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# AZERBAIJAN ECONOMIC REFORMS REVIEW



Decree of the President of the Republic of Azerbaijan "On ensuring the activities of trade representatives in embassies and consulates of the Republic of Azerbaijan in foreign countries"



The President of the Republic of Azerbaijan, Mr. Ilham Aliyev, signed the relevant decree "On ensuring the activities of trade representatives in embassies and consulates of the Republic of Azerbaijan in foreign countries", dated September 5, 2017.



According to the Decree, it is envisaged to establish administrative office of trade representatives in the embassies and consulates of the Republic of Azerbaijan in foreign countries with a view to ensuring their activities. The decree establishes that trade representatives, as structural units, will function within the Ministry of Economy of the Republic of Azerbaijan. Thus, the Ministry of Economy shall approve, in coordination with the Ministry of Finance of the Republic of Azerbaijan, the number of staff and staff schedules of trade representatives and also ensure the implementation of the following functions:

- appointment and dismissal of the staff of the trade representatives' offices;
- Material- technical and financial support of the office of trade representatives.

Along with this, the Cabinet of Ministers of the Republic of Azerbaijan will ensure the implementation of the following measures under this Decree:

- Approve, within a month, the charter of trade representative and its administrative office, as well as the model structure of the office;
- approve within a month the procedure for providing guarantees to trade representatives and employees of their administrative office;
- Prepare and submit to the President of the Republic of Azerbaijan within a month a bill providing for the exemption from income tax for salaries of trade representatives and employees of their administrative office;
- prepare and submit to the President of the Republic of Azerbaijan within a month proposals in connection with the provision of employees of the office of trade representatives and their family members with service passports;
- Prepare and submit to the President of the Republic of Azerbaijan within a month proposals for payment of expenses associated with representation activities of trade representatives during the exercise of their powers;

- Prepare and submit to the President of the Republic of Azerbaijan within two months a bill in connection with the introduction of amendments to the Law of the Republic of Azerbaijan "On Civil Service" with a view to ensuring the activities of trade representatives and employees of their offices as civil servants.

Along with this, the Cabinet of Ministers of the Republic of Azerbaijan was instructed to prepare and submit within three months to the President of the Republic of Azerbaijan proposals on bringing the acts of the President of the Republic of Azerbaijan, normative legal acts of the Cabinet of Ministers of the Republic of Azerbaijan and bodies of central executive authorities in line with this decree and resolve other issues arising from the decree.

In the light of the above, it should be emphasized that the implementation of consistent institutional development measures aimed at expanding exports and attracting investments through the embassies and consulates of the Azerbaijani Republic accredited in foreign countries has always been the focus of attention as an integral part of public policy. It is in this connection that the Decree of the President of the Republic of Azerbaijan "On ensuring the activities of trade representatives in embassies and consulates of the Republic of Azerbaijan in foreign countries" signed by the head of state on September 5, 2017, should be considered as an integral part of this policy.

As noted in the "Strategic Roadmaps for the National Economy and the Main Sectors of the Economy", the transformation of the Republic of Azerbaijan from a leading country of the region from economic development perspective to a competitive participant in the international economic relations system takes a priority place in the plans to be implemented. To this end, and taking into account the geographic location and high potential of the country, it is planned to turn the country into the largest trade center in the region and raise the per capita export volume in the non-oil sector to 450 dollars by

2025. It means that by the end of this period the volume of non-oil export of Azerbaijan will reach 5 billion US dollars, which is 4-5 times higher than the current volume of non-oil exports. At the same time, if the process of developing trade relations is maintained by inertia, it will be possible to forecast an increase in the volume of Azerbaijan's exports, in particular, to the countries of the Eurasian Union and the European Union. In order to avoid reliance on a specific market, geostrategic and geographic diversification of exports is required in this case. Along with maintaining positions in traditional markets, it is also necessary to ensure access mainly to the markets of Southeast Asia, Central Asia, the countries of the Persian Gulf, Latin America and Africa, for which the Ministry of Economy of the Republic of Azerbaijan should compile and present to the accredited embassies of our country abroad (in including AZPROMO representative offices) a list of products of high export potential (for example, fruits and vegetables, melons, aluminium, chemical products, beverages, food products, etc.). Thus, the map of geo-economic exports of the Republic of Azerbaijan in the non-oil sector will be provided. The presence of such a map will help to consolidate all institutional resources in one direction and use them effectively to achieve the objectives.

It should be specially noted that, based on the study of promotion policies to expand export volumes and attract investment in the international arena, it was established that every US dollar expended on promotion of export operations guarantees an increase in exports to \$ 40. In the light of the above, it is possible to achieve a lot through the embassies of our country accredited in foreign countries in order to expand the volume of Azerbaijan's exports and attract investments if executive mechanism specified under this Decree is effectively organized.

### **Current situation**

At present, the economic interests of the Republic of Azerbaijan outside the country

are represented mainly by the following institutions:

1. **Embassies of the Republic of Azerbaijan abroad.** There are diplomats responsible specifically for economic issues in the largest countries, for example, at the embassies of the Azerbaijan Republic to the United States, China, the Russian Federation and Great Britain, whereas it is not a case when it comes to other countries. In general, the embassies of the Republic of Azerbaijan abroad also represent economic interests of the country;

2. **The Export and Investment Promotion Foundation in Azerbaijan (AZPROMO)** – an institution established by the Ministry of Economy in 2003. There are representative offices of AZPROMO operating in the following 7 foreign countries: Kazakhstan, Georgia, USA, Germany, United Arab Emirates and Great Britain. According to the agreement, SOCAR provides financial and organizational support to AZPROMO's foreign missions;

3. The transformation of **SOCAR** into a transnational company necessitated the establishment of its representative offices in the following foreign cities: Istanbul, Tehran, Astana, Bucharest, Frankfurt, Geneva, London, Vienna, Tbilisi and Kiev. At the same time, SOCAR subsidiaries operate in Georgia, Switzerland and Turkey. These representations, along with the main mission for representing economic interests of SOCAR, also have a great potential for stimulating non-oil exports from the Republic of Azerbaijan, attracting foreign investments to our country and securing other economic interests.

4. **Foreign Representative offices of companies** operating in the private sector of Azerbaijan often serve corporate interests.

5. **The Industrial and Trade Chamber of the Republic of Azerbaijan**, represents the economic interests of the state becoming a member of the international organizations listed below,: the Association of European



Chambers, the Islamic Chamber of Trade and Industry, the Economic Cooperation Organization, the Council of Trade and Economic Chambers of GUAM countries, the Council of Trade and Economic Chambers of the CIS countries, etc.

### **Potential implications of issues arising from the Decree**

The presence of various institutions that represent economic interests of the Republic of Azerbaijan beyond its borders is assessed objectively in view of the existence of separate platforms for cooperation. At the same time, it is expected that the implementation of some institutional reforms approved by this Decree will play a positive role in increasing the export potential and attracting investments. Furthermore, in order to effectively implement the Decree, it is expected that a number of factors will be taken into account when implementing the measures outlined:

- Thus, the functioning of trade missions under single leadership of the embassies of the Republic of Azerbaijan abroad will effectively coordinate activities between all existing missions to promote exports from the Republic of Azerbaijan, while also attracting investment to our country, eliminating duplicated activities and systematizing complementary activities. For example, the Czech Trade Agency of the Ministry of Industry and Trade of the Czech Republic has its representative offices in 47 countries. In addition, there are relevant commercial and economic sections of the Czech embassies abroad. These agencies coordinate activities abroad. In practice, the operation of the representative offices of the Czech Trade agency abroad under the aegis and leadership of the Czech ambassadors is clearly manifested. The appointment of diplomats responsible for economic issues in the embassies of those countries where SOCAR and AZPROMO are not represented, but of great importance for Azerbaijan in terms of expanding non-oil exports, will play a positive role in accelerating this process;
- Implementation of the Decree will

help strengthen representative institutions in new priority markets - in particular, in the markets of Southeast Asia, Central Asia, the Gulf countries, Latin America and Africa. For example, the appointment of diplomats responsible for economic issues at embassies of countries such as South Korea, the United Arab Emirates, Brazil, Italy, Australia, Egypt, the Arab Republic of Egypt, the Republic of South Africa, etc. will have positive implications for ensuring foreign economic interests of the Republic of Azerbaijan;

- Creation of opportunities for broader cooperation with our representative offices in foreign countries in order to expand the activities of AZPROMO will also serve to expand the export potential and attract investment to our country. Expansion and strengthening of AZPROMO's scope of work with effective coordination of its activities through our embassies in countries that are a priority for non-oil exports (Russia, Turkey, China and Iran) will play an indispensable role in achieving pre-determined objectives. For example, the Foreign Trade Administration of the Ministry of Industry, Trade and Labor of Israel, as a body responsible for promotion and stimulation of trade, export and foreign investment, has an extensive network of economic representatives worldwide. This ministry appoints Commercial Attachés at Israeli embassies abroad, who carry out activities primarily aimed at attracting foreign investment and promoting exports. The experience of Malaysia, a country with export-oriented economy, can also become noteworthy for Azerbaijan. It should be noted that AZPROMO has only 7 representative offices abroad, whereas the Malaysian Agency MATRADE (Malaysia External Trade Development Corporation) is represented in 40 cities around the world;

- At the same time, the decree will create conditions for more detailed and evident study by diplomats of potential economic opportunities that may arise for Azerbaijan. For example, the ease of the sanctions on the Islamic Republic of Iran shows that there is a great potential for increasing the volume of exports from the Republic of Azerbaijan to

this country. The Huffington Post newspaper writes that even under the conditions of sanctions, the Iranian food market in 2012 was estimated at \$ 75 billion, the clothing market - \$ 20 billion and the tourism sector - \$ 18.5 billion. The projected increase after the lifting of the sanctions on Iran's oil revenues, the return of frozen assets abroad to Iran and the influx of foreign investments will lead to an excess in foreign currency in Iran, a rise in the price of the local currency, a rise in prices and purchasing power of the population. In this regard, strengthening the role of the embassy of the Republic of Azerbaijan in the IRI to promote exports and providing the embassy with relevant staff-diplomats will also play a decisive role in achieving these goals;

- Economic affairs and relations with the press are entrusted to one diplomat (first secretary) in embassies of the Republic of Azerbaijan operating in a number of advanced nations around the world, for example in Japan. The performance of an individual diplomat responsible for resolving economic matters in such priority countries with huge potential for cooperation and assigning such personnel to perform exclusively as a representative of economic interests will play a positive role in promoting exports and investments.

□ So, studying the experience of Turkey showed that even 4 out of 10 embassy offices in the Turkish embassies in the largest trading partner countries, for example, in the Turkish Embassy to the United States are responsible for the coordination of economic relations: Office of the Trade Advisor, Office of the Cultural Adviser and tourism, the Office of the Economic Adviser and the Office of the Agricultural Adviser. Guided by this experience, the Institute of the Economic Adviser can be established as a pilot project, for instance, in the embassy of Azerbaijan to Russian Federation - the largest trading partner of our country in the non-oil sector. With successful implementation and achievement of positive results, this practice can be further introduced in other major embassies of the Republic of Azerbaijan;

- Promotion of AZPROMO and Azerbaijan

Investment Company of the Ministry of Economy in the Internet resources of the embassies of the Republic of Azerbaijan abroad (webpage, blog, page on Twitter, etc.), as well as posting relevant information on specific investment projects, developed in the light of the interests of investors in the country in which embassies operate are among the planned measures. These measures will have a positive impact on attracting potential investments to our country. It should be noted that this approach is widely used in a number of advanced countries, for example, in Israel;

- Involvement of Azerbaijani educational facilities in the process of training of highly qualified personnel in various areas, for example, the further strengthening of the ADA University in the field of training diplomats in the economic field, will positively affect not only the achievement of the goals set for increasing non-oil exports and attracting investments, but will also serve further promotion of subsequent development in the human capital base, formed in line with the framework of the international standards.





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