijan has entered into several other bilateral treaties – principally with neighboring states – to facilitate the enforcement of foreign judgments, and is a party to the 2004 Commonwealth of Independent States (CIS) Convention on Mutual Legal Assistance in Civil, Family and Criminal Cases. In addition, Azerbaijan is a party to the Convention on

Resolving Business Disputes, dated March 20, 1992 (also known as the Kyiv Convention). Azerbaijan is also a member of the Multilateral Investment Guarantee Agency (MIGA).

Bankruptcy

Azerbaijan's Bankruptcy Law, which does not function effectively and is rarely used, continues to be a hindrance to economic development, as does the country's weak credit reporting institutions. Under this law, bankruptcy proceedings may be commenced by either a debtor facing insolvency or any creditor. In general, the legislation is focused on liquidation procedures. For example, a court-approved "rehabilitation plan" may not exceed two years.

The World Bank's Doing Business Report includes in its country rankings the ease of "resolving insolvency." Rankings are available at:

<http://www.doingbusiness.org/rankings/>

Investment Disputes

Over the past 10 years, there has not been any visible pattern of investment disputes that have specifically discriminated against U.S. persons or other foreign investors. Property disputes have occasionally appeared in local media, as discussed above.

International Arbitration

The Law on International Arbitration guides the process of international arbitration in Azerbaijan:

"Under these rules, parties may select independent arbitrators of any nationality, proceedings may be conducted in any language chosen by the parties, the applicable law (except for those matters that must be exclusively resolved under Azerbaijani legislation) and arbitration procedure may be chosen by the parties, and, in general, parties may stipulate the terms of the arbitration process. Where the terms have not been stipulated by the parties, any omission may be resolved by the Supreme Court of the Republic of Azerbaijan."

Source:

http://www.bakermckenzie.com/files/Uploads/Documents/Supporting%20Your%20Business/Global%20Markets%20QRGs/DBI%20Azerbaijan/bk_dbi_azerbaijan_judicialsystem.pdf/

ICSID Convention and New York Convention

Azerbaijan is a member of the International Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID convention).

Azerbaijan is also a party to the 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention, which provides for the recognition of foreign arbitral awards resulting from international arbitration.

Duration of Dispute Resolution

The length of time it takes to obtain a resolution on an investment/commercial dispute proceeding within Azerbaijan varies considerably.

Performance Requirements and Incentives

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WTO/TRIMS

Azerbaijan is not a member of the World Trade Organization (WTO). Azerbaijan's Working Party was established on 16 July 1997 and the First meeting of the Working Party was held in June 2002. Negotiations regarding market access are underway on the basis of revised offers in goods and services. Since December 2013, multilateral work has been proceeding on the basis of a Draft Working Party Report. The twelfth meeting of the Working Party took place in Geneva in March 2015.

Ongoing issues pending resolution include the application of discriminatory tax exemptions in Azerbaijan, production sharing agreements, local content requirements and investment incentives, state trading enterprises, permit requirements for alcohol and tobacco products, Azerbaijan's commitment to join the Information Technology Agreement, existing technical barriers to trade (product standards and certification), transition periods for implementing WTO Agreements, and agricultural and non-agricultural export subsidies. Since Azerbaijan is not a WTO member it has also not ratified TRIMS.

Investment Incentives

Since 2013, new amendments to the Tax Code have created an exemption from income, land, and property taxes for business parks in Azerbaijan, for example in the area of information technology. The amendments also provide for tax and customs privileges for the residents of industrial and technological parks for a term of seven years.

Research and Development

There are no restrictions on the ability of U.S. and/or other foreign firms to participate in government-financed and/or subsidized research and development programs in Azerbaijan.

Performance Requirements

Performance requirements are generally not imposed on new investments, but investors that participate in the privatization process often assume specific obligations regarding future investment and employment. Foreign investors are not normally required to purchase from local sources or export a certain percentage of output. Except for certain state monopolies, there is no explicit requirement that nationals own shares in enterprises. Investors in Production Sharing Agreements (PSAs) assume obligations and requirements as provided within the PSA.

There is, however, an overall limit on the number of foreign workers permitted in Azerbaijan, as well as sectorial limits. Employers wishing to hire foreign workers in Azerbaijan must obtain a license from the Ministry of Labor. Foreigners who wish to work in Azerbaijan must register with local authorities at their place of residence and obtain work permits from the State Migration Service. If foreign workers enter Azerbaijan without work permits, and have to extend their visits for more than 90 days within one calendar year, they are required to submit work permit applications within 30 days of arrival. Not submitting this documentation will lead to deportation/removal from Azerbaijan.

In 2014, the Cabinet of Minister's ruled that business travelers in specific industries may work in Azerbaijan for up to 90 days per year without having a work permit. The eight industries that fall under this provision include: education, finance and insurance, information and communication technology, manufacturing, mining, power, gas, steam and artificial atmosphere supply, transportation, water supply, waste and sewage treatment. According to this new provision, business travelers in sectors not covered above may need to apply for work permits even for trips under 90 days.

Sole proprietors, heads of representative offices, and branches of foreign legal entities and their deputies, short-term (three months or less) , accredited foreign media representatives, education specialists, diplomats and international civil servants do not require work permits. As of July 2009, the State Migration Service (SMS) decreed a one-stop shop system for work and residency permits. According to this single window principle, within seven days of application, foreigners applying for residence and work permits should receive these documents, although not all applicants experience this level of efficiency. As of 2015, the fee to acquire a one-year license for a migrant worker is equal to 1,379 AZN (approximately \$1,277).

Despite these regulations, major U.S. and other international firms have encountered problems registering their expatriate employees with the State Migration Service.

Data Storage

There are no requirements for foreign IT providers to turn over source code or provide access to surveillance (backdoors into hardware/software or turn over keys for encryption).

Right to Private Ownership and Establishment

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The Land Code recognizes state, municipal, and private ownership of land in Azerbaijan. All types of ownership rights are equal. Only Azerbaijani citizens and Azerbaijani legal entities, including enterprises with foreign investment, may legally own land in Azerbaijan, according to the 1999 Land Code.

Under Azerbaijani law, private entities may freely establish, acquire and dispose of interests in business enterprises. However, in practice, access to markets, credit and other business operations is often impeded by licensing and other regulatory requirements, and by politically connected business interests that can mobilize the powers of the state to their advantage. In sectors of interest to certain senior government and political figures, competition is actively impeded through administrative

barriers. Legislation regulating real property rights include the Law on Mortgage (2005), the Land Code of the Republic of Azerbaijan (1999), the Law on Land Reform (1996), the Law on Land Leasing (1999), and the Law on Land Market (1999).

Protection of Property Rights

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Real Property

In 2006, the Government centralized the processing of residential real estate transactions through a network of notary offices under the Ministry of Justice. Since 2013, Azerbaijan's State Real Estate Registry Service at the Committee for Property Issues has been the lead agency that manages the real estate registration system. Azerbaijan has been working with the World Bank to improve the property registration system, but the system remains awash with bureaucratic requirements and is generally seen as corrupt and inefficient. In 2015, the Index of Economic Freedom gave Azerbaijan less than favorable scores regarding the protection of private property rights.

The World Bank's Doing Business Report includes in its country rankings on the Ease of Registering Property. Rankings available at: <http://www.doingbusiness.org/rankings/>

Intellectual Property Rights

In Azerbaijan, the legal structure covering IP protections is relatively strong. However, the level of enforcement within the country could be improved. Piracy and blatant infringements on intellectual property rights, such as fake international computer shops that are open for business in the capital, are commonplace. The Business Software Alliance put the software piracy figure at 85% in 2013. Moreover, the estimated value of unlicensed software in Azerbaijan was \$103 Million in 2013, compared to \$52 Million in 2009.

The Government of Azerbaijan does not publish statistics on seizures of counterfeit goods.

In the mid-1990s, Azerbaijan began implementing a national system for registering and protecting intellectual property rights (IPR) with the assistance of the World Intellectual Property Organization (WIPO), of which it is a member. Intellectual property rights in Azerbaijan include protections on all types of property, including inventions, industrial designs, utility models, trademarks, geographic names, domain names, and copyright and related rights. The process of registering each type of intellectual property is relatively straightforward. Azerbaijan enacted improved copyright legislation (Law on Copyright and Related Rights) in 1996 (amended in 2008), patent legislation (Law on Patents) in 1997, and trademark protection legislation (Law on Trademarks and Geographic Names) in 1998. The law On Securing Intellectual Property Rights and Combating Piracy, which was ratified in October 2012, brought Azerbaijan's intellectual property regime more closely in line with the WTO Trade-Related Intellectual Property Rights (TRIPS) agreement and satisfied many of the requirements of the WTO Working Party as part of Azerbaijan's WTO accession process.

Azerbaijan also is a party to the Convention Establishing the World Intellectual Property Organization, the Paris Convention for Protection of Industrial Property, and the Berne

Convention for the Protection of Literary and Artistic Works. Azerbaijan is a party to the Geneva Phonograms Convention, and acceded to the two WIPO Internet treaties in 2005. Violation of intellectual property rights can result in civil, criminal, and administrative charges. Azerbaijan tracks and reports on seizures of counterfeit goods, and published government statistics indicate that IP protections are gradually improving.

Resources for Rights Holders

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at: <http://www.wipo.int/directory/en/>

Embassy POC:

YUSIF ABASOV
ECONOMIC AND COMMERCIAL SECTION
U.S. Embassy Baku, Azerbaijan
+994 12 488-3300
BakuCommercial@state.gov

A list of local lawyers is available at: http://azerbaijan.usembassy.gov/legal_info.html/

Transparency of Regulatory System

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The Government of Azerbaijan has worked to improve its regulatory system over the past several years, using transparent policies and effective laws to foster competition and establish "clear rules of the game." Legal, regulatory, and accounting systems are slowly approaching international norms. However, continued limited transparency and allegations of corruption in the regulatory system remain a problem. Draft bills are not made available for public comment or run through a public consultation process. Azerbaijan has yet to develop informal regulatory processes managed by private sector associations. This limited transparency and inconsistent enforcement of rules to foster competition are serious impediments to foreign direct investment.

In August 2013, Azerbaijan's Parliament passed a law on the regulation of inspections in entrepreneurship and the protection of the rights of entrepreneurs. Following the law, businesses are to be divided into high, medium, and low risk groups, with the frequency of inspections regulated by these risk categories. Entrepreneurs who have not committed any legal infraction for a set period of time are categorized as low risk groups, which will result in less frequent inspections and may reduce opportunities for soliciting informal payments.

In October 2011, the President of Azerbaijan issued a decree calling on the Cabinet of Ministers to develop a Law on Licenses and Permits. The IFC and USAID have provided assistance in this effort. Despite plans to adopt 29 national accounting standards, so as to be in line with International Financial Reporting Standards (IFRS) by 2009, as of 2015 audited financial statements have only been adopted in banking, finance, and the energy sector (SOCAR).

Azerbaijan has an underdeveloped financial services sector – of which banking comprises more than 90 percent – that inhibits economic stability, growth and diversification. Non-bank financial sector staples such as capital markets, insurance, and private equity are in the early stages of development. An effective regulatory system that encourages and facilitates portfolio investment, foreign or domestic, is not fully in place. There is not sufficient liquidity in the markets to enter and exit sizeable positions, and existing policies limit the free flow of financial resources into the product and factor markets. However, the Government of Azerbaijan and Central Bank respect IMF Article VIII by refraining from restrictions on payments and transfers for current international transactions, and credit is allocated on market terms. Foreign investors are also able to obtain credit on the local market, and the private sector has access to a variety of credit instruments.

As the banking supervisory authority, the Central Bank issues licenses to banks and non-bank credit organizations, and also establishes minimum charter capital, net worth, and other financial requirements.

Money and Banking System, Hostile Takeovers

Over the past decade, the banking sector has benefited from the government's investment of oil revenues in the non-oil economy, and the rapid expansion of higher margin retail and micro-lending. With oil revenues declining, Azerbaijan's banking sector may face significant increases in nonperforming loans. Average lending growth for the sector in 2015 is expected to grow between 10%-13%. The prevalence of cash transactions – estimated at 70% by Central Bank authorities – hinders the development of the financial system. Non-resident foreigners may legally establish bank accounts in Azerbaijan. There have been no public cases of hostile take-overs in Azerbaijan.

As of the end of the third quarter of 2014, there were 44 banks registered in Azerbaijan, including 22 banks with international activities. Because banks rarely compete directly against each other for market share, they have little incentive to offer competitive terms. Commercial loan interest rates offered by banks in 2014-2015 varied in the range of 16-34 percent. Total banking sector assets stood at approximately \$26 billion as of February 2015, with the top five banks holding almost 58% of this figure. The state-owned International Bank of Azerbaijan (IBA) accounts for approximately 35-50% of the country's banking assets and has received several large cash infusions over the past several years from the government to ensure its solvency. The Central Bank of Azerbaijan (CBA) has been focused on encouraging consolidation in the sector, and in August 2012 the CBA raised the minimum capital requirement from 10 million AZN to 50 million AZN, effective January 1, 2014. As of February 2015, 23 banks had assets which totaled approximately AZN 50-60 million, 9 banks had assets of AZN 60-100 million, and 9 banks had assets over AZN 100 million. Several recent projects designed to strengthen Azerbaijan's financial services sector, including the Capital Market Modernization Project (CMMP), the diversification of the State Oil Fund's (SOFAZ) investment strategy, and pension reform represent opportunities for U.S. firms that provide asset management and global custodian services.

Although the Baku Stock Exchange (BSE) was established in 2000, the securities market still is at an early stage of development. The CMMP is an attempt by the

Government of Azerbaijan to build the foundation for a modern financial capital market, including the development of market infrastructure and automation, and the strengthening of the legal and market frameworks for capital transactions. One major hindrance to the growth of the stock market is the difficulty in encouraging established Azerbaijani businesses to adapt to standard investor-friendly practices of good corporate governance that are required of publicly listed companies.

In March 2015, Fitch Ratings affirmed Azerbaijan's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BBB-'. Standard & Poor's lowered the outlook on Azerbaijan's BBB- credit rating to negative on January 30, 2015 citing the oil-price decline and pressure on the manat (AZN) from "weaker terms of trade." In February 2015, Moody's warned that the assets of Azerbaijani banks were at risk. This assessment came immediately after the devaluation.

Competition from State Owned Enterprises

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In Azerbaijan, State-Owned Enterprises (SOEs) are active in the oil and gas, power generation, water supply, railway, and air passenger and cargo sectors. There is no published list of SOEs. Statistics are not available on the percentage of resources SOEs allocate to research and development (R&D). While there are no SOEs that officially have been delegated governmental powers, companies such as the State Oil Company of the Azerbaijan Republic (SOCAR), Azerenerji (electricity) and Azersu (water) – all of which are closed joint-stock companies with majority state ownership and limited private investment – enjoy quasi-governmental or near-monopoly status in their respective sectors.

Many powerful state-owned enterprises can use their regulatory authority to block new entrants into the market – a clear conflict of interest. In sectors that are open to both the private sector and foreign competition, SOEs generally receive a larger percentage of government contracts or business than their private sector competitors. While SOEs regularly purchase or supply goods or services from private sector firms, domestic or foreign, private enterprises cannot compete with SOEs under the same terms and conditions with respect to market share, products and services, or incentives. Private enterprises do not have the same access (including terms) to financing as SOEs. However, SOEs are subject to the same tax burden and tax rebate policies as their private sector competitors. SOEs are also afforded material advantages such as preferential access to land and raw materials, advantages that are not available to private enterprises. There is little information available on Azerbaijani SOEs' budget constraints due to the limited transparency in their financial accounts.

OECD Guidelines on Corporate Governance of SOEs

Information is not available on the extent to which SOEs in Azerbaijan adhere to the OECD Guidelines on Corporate Governance for SOEs.

Sovereign Wealth Funds

Azerbaijan's sovereign wealth fund is the State Oil Fund of Azerbaijan (SOFAZ). Its mission is to transform depleting hydrocarbon reserves into financial assets generating perpetual income for current and future generations and to finance strategically

important infrastructure and social projects of national scale. Since it was established in 1999, SOFAZ has financed several projects relating to infrastructure, housing, energy infrastructure, and education. SOFAZ publishes an annual report, complies with the Extractive Industries Transparency Initiative, and submits its books to an independent audit. The fund's assets totaled \$34.7 billion as of April 2015.

Corporate Social Responsibility

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Corporate Social Responsibility (CSR) is a relatively new concept in Azerbaijan. Producers and consumers do not have a general awareness of corporate social responsibility, including environmental, social, and governance issues. No information is currently available on legal corporate governance, accounting, and executive compensation standards to protect shareholders in Azerbaijan. Larger foreign entities tend to follow generally accepted CSR principles – mainly in line with their international corporate ethos – and aim to educate their local partners, who generally consider basic charitable donations and paying taxes as acts of social responsibility. The American Chamber of Commerce in Azerbaijan established a Corporate Social Responsibility Committee in October 2011 to encourage companies to embrace the concept of social responsibility and encourage a positive impact through activities and dialogue with relevant stakeholders. The Chamber also has published a guide on corporate social responsibility for businesses in Azerbaijan.

OECD Guidelines for Multinational Enterprises

No information is available on the extent to which Azerbaijan encourages foreign and local enterprises to follow generally accepted CSR principles in the OECD Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights, endorsed by the UN Human Rights Council.

Political Violence

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There have been no known acts of political violence against U.S. businesses or assets, nor against any foreign owned entity.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the

foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

<http://www.justice.gov/criminal/fraud/fcpa/guidance/>. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: <http://www.justice.gov/criminal/fraud/fcpa/>.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (negotiated under the auspices of the OECD), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

OECD Antibribery Convention: The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see <http://www.oecd.org/corruption/oecdantibriberyconvention.htm/>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. Azerbaijan is not a party to the Antibribery Convention.

UN Convention: The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html/>). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Azerbaijan is a party to the UN Convention.

Council of Europe Criminal Law and Civil Law Conventions on Corruption: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp/. As of January 2015, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173/>; <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174/>). Azerbaijan is a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements/>. Azerbaijan does not have a free trade agreement (FTA) in place with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas.

The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs/.

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp/. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa/ and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at <http://www.justice.gov/criminal/fraud/fcpa/guidance/>. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives/>. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Pervasive corruption – including bribery of public officials – continues to be a major challenge for U.S. and other international firms operating in Azerbaijan. Although anti-corruption legislation is in place and the government has taken some steps to tackle low-level corruption, corrupt practices remain a barrier to greater foreign investment. Azerbaijan does not require private companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials, nor does it provide protections to NGO's involved in investigating corruption. Nevertheless, some private companies use internal controls, ethics, and compliance programs to detect and prevent bribery of government officials. U.S. firms have identified pervasive corruption as an obstacle to FDI in the following sectors: government procurement, awarding of licenses

or concessions, transfers, performance requirements, dispute settlement, regulatory system, customs, and taxation.

The Government of Azerbaijan recognizes that corruption is a problem, and has been a participant in regional anti-corruption initiatives, but to date laws and regulations to combat corruption have not been effectively or consistently enforced. Azerbaijan has made modest progress in implementing a 2005 Anticorruption Law, which created a commission with the authority to require full financial disclosure from government officials.

On September 5, 2012, President Aliyev issued a decree for a National Action Plan on Open Government and a National Action Plan on Combating Corruption. ASAN service centers created by the State Agency for Public Service and Social Innovations, under the President of the Republic of Azerbaijan, were established in July 2012 by Presidential decree and became operational in February 2013. Eight centers provide 23 government services from nine state entities, including the registration of commercial legal entities and tax payers, notary services, state registration of civil status acts, and the renewal of identity cards/passports of citizens. ASAN centers are intended to provide more transparent and accountable services through a “one window” model that reduces opportunities for rent-seeking and petty government corruption.

In 2014, Azerbaijan’s modest improvements in combating petty corruption were reflected by the global anticorruption watchdog Transparency International, which ranked Azerbaijan 126 out of 175 countries on its Corruption Perceptions Index. Popular opinion identifies the State Customs Committee as the institution of greatest concern to businesses in Azerbaijan, followed by the Ministry of Taxes – though the reputation of the tax authorities has improved recently as corruption-reducing reforms have been implemented. Transparency’s 2013 Global Corruption Barometer – which examined bribery involved in people’s contact with customs, education, the judiciary, land related services, medical services, the police, registry and permit services, tax authorities and utilities – found that roughly 50% of Azerbaijani respondents had paid a bribe to one of the nine service providers in the twelve preceding months.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Azerbaijan signed and ratified the UN Anticorruption Convention and is a signatory to the Council of Europe Criminal and Civil Law Conventions. Azerbaijan is not currently a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Azerbaijan has also been a participant in the Extractive Industries Transparency Initiative (EITI). In 2009, Azerbaijan became the first participating country to become fully compliant with EITI requirements. Azerbaijan is currently undergoing validation under the new “EITI Standard,” which requires more detailed reporting, including payments made by individual companies.

Resources to Report Corruption

Contact at Government of Azerbaijan responsible for combating corruption:

Vusal Huseynov

Executive Secretary
Commission on Combating Corruption
Baku, Azerbaijan
(+994 12) 492-04-65
vusal.h@pa.gov.az

Contact at Transparency Azerbaijan (local chapter of Transparency International):

Rena Safaraliyeva
Executive Director
Transparency Azerbaijan
Baku, Azerbaijan
(+994 12) 497 81 70
rena@transparency.az

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa/> and <http://www.justice.gov/criminal/fraud/fcpa/guidance/>
- The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: <https://www.sec.gov/spotlight/fcpa.shtml/>. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.
- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives/>.
- The Trade Compliance Center hosts a website with anti-bribery resources, at <http://tcc.export.gov/Bribery/>. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: <http://www.oecd.org/corruption/oecdantibriberyconvention.htm/> See also

Antibribery Recommendation <http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm/> and Good Practice Guidance Annex for companies: <http://www.oecd.org/daf/anti-bribery/44884389.pdf/>.

- GRECO monitoring reports can be found at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp/
- MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm/
- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at <http://businessethics.apec.org/>, and the APEC Anti-Corruption and Transparency Working Group, at <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx/>. For more information on APEC generally, <http://www.apec.org/>.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview/>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/research/gcr/>.
- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See <http://info.worldbank.org/governance/wgi/index.aspx#home/>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS/>. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: <http://www.doingbusiness.org/>.
- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in

four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See <http://www.weforum.org/reports/global-enabling-trade-report-2014/>.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. (The 2012 and 2013 reports covered a small number of countries as the organization focused on re-launching a modernized methodology in mid-2014.) For more information on the report, see <https://www.globalintegrity.org/global-report/what-is-gi-report/>.

Bilateral Investment Agreements

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Azerbaijan has signed 48 Bilateral Investment Treaties (BIT) – including one with the United States – and 40 Tax Treaties to protect against double taxation.

The 2001 BIT between the United States and the Government of the Republic of Azerbaijan encourages the reciprocal protection of investment.

Azerbaijan also has bilateral investment treaties with the following countries: Albania, Austria, Belarus, Belgium, Bulgaria, Czech Republic, China, Croatia, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Iran, Israel, Italy, Jordan, Kazakhstan, Korea, Kyrgyzstan, Latvia, Lithuania, Lebanon, Macedonia, Montenegro, Moldova, Norway, Pakistan, Poland, Qatar, Romania, Russia, Serbia, Saudi Arabia, Syria, Switzerland, Tajikistan, Turkey, UAE, Ukraine, the United Kingdom, and Uzbekistan.

Bilateral Taxation Treaties

The United States currently does not have a tax treaty with Azerbaijan. The United States and Azerbaijan are however parties to the OECD Convention on Mutual Administrative Assistance in Tax Matters. Over the past year, Azerbaijan has made progress in finalizing an intergovernmental agreement with the United States on implementing the Foreign Account Tax Compliance Act (FATCA). As of May 2015, the United States and Azerbaijan had reached an agreement in substance on what is known as the “IGA Model 1a” agreement and expect this IGA will be signed in the second half of 2015.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) and the U.S. Export-Import (Ex-Im) Bank are open for business in Azerbaijan, providing political risk insurance, as well as financing and loan guarantees. Azerbaijan is also a member of the Multilateral Investment Guarantee Agency (MIGA), and the European Bank for Reconstruction and Development (EBRD). The World Bank, Asian Development Bank, and other third-country institutions are active in providing financing and insurance for investment in Azerbaijan.

OPIC has repeatedly provided funds for numerous banks operating in Azerbaijan in order to expand their small and medium enterprise (SME) lending portfolios, including \$4.8 million to Rabita Bank in 2008 and \$7.3 million to Turan Bank in 2009. In 2011, OPIC provided Muganbank a loan guarantee for \$10 million to expand its operations, targeting SME borrowers. OPIC has also provided \$1 million and \$3 million, respectively, to FinDev and CredAgro for microfinance lending. In 2012, OPIC provided loan insurance to Viator Microcredit Azerbaijan LLC (\$500,000), NBCO Vision Fund Azercredit LLC (2 million USD), and FinDev again (\$1 million). In 2013, OPIC signed a memorandum with Turanbank for a loan in the amount of \$7 million with a term of seven years for SME financing.

In its 2014 annual report, the Export-Import Bank of the United States (Ex-Im Bank) stated that it has outstanding insurance and loan guarantees for Azerbaijan in the amount of \$419.4 million, primarily in support of aviation sales. In 2011, Ex-Im Bank closed a \$116.6 million loan with a ten-year repayment period to finance the Azerbaijani space agency's purchase of the AzerSat-1 satellite from Orbital Sciences.

Labor

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A Labor Code that took effect in 1999 still regulates overall labor relations and recognizes international labor rights. The work week generally is considered to be 40 hours. The right to strike exists, though industrial strikes are rare. Azerbaijan is a member of the International Labor Organization (ILO) and has ratified more than 57 ILO Conventions. In practice, labor unions are strongly tied to political interests. Collective bargaining is not practiced. Azerbaijan has regulations to monitor labor abuses, health, and safety standards in low-wage assembly operations, but enforcement is less effective.

Azerbaijan has an abundant supply of semi-skilled and unskilled laborers. However, the relatively limited supply of highly skilled labor remains one of the biggest challenges in Azerbaijan's labor market. As of 2015, government sources estimate the rate of unemployment at five percent, but other sources estimate the figure at 15% or higher, with underemployment being much higher.

The average monthly salary as of March 2015 was \$440. Upon termination of employment, employers must pay departing employees monetary compensation for unused vacation leave. Azerbaijan currently is working with the World Bank and the European Union on a program to reform the state pension system.

Foreign-Trade Zones/Free Ports

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Although the government announced its intention to create special economic zones in 2003 – and passed a law to establish such zones in 2009 – currently there are no foreign trade zones or free ports operating in Azerbaijan. Certain ministries – the Ministry of Economy and Industry, the Ministry of Finance, and the Ministry of Communications and High Technologies – continue to discuss plans for creating special economic zones, including a petrochemical complex, regional innovation zones to boost development of the telecommunications sector and turn Azerbaijan into a regional

information and communications technologies hub, and a special zone to encourage the production of renewable energy. Such projects represent consulting, engineering, and other commercial opportunities for international firms.

Foreign Direct Investment Statistics

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Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	73.7	2013	73.5	www.worldbank.org/en/country/
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	24.4	N/A	N/A	N/A
Host country's FDI in the United States (\$M USD, stock positions)	2013	N/A	2013	N/A	N/A
Total inbound stock of FDI as % host GDP	2013	N/A	2013	N/A	N/A

*<http://www.stat.gov.az/source/finance/indexen.php/>

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment

Outward Direct Investment

Total Inward	13,750	100%	Total Outward	9,005	100%
Turkey	2,477	18%	Turkey	4,382	49%
Norway	2,285	17%	Georgia	2,774	31%
United Kingdom	1,965	14%	Switzerland	611	7%
Iran, Islamic Republic of	1,088	8%	France	142	2%
Netherlands	780	6%	United Kingdom	136	2%

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data are not available for Azerbaijan.

Contact Point at Post

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YUSIF ABASOV
 ECONOMIC AND COMMERCIAL SECTION
 U.S. Embassy Baku, Azerbaijan
 +994 12 488-3300
 BakuCommercial@state.gov

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Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
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How Do I Get Paid (Methods of Payment)

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In many areas of the economy, retail transactions are still done on a “cash and carry” basis. However, dependence on a cash economy is decreasing, and ATMs and credit/debit card payment machines are increasingly available in the retail market. Large transactions are accomplished through inter-bank wire transfers. Personal checks are not accepted anywhere. Credit-rating and collection agencies are not developed in Azerbaijan.

How Does the Banking System Operate

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Many banks offer short-term trade financing, but long-term loans, project financing, and mortgages are only slowly becoming available and at steep interest rates.

It is estimated that significant amounts of cash are held outside the banking sector, presenting a key challenge for the government to bring this capital into the formal banking system. Azerbaijan's bankruptcy law does not function effectively. Although long-term lending is increasing and the quality of the loan book is improving, the sector plays a small role in financing the real economy. Lack of credit, stringent collateral requirements, high interest rates, and an inability to assess credit risk are key constraints to the development of private business.

Azerbaijani banks offer costly lending terms, usually 10-35 percent, but occasionally higher interest in dollar-denominated loans with a maximum two-year term. Many Azerbaijani firms cannot afford such loans and turn to private sources (i.e., personal deals) for finance. The average lending rate was reported at 14% in 2014. Some Azerbaijani banks have begun lending to the private sector, including construction, telecoms, food processing, and packaging. United States firms are advised to consult external sources of finance, including the U.S. Export-Import Bank and other development banks that can often offer trade and project finance that is unavailable or too expensive from local commercial banks. Western businesses use a handful of local banks for their local business dealings and several have correspondent relationships with U.S. banks.

Foreign-Exchange Controls

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Azerbaijan has a liberal exchange system and, in general, there are no restrictions on converting or transferring funds into freely usable currency at a legal, market-clearing rate. For more information, see Conversion and Transfer Policies in Chapter 6.

U.S. Banks and Local Correspondent Banks

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Name of Azerbaijani bank	Name of U.S. bank-correspondent
International Bank of Azerbaijan	The Bank of New York Mellon Standard Chartered Bank New York UBS AG
YapiKredi Bank	The Bank of New York Mellon
Bank Respublika	American Express Bank Ltd
AGBank	Deutsche Bank Trust Company Americas, New York The Bank of New York Mellon
Bank Standard	American Express Bank Ltd Deutsche Bank Trust Company Americas, New York

Project Financing

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How to Finance Exports?

Letters of credit, confirmed by Western banks, are the usual method for small to medium size transactions in Azerbaijan. Several Azerbaijani banks have long-standing relationships with Western banks (see Correspondent Accounts above) that can provide confirmation of L/C's opened by the Azerbaijani importer.

The U.S. Export – Import Bank (Ex-Im Bank) provides finance and insurance products for the overseas sales of U.S. goods and services. To qualify for Ex-Im Bank support, the product or service must have at least 80 percent U.S. content.

Project Finance

Overseas Private Investment Corporation

The mission of the Overseas Private Investment Corporation (OPIC) is to mobilize and facilitate the participation of U.S. private capital and skills in economic and social development. The Overseas Private Investment Corporation assists American investors through four principal activities designed to promote overseas investment and reduce

associated risks:

- Financing of businesses through loans and loan guarantees;
- Supporting private investment funds which provide equity for U.S. companies investing in projects overseas;
- Insuring investments against a broad range of political risks; and
- Engaging in outreach activities designed to inform the American business community of investment opportunities overseas.

Asian Development Bank

Azerbaijan became a member of the Asian Development Bank (ADB), Asia's premier non-profit financial institution, in 1999. Since joining the ADB, Azerbaijan has received \$1.6 billion in loans. The ADB's operations in Azerbaijan focus on support for hard and soft infrastructure and private sector operations in the oil and gas industry, trade finance, and commercial bank lending to support small and medium-sized enterprises and agribusiness. Baku hosted the ADB's annual meeting in May 2015.

World Bank and International Finance Corporation

The World Bank is working with the Government of Azerbaijan to strengthen the government's institutional capacity to manage its petroleum resources and formulate key policy changes to accelerate reform. The World Bank maintains a local representative office in Baku. The International Finance Corporation (IFC), the private sector arm of the World Bank, maintains an active business development portfolio. U.S. firms should also review opportunities for World Bank consultancies and other tenders as an excellent method to establish a business presence in Azerbaijan.

European Bank for Reconstruction and Development

The EBRD has prioritized the economic diversification of the non-oil and gas sectors, the development of a sustainable financial sector that is able to support private sector growth as well as rural and regional development. To date the Bank has invested in 155 projects with over US\$ 2.3 billion across various sectors of the economy.

Web Resources

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Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team:

<http://www.export.gov/tradefinanceguide/index.asp/>

Export-Import Bank of the United States: <http://www.exim.gov/>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html/

OPIC: <http://www.opic.gov/>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm/>
U.S. Agency for International Development: <http://www.usaid.gov/>
ADB: www.adb.org/
EBRD: <http://www.ebrd.com/azerbaijan.html/>
World Bank: www.worldbank.org/en/country/azerbaijan/
Information on Correspondent Banks: <http://en.bank.abc.az/index.php?p=28&mid=2/>

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Chapter 8: Business Travel

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Business Customs

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Azerbaijan is a crossroads of Near Eastern, Western, and post-Soviet business cultures. It is advisable to send a brief letter introducing yourself and your U.S. firm in Azerbaijani or Russian to allow your potential business partner in Azerbaijan to know more about you and your company in advance. Professional business attire is appropriate. Business cards are generally exchanged during initial meetings, with one side of the card in Azerbaijani and the other in English (or Russian). Azerbaijanis often offer visitors tea and sweets. Azerbaijanis tend to be very polite and hospitable, but can appear to U.S. businessmen as vague and noncommittal in business transactions. Business takes time and patience in Azerbaijan, and depends on the personal relationship you build with your Azerbaijani counterpart(s). A post-meeting follow-up letter or e-mail capturing initial agreements and thanking your Azerbaijani counterpart builds trust and friendship. Requests for meetings with government officials can take time to confirm and may only be finalized at the last moment.

Travel Advisory

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As of June 2014, there is no U.S. State Department travel advisory in place for Azerbaijan, however U.S. citizens should always exercise caution overseas.

For more information, click here:

<http://travel.state.gov/content/passports/english/country/azerbaijan.html/>

In the city of Baku, criminal attacks on foreigners have occurred because of a perception that foreigners carry large amounts of cash. Accordingly, the U.S. Embassy advises Americans not to go out alone at night or in the early hours of the morning. Business visitors should arrange to be met at the airport when they arrive in Baku. American businessmen should take the same security precautions that they would take in any major city. Holders of U.S. passports taking up permanent residence in Azerbaijan

should register with the U.S. Embassy's Consular Section to facilitate timely dissemination of security messages (contacts below). Citizens of the United States can register online at <https://travelregistration.state.gov/>.

The U.S. Embassy, working with the American Chamber of Commerce in Azerbaijan, participates in the Overseas Security Advisory Council (OSAC), an informal group of U.S. businesses that meets to discuss security issues in Azerbaijan. U.S. travelers are encouraged to consult the OSAC web page at <http://www.osac.gov/> for the most current travel advisories. Incidents involving U.S. citizens should be reported immediately to the Embassy's Consular Section (tel. 012-488-3300), the Embassy's Duty Officer for after-hours emergencies (tel. 050-221-3643), and the local police (tel. 102).

Visa Requirements

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A valid passport and visa are required to enter Azerbaijan. The visa application fee is \$160 and there is an additional courier fee. Single-entry visas are available without a letter of invitation, but a multiple entry visa is only issued with an invitation from a company in Azerbaijan who has submitted their invitation for approval of the Azerbaijani Ministry of Foreign Affairs. Transit and short stay single entry visas are no longer available at Heydar Aliyev International Airport in Baku for most travelers.

Travelers to Azerbaijan must register with the State Migration Service after arrival if they intend to stay more than 10 days in the country. Visitors staying at major hotels in Baku will generally have the registration done when they check in. Those staying in private homes or lesser known hotels will have to register themselves. Registration is the traveler's responsibility and can result in a \$380 - \$500 fine that must be paid before being allowed to depart Azerbaijan. Registration may be done in person, by mail or via e-mail to qeydiyyat@migration.gov.az.

If registering via e-mail the traveler should scan and send the following information:

- SMS registration form
- Passport biographic page
- Azerbaijani visa
- Entry stamp in passport

The registration form is only in Azerbaijani, but may be completed in English. More information is available at: <http://www.migration.gov.az/>

Outside the United States, visas may be obtained from any Azerbaijani embassy or consulate. For additional information on visa requirements, contact the Embassy of the Azerbaijan Republic, 2741 34th Street NW, Washington, DC 20008; Telephone (202) 337-5912; Fax (202) 337-5913; Website: www.azembassy.us/

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

U.S. Embassy Baku Visa Information:
http://azerbaijan.usembassy.gov/visa_services.html/

Telecommunications

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The telephone system in Baku is generally reliable. International calls can be completed, but are expensive. Cellular communication and roaming for U.S. cell phones services are also available. E-mail and full Internet service are available via local Internet providers, and wifi is readily available in many Baku hotels. For start-up U.S. businesses that require reliable Internet contacts, it is best to order a dedicated ISDN or DSL line to ensure smooth communications.

Electricity is supplied at 220V 50Hz, with European Standard sockets. American citizens should acquire an adapter and/or transformer for these outlets if they plan to use American electrical equipment here.

Transportation

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- **Subway:** There is a functioning subway system in Baku, but it has a limited number of stops that are not always conveniently located. It is the quickest and easiest way around the city.
- **Buses:** They are cheap and plentiful, but are crowded and no route information is readily available.
- **Taxis:** There are reliable taxi services: *189 and “London taxi” service *9000. These taxis have meters and cost approximately 4-12 AZN (\$5-15) to reach most places in and around Baku. A taxi to the airport from the city center costs approximately \$25-30. It is difficult to find an English speaking driver, but an international hotel can assist you with this.
- **Car Rental:** Both Hertz and Avis offer rental vehicles with or without drivers. If you are considering bringing a vehicle with you from overseas, a 4X4 is recommended given the poor, but improving, road conditions throughout the country and in some parts of Baku.
- **Air:** There are many flights to Baku. Azerbaijan Airlines (AZAL), Lufthansa, Turkish Airlines, Qatar Airways, Austrian Airlines, British Airways, and other international carriers all offer flights to Baku. Azerbaijan Airlines began direct flights to New York in 2014.

Language

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Business can be conducted in Azerbaijani, Turkish, English, or Russian. English is increasingly used in business. However, be prepared to hire an interpreter for \$100-150 per day, depending on experience. Outside Baku, Azerbaijani is the easiest method to communicate. Azerbaijani and Russian lessons can be readily obtained.

Health

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The health care system in Azerbaijan is often unable to provide the level of medical care common in the United States. American visitors should ensure all immunizations and vaccinations are up to date before arriving in Azerbaijan. There are some clinics that offer a higher standard of medical care, including International SOS Clinic, the Turkish-American Medical Clinic, and MediClub. An American-Azerbaijani joint venture provides U.S. standard dental care. However, major medical emergencies require a medical evacuation to a European destination. All U.S. travelers should ensure that they have up-to-date medical evacuation insurance to cover potential evacuation costs that can exceed \$70,000 for transportation alone.

Local Time, Business Hours, and Holidays

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Azerbaijan is 9 hours ahead of Washington, DC, and 12 hours ahead of Los Angeles, CA. Azerbaijan observes Daylight Savings Time according to the same calendar used by the European Union. The Government of Azerbaijan does not restrict business hours. In general, businesses are open from 9:00 a.m. to 6:00 p.m. Monday through Friday. Many business and government offices also keep Saturday hours. Hours may vary considerably depending on the preference of the individual businessperson. Business appointments are rarely made before 10:00 a.m. Lunch is generally taken from 1:00 p.m. to 2:00 p.m.

The U.S. Embassy is closed for most U.S. holidays as well as many Azerbaijani holidays. A complete list of these holidays is available at <http://azerbaijan.usembassy.gov/holidays.html/>. A complete list of Azerbaijani holidays (published by the President's office) is available at http://www.president.az/browse.php?sec_id=55&lang=en/.

Temporary Entry of Materials and Personal Belongings

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Personal items, tools of trade, and business samples can usually be imported with little difficulty. Goods to be displayed or exhibited may be brought in as temporarily imported goods for a designated period of time, but must be re-exported within the time stipulated to avoid paying import duties and taxes. A U.S. firm planning to exhibit at major trade exhibitions in Azerbaijan needs to work closely with the show organizer well in advance to ensure timely and proper temporary declaration of the goods to be exhibited. If sending samples via express mail, firms should contact the local office of the courier service to get advice on their declared customs value to avoid protracted and costly problems with customs officials.

Web Resources

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Consular Section of the Embassy of Azerbaijan in the U.S.:
<http://www.azembassy.us/consular-service.html/>

U.S. Embassy Baku: <http://azerbaijan.usembassy.gov/>
Overseas Security Advisory Council: <http://www.osac.gov/>
Republic of Azerbaijan State Migration Service: <http://www.migration.gov.az/>

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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AMERICAN CHAMBERS/BILATERAL BUSINESS COUNCILS

American Chamber Of Commerce in Azerbaijan

www.amchamaz.org/

United States-Azerbaijan Chamber of Commerce (USACC)

www.usacc.org/

TRADE AND INDUSTRY ASSOCIATIONS IN AZERBAIJAN

Azerbaijan Turkey Business Association

www.atib.az/

National Confederation of Entrepreneurs (Employers)

www.ask.org.az/

GOVERNMENT OF AZERBAIJAN OFFICES AND KEY STATE ENTERPRISES

Office of the President of the Azerbaijan Republic

www.president.az/

Cabinet of Ministers

www.cabmin.gov.az/

Ministry of Agriculture

www.agro.gov.az/

Ministry of Communications and High Technologies

www.mincom.gov.az/

Ministry of Ecology and Natural Resources

www.eco.gov.az/

Ministry of Economy and Industry

www.economy.gov.az/

Azerbaijan Investment Promotion & Advisory Foundation

www.azpromo.org/

Ministry of Emergency Situations

www.fhn.gov.az/

Ministry of Finance

www.finance.gov.az/

Ministry of Health

www.health.gov.az/

Ministry of Energy

www.minenergy.gov.az/

Ministry of Justice

www.justice.gov.az/

Ministry of Taxes

www.taxes.gov.az/

Ministry of Transport

www.mintrans.az/

Ministry of Culture and Tourism

www.mct.gov.az/

Ministry of Labor and Social Protection

www.mlsp.gov.az/

State Customs Committee

www.customs.gov.az/en/

State Migration Service

www.migration.gov.az/

State Oil Company of Azerbaijan Republic (SOCAR)

www.socar.az/

State Oil Fund of Azerbaijan Republic

www.oilfund.az/

State Statistics Committee

www.stat.gov.az/

Azerbaijan Airlines (AZAL)

www.azal.az/

Azerenergy Joint Stock Company

www.azerenerji.gov.az/

Baku Sea Port - International Sea Trade Port of Baku
<http://bakuseaport.az/eng.html/>

Central Bank of Azerbaijan
www.cbar.az/

**MULTILATERAL DEVELOPMENT BANKS AND TRADE AND PROJECT
FINANCE CONTACTS**

Asian Development Bank (ADB)
Azerbaijan Resident Mission
<http://www.adb.org/Azerbaijan/>

European Bank of Reconstruction and Development (EBRD)
<http://www.ebrd.com/azerbaijan/>

World Bank
<http://www.worldbank.org/en/country/azerbaijan/>

International Monetary Fund (IMF)
<http://www.imf.org/external/country/AZE/index.htm/>

International Finance Corporation (IFC)
www.ifc.org/

AUDITING, LAW & CONSULTING FIRMS

Baker & McKenzie
www.bakernet.com/

Chadbourne & Parke LLP / in affiliation with BM Intl LLP
www.bmlawaz.com/

Deloitte & Touche
www.deloitte.ru/

Ernst & Young (CIS) Limited
www.ey.com/Azerbaijan/

MGB Law Offices
www.mgb-law.com/

Michael Wilson & Partners, Ltd
www.mwp.kz/

Moore Stephens Azerbaijan Ltd - Baku
www.moorestephens.com/

PricewaterHouseCoopers
www.pwc.com/az/en/

Dentons

<http://www.dentons.com/en/global-presence/centralasia/azerbaijan/baku.aspx/>

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to: <http://www.export.gov/mrktresearch/index.asp/> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Please consult U.S. Embassy in Azerbaijan's website - <http://azerbaijan.usembassy.gov/business.html/> and www.export.gov/ for the latest market research on Azerbaijan, including industry sector overviews, spot market updates, and commercial news briefs.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp/>

Iteca Caspian is the leading organizer of industry fairs and trade shows in Azerbaijan. Please check their website for the most up-to-date information on industry events: www.iteca.az/

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Chapter 10: Guide to Our Services

Per a Memorandum signed between the Departments of State and Commerce, Embassy Baku was designated a State-Commerce Partnership Post with a sponsoring U.S. Foreign Commercial Service (FCS) Post in Ankara. This was done to expand the U.S. commercial presence in Azerbaijan and to meet the needs of U.S. firms wishing to do business in the Azerbaijani market. Embassy Baku offers U.S. FCS branded services, including Gold Key Service, International Partner Search, and Single Company Promotions. The U.S. Embassy in Baku encourages interested U.S. businesses to explore formal Advocacy via the Advocacy Center at the Department of Commerce. Formal Advocacy allows the U.S. Embassy in Baku to support qualified U.S. businesses as they pursue tenders and contracts in competition with foreign companies.

Questions about our services, formal Advocacy, or the business environment in Azerbaijan can be directed to BakuCommercial@state.gov. The U.S. Embassy in Baku

is pleased to serve the U.S. business community and looks forward to hearing from you in the near future.

The Economic Section of the U.S. Embassy can be reached at:

Economic Section
U.S. Embassy Baku
111 Azadlig Prospekti
Baku AZ1007, Azerbaijan

Phone: (+994 12) 488 3300

Fax: (+994 12) 488 3310

E-mail: BakuCommercial@state.gov

Web: <http://azerbaijan.usembassy.gov/business.html>

SelectUSA:

SelectUSA was created by President Obama in June 2011 through Executive Order 13577, as the U.S. government-wide program to promote and facilitate business investment into the United States, including foreign direct investment (FDI) and reshoring.

The program is housed within the Commerce Department and coordinates investment-related resources across more than 20 federal agencies through the Interagency Investment Working Group (IIWG).

SelectUSA provides services to two types of clients: investors and U.S. economic development organizations at the state and local level. Services include:
Information Assistance:

- SelectUSA provides information to investors on the benefits of establishing operations in the United States, as well as the information needed to move investments forward. Investors can access facts, data and local contacts for the U.S. market.
- SelectUSA also works closely with state, local and regional economic developers to provide counseling on strategy, best practices, and on-the-ground intelligence from the Foreign Commercial Service network across more than 70 foreign markets.

Ombudsman Services: SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues – helping them to navigate an unfamiliar system.

Investment Advocacy: U.S. state and local governments often find themselves competing with a foreign location for a project. SelectUSA can coordinate senior U.S. government officials to advocate to the investor to bring those jobs to the United States.

Promotional Platform: SelectUSA brings the power of the “USA” brand to high-profile events, such as the upcoming 2015 Investment Summit, to attract investors to learn about our nation’s investment opportunities. SelectUSA organizes international Road

Shows and missions to trade fairs, while also offering tailored on-the-ground assistance in more than 70 markets.

Note: SelectUSA exercises strict geographic neutrality, and represents the entire United States. The program does not promote one U.S. location over another U.S. location.

For more information on SelectUSA and services provided for investors and economic development organizations please click on the following link:

<http://selectusa.commerce.gov/>

National Export Initiative:

The President's National Export Initiative/NEXT marshals Federal agencies to provide customer service-driven services and actionable information resources that ensure American businesses are able to capitalize on expanded opportunities to sell their goods and services abroad.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov/

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: www.export.gov/

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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