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Doing Business in Azerbaijan

Market Overview

Azerbaijan's economy improved in 2019, with a real GDP growth of 2.2%. Exports grew by 0.9%, and imports grew by 19.2% compared to 2018, resulting in a trade surplus of \$5.9 billion. In 2019, U.S. exports to Azerbaijan increased more than 45% from 2018, to \$767 million. The average salary in Azerbaijan was \$366 per month in 2019.

Azerbaijan's economy is anchored in oil and gas production, which accounted for 41% of the country's GDP and more than 90% of its 2019 exports. The oil and gas sector, however, only accounts for 5% of total employment in Azerbaijan. While Azerbaijan is paying increasing attention to other sectors of its economy, the oil and gas sector continues to grow as well. In 2018, President Aliyev formally inaugurated the Southern Gas Corridor (SGC) with a "first gas" ceremony drawing from the second phase development of the Shah Deniz offshore gas field. The first deliveries of natural gas to Italy via the Trans-Anatolian Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP) are likely to begin in 2020.

Azerbaijan is continuing efforts to diversify its economy away from hydrocarbons, paying particular attention to the agriculture, logistics, tourism, and information/communication technology (ICT) sectors. The government heavily subsidizes machinery and other agricultural inputs, targeting hazelnuts, rice, citrus fruits, tea, tobacco, and cotton. Azerbaijan has also launched a series of projects to develop north-south and east-west trade and transit corridors to turn the Port of Alat and the adjacent Free Trade Zone (FTZ) into regional logistics hubs. To promote tourism, the government has waived visa requirements for several countries and simplified the application process, enabling U.S. citizens to apply for and receive an e-visa online within three hours by paying an expedite fee. The government has also created several high tech parks as part of its efforts to bolster the ICT sector.

Market Challenges

Azerbaijan's business climate suffers from a large informal economy, widespread corruption, and holding companies that dominate significant portions of the non-oil economy. U.S. companies working in the Azerbaijani market have reported pressure to localize production or establish joint ventures with these companies. Small and medium enterprises are often crowded out of the market by larger players who enjoy both economies of scale and privileged access to the government. Azerbaijan's ranking on Transparency International's Corruption Perceptions Index fell from 122 to 152 in 2018. Azerbaijan's ranking on Transparency International's Corruption Perceptions index rose from 152 in 2018 to 126 in 2019.

Various companies have notified Embassy officials of challenges in resolving disputes with Azerbaijani private firms and government agencies, citing in particular the lack of transparency and independence of the judiciary. Additionally, companies have notified the Embassy of widespread use of unlicensed software and applications in the public and private sector.

Azerbaijan has worked to improve its regulatory system over the past several years, adopting a series of reforms to the tax, customs, and regulatory systems. A presidential decree in April 2019 directed a number of judicial reforms, which are currently being drafted. Azerbaijan's business community reports significant improvements in customs declarations and collections following customs reforms implemented in 2018. The introduction of "one-stop" public service centers, known as "ASAN" ("Easy") e-government service centers,

have increased efficiency and transparency for many basic business needs, such as registering companies, property titles, and receiving licenses.

Business transparency is an ongoing concern. Tender procedures are opaque and a small number of businesses dominate certain sectors of the economy. The Law on Commercial Secrets allows companies to withhold information about their registration, ownership, and structure. U.S. citizens 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.

Market Opportunities

Azerbaijan's hydrocarbon sector presents opportunities for U.S. companies, particularly service providers. The Azerbaijani Government and BP extended the Production Sharing Agreement (PSA) for the Azeri-Chirag-Gunashli group of oil fields in the Caspian Sea, establishing the base for future exploration and investment in the largest source of oil in the country. Azerbaijan is also seeking to diversify its economy by targeting the agriculture, ICT, transportation, and tourism sectors. U.S. suppliers of agricultural equipment, fertilizers, seeds, pesticides, and animal genetics benefit from agricultural subsidies. U.S. producers of fertilizers and pesticides, however, have limited market share, despite demand for high-quality products as the government seeks to increase yields.

The Port of Alat free trade zone offers companies tax and customs exemptions and a simplified permitting process to encourage value-added production in Azerbaijan.

See the *Leading Sectors for U.S. Exports & Investments* section for descriptions of opportunities in various sectors, including major infrastructure projects, significant government procurement activities, and business opportunities.

Market Entry Strategy

Companies seeking to enter the Azerbaijani market should strongly consider identifying a local partner. Business is largely relationship-driven and a premium is placed on face-to-face interaction. Furthermore, having a local presence on the ground can secure business opportunities that could otherwise go to a competitor, help manage important relationships with government entities, and minimize confusion due to language or cultural differences. U.S. companies frequently report frustration when dealing with Azerbaijani partners due to delayed responses. It is not unusual for weeks to go by without emails and phone calls being answered.

The U.S. Embassy's Commercial Unit can help identify potential in-country partners and facilitate communication.

Leading Sectors for U.S. Exports and Investment

Energy

Overview

Through a series of production sharing agreements (PSAs) signed beginning in the mid-1990s, Azerbaijan succeeded in attracting significant foreign investment from major international oil companies (IOCs). This investment led to a rapid increase in mainly offshore oil production, greatly enriching the country and creating opportunities for U.S. businesses. A consortium of IOCs led by BP and the Azerbaijani government agreed to the “Contract of the Century” in 1994 for the development of the Azeri-Chirag-Deepwater Gunashli (ACG) oil field, which was extended to 2049. The ACG field is responsible for about 75% of the country’s current oil production. Azerbaijan’s petroleum and liquids production is largely transported via the Baku-Tbilisi-Ceyhan pipeline, with smaller volumes transiting Georgia to the Black Sea. IOCs continue to explore other oil prospects in Azerbaijan’s portion of the Caspian Sea. State oil company SOCAR has stakes in all PSAs and has increased its share in all recent PSAs to 50% as part of the government’s current vision for production-sharing.

Azerbaijan has more recently also become a significant natural gas producer. The largest known gas reservoir in Azerbaijan’s territorial offshore is the BP-operated Shah Deniz field, which is currently in its second phase of development. The Southern Gas Corridor (SGC) is a \$40 billion project to bring gas from the second stage expansion of the Shah Deniz field from Azerbaijan across Georgia and Turkey to Europe. The SGC spans 2,240 miles, crosses six countries, and involves a number of major companies. It comprises four parts: phase 2 development of the Shah Deniz gas field (SD2); expansion of the South Caucasus Pipeline (SCPX running from the Sangachal gas terminal near Baku to Azerbaijan’s border with Georgia; construction of the Trans Anatolian Pipeline (TANAP), which runs from Turkey’s border with Georgia to Turkey’s border with Greece; and construction of the Trans Adriatic Pipeline (TAP), which runs from Greece’s border with Turkey across Albania and under the Adriatic Sea to Puglia, Italy. The project will supply 6 billion cubic meters of gas per year (bcma) to Turkey and up to 10 bcma to Europe. SD2, SCPX, and TANAP (as far as Eskişehir, Turkey) are completed. TAP is built, but is undergoing final testing for delivery in late 2020.

Opportunities

Other fields either in exploration or early development phases include the Absheron offshore gas field (foreign partner: Total), Umid-Babek offshore gas field (SOCAR-developed) Shafag-Asiman offshore gas field (BP), Block D230 offshore oil field (BP), Muradkhanly-Jafarly-Zardab onshore field (Zenith Energy), Govsany-Zykh onshore field (Global Energy), and the Ashrafi-Dan Ulduzu-Aypara and Karabakh (Equinor) offshore oil and gas fields.

Azerbaijan is developing a new Oil-Gas Processing and Petrochemical Complex which will consist of a gas processing plant, petrochemical plant, a power supply unit to be operational by 2020 and an oil refinery expected to be operational in the early 2030s.

Growth in petroleum product demand is being driven largely by growth in the country’s construction and transportation sectors. Modernization of Azerbaijan’s only refinery, the Heydar Aliyev Baku Oil Refinery, is expected to be completed by 2021, enabling the country to better meet growing demand, add export potential, and reduce associated environmental pollution. Modernization will increase the plant’s production capacity from 6 million to 7.5 million tons per year. The three-phase modernization project to be completed by 2021 includes a bitumen plant, a gas-filling station, storage installations for Euro 5-specification diesel, and a Euro-

5 specification A-92/95/98 gasoline plant. After the modernization, annual production of gasoline at the refinery will increase from 1.3 million tons to 2.2 million tons; diesel from 2.2 million tons to 2.9 million tons; and aviation kerosene from approximately 700,000 tons to 1 million tons.

Oil, gas, and related petroleum products account for over 90% of Azerbaijan's total goods exports. Azerbaijan exports hydrocarbons to Turkey, Georgia, Italy, Egypt, Greece, Lebanon, Singapore, Ukraine, Afghanistan, Tajikistan, Uzbekistan, Malta, Libya, Romania, China, Spain, the Bahamas, and elsewhere.

Resources

- 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/>

Agriculture

Overview

Azerbaijan has designated agriculture as one of the four priority sectors for diversifying its economy. Agriculture is Azerbaijan's largest employer, employing 37% of the population, but accounting for only 5% of GDP. Azerbaijani produce has strong brand recognition in post-Soviet markets and often sells at a premium. The government supports the agricultural sector through various measures, including: grants, tax exemptions; and subsidies for machinery, pesticides, and fertilizers. The machinery subsidies, in particular, have supported sales of U.S. combines, tractors, harvesters, and irrigation equipment.

Azerbaijan's food processing equipment and packaging facilities are outdated and hinder development. U.S. equipment producers may find opportunities to support food processing modernization. U.S. companies and investors are advised to work with established firms with a proven market track record.

Post-Soviet land reforms parceled small land plots of roughly two to five acres out to individual farmers, creating a structural impediment to larger-scale agriculture, mechanization, and consolidation. Furthermore, inadequate record-keeping and land titling have complicated lending to farmers unable to prove a legal right to the land they cultivate. The degradation of Soviet-era irrigation systems has caused salinization of large areas of farmland, which will require significant investments to repair, perhaps opening a niche market in land restoration. A lack of trained agricultural experts and specialists also poses significant challenges to agricultural development. The Azerbaijan State Agricultural University, located in Ganja, is the only university that specializes in agriculture. Like other sectors in the Azerbaijani economy, a handful of large enterprises with connections to the central government distort the market.

Azerbaijan requires import licenses for food products of animal origin. The Food Safety Agency issues licenses for these products. To protect and spur domestic production, beginning on November 1, 2016, the government increased import fees for certain agricultural and construction products (See the *Customs Regulations and Standards* section for additional details.)

Leading Sub-Sectors

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.

Opportunities

U.S. agricultural equipment and used equipment dealers should consider personally traveling to the rural markets to meet with target audiences such as farmers and 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 international certification and distribution.

The Azerbaijani government is paying increasing attention to the country's diminishing water resources. In 2020, Azerbaijan announced a new commission on water resource preservation that is tasked with, among other things, improving water use in the country's growing agriculture sector. As the government considers ways to improve Azerbaijan's irrigation systems and processes, there may be new export opportunities for companies specializing in water-efficient irrigation systems or water management solutions.

Resources:

- Ministry of Agriculture: www.agro.gov.az/
- Food Safety Agency: <http://afsa.gov.az/en/home>

Information and Communications Technology

Overview

Information/Communications Technology is also one of the four target sectors for economic diversification and the second-largest target for foreign investment after the oil and gas industry. The Azerbaijani government seeks to develop the country's IT market, having launched education and e-government programs, increased digital resources available to schools and universities outside of Baku, and expanded e-services. The government also established several technological parks throughout the country that offer tax breaks and exemptions for companies. These incentives include profit, land, and property tax breaks and VAT exemptions for imports for the first seven years after a company begins operations at the technological park. Despite these projects and government plans to liberalize the telecommunications sector, the regulatory framework governing telecommunications and information technology needs improvement.

As in other sectors, intellectual property protection is weak in the IT industry. Several large multinational companies have expressed concerns about unlicensed software in both the public and private sectors, though some progress has been made by some companies that have worked directly with the government to address the issue. The ability to control or protect intellectual property rights in the private sector is constrained.

Leading Sub-Sectors

E-governance has been a successful area for collaboration between businesses and the Government of Azerbaijan. The State Tax Service has moved tax payments online, the Customs Committee has introduced electronic application and payment services, and the "Asan İmza" mobile electronic signature technology

enables the use of mobile phones as an electronic identity card and means of signing documents. U.S. businesses with similar solutions may find opportunities in these modernization and e-government efforts.

Azerbaijan has been actively developing its satellite services to build its regional commercial telecommunications capacity. Azercosmos, Azerbaijan's space agency, successfully obtained and launched U.S.-produced telecommunications satellites in 2013 and 2018.

Opportunities

E-governance and e-commerce solutions have good potential and present an opportunity for well-crafted and well-implemented solutions. Consulting firms experienced in IT sector development may find their experience sought-after by the public and private sectors in Azerbaijan. Companies with expertise in satellites may benefit from Azercosmos' interest in acquiring new capabilities. The annual BakuTel IT expo provides global companies an opportunity to reach potential customers and investors throughout the Eurasian region.

Resources

- Ministry of Transportation, Communication and High Technologies: <http://www.mincom.gov.az/>

Banking and Finance

Overview

The financial sector in Azerbaijan is dominated by banks, which hold about 95% of financial sector total assets. The non-banking financial sector, particularly the micro-finance sector, is underdeveloped and suffered significantly after the 2015 devaluations. Microfinance institutions are only now beginning to restart lending. Following the 2015 devaluations, 19 banks were closed in 2016 as a result of non-performing loans, poor asset quality, lack of liquidity, and the overall economic downturn. An additional four banks were closed in 2020, after the Central Bank took over financial market supervision from a formerly independent regulator. Azerbaijan's largest bank, the International Bank of Azerbaijan (IBA), which is majority-owned by the Azerbaijani government was restructured in 2018. Companies complain that strict credit terms limit access to medium and long term financing, constraining private businesses. Despite several government initiatives, the credit supply available to small and medium enterprises (SMEs) remains limited.

Banks' assets grew by 10.9% in 2019 to reach AZN 32.7 billion (\$19.24 billion). Banks liabilities grew by 10.7%. The banking sector is heavily dollarized, with roughly 55% of bank liabilities held in U.S. dollars. Banking sector capital totaled AZN 4.5 billion (\$2.65 billion) at the end of 2019.

Despite publicly dropping the exchange rate corridor in 2017 and officially allowing the manat to float, the Central Bank has not introduced a genuinely floating exchange rate. Since April 2017, the dollar-manat exchange rate has held steady at 1:1.70.

Leading Sub-Sectors

Financial and wealth management, trade finance, working capital, and lending represent the best prospects for new business development. Demand for microfinance is also increasing, with very few lenders in place. Leasing in Azerbaijan is in its infancy, but is a promising vehicle for business financing in this developing market. The best prospects in leasing include: manufacturing equipment, farm machinery, medical devices, and transportation.

Opportunities

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

Resources

- Central Bank of Azerbaijan: www.en.cbar.az/

Transportation and Logistics

Overview

Azerbaijan is positioning itself as a logistics hub for East-West trade in the region through major infrastructure investments. The completion of the Baku-Tbilisi-Kars railway and the Alat Port create a potential transit route for trade between East, Central, and South Asia and Europe. Azerbaijan has also vastly expanded its air cargo facilities with cold storage and a modern general cargo terminal at the Heydar Aliyev International Airport in Baku. These air cargo facilities will complement Azerbaijan's investments in road, port, and rail infrastructure.

The Baku-Tbilisi-Kars (BTK) railway links the Soviet-era rail systems of Azerbaijan and Georgia to that of Turkey, and, eventually, the rest of Europe. Azerbaijan is also building a North-South transport corridor with Iran and Russia.

Azerbaijan has constructed a new Caspian Sea port at Alat, southwest of Baku. Alat is situated at a rail and road hub, allowing for multimodal north/south and east/west transit and is able to accommodate rail ferries that can transport 52 train cars at a time. A free trade zone located adjacent to the port will offer companies tax and customs exemptions in an effort to encourage value added processing in addition to through transit Azerbaijan. Over 4 million tons (excluding oil) of cargo were handled at the Alat Port in 2019.

Leading Sub-Sectors

Freight forwarders, logistics/supply chain developers, and managers may find opportunities as Azerbaijan continues investing in logistics infrastructure.

Opportunities

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

Resources

- Ministry of Transportation, Communication, and High Technologies: <http://www.mincom.gov.az/home/>
- Port of Baku and Port Alat: <http://portofbaku.com/en/>

Travel and Tourism

Overview

Azerbaijan's tourism sector strategy emphasizes event tourism, such as hosting business conferences and international sporting events. The expansion of airline destination offerings and simplified visa procedures have also opened Azerbaijan to ordinary tourists. Azerbaijan and the U.S. signed an Open Skies Agreement in April 2016.

In order to attract more tourists to Azerbaijan, the government simplified the visa regime, creating the "ASAN" Visa System to process electronic visas within three days of application (three hours with payment of an expedite fee) for citizens of eligible countries, including the United States. Additionally, in June 2016, single entry tourist and transit visa fees were reduced to \$20 from \$50. A February 2017 presidential decree created "fast-track" routes, including adding ASAN payment and visa terminals, for entry to Azerbaijan at border checkpoints from the bordering countries Georgia, Iran, Russia, and Turkey. In 2018, an independent State Tourism Agency was spun off from the Ministry of Culture.

As with other sectors, the hospitality industry in Azerbaijan is dominated by a small number of large holding groups. Several well-known western chains operate in Baku, focusing on affluent tourists, business travelers, and large scale conferences and sporting events. The Central Bank of Azerbaijan estimates that 33.5 percent of all tourist services provided in the country were for business travelers. By contrast, the market for mid-range, two-three star hotels, boutique and bed and breakfast style accommodations, hostels, and entertainment centers is under-developed.

Since 2012, Azerbaijan has focused on event tourism to develop the industry. That year, the country hosted the Eurovision Song Contest and FIFA's U-17 Women's World Cup. In 2015, Azerbaijan hosted the first ever European Games. In 2016, Baku hosted the first of five Formula One Grand Prix events at the Baku City Circuit. Baku hosted the Islamic Solidarity Games in May 2017. Although new ski facilities have opened in the Gusar and Gabala regions in the last four years, the development of hotels and tourist destinations in the regions lags behind the level of development in Baku.

According to the State Statistical Committee of the Republic of Azerbaijan, as of 2019 there were 596 hotel facilities in the country. The number of tourists visiting Azerbaijan increased by 11.3% in 2019 compared to the year prior. Approximately 29% of these were from Russia, 22% from Georgia, 10% from Turkey, 8% from Iran, 2% from the UAE, 2% from Saudi Arabia, and 2% from India, with the remainder coming from other countries.

Opportunities

There are opportunities for businesses that train hotel staff and provide logistical support. Azerbaijan's hospitality industry is largely oriented to business travelers and conference attendees. There are opportunities to support the development of individual, family, and package tourism; entertainment venues; and two- and three-star hotels.

Customs, Regulations and Standards

Trade Barriers

A weak and unpredictable judiciary, corruption, conflicts of interest in regulatory and commercial matters, and monopolies hinder imports.

Import Tariffs

Azerbaijan is not a member of the WTO and has not made progress on accession to the WTO. In 2016, Azerbaijan imposed higher tariffs on a number of imported goods, including agricultural products, to promote domestic production through import substitution.

Azerbaijan adopted a new set of tariffs in 2018, simplifying the regime to include only three rates: 0%, 5%, or 15%, depending on the import. Under the new regime, the majority of raw materials and machinery are exempt from customs duties. Finished products and agricultural produce are all typically charged a 15% tariff.

Under the production sharing agreement (PSA) contract regime used in the energy sector, contractors, their agents, and subcontractors are entitled to import and re-export goods used for hydrocarbon activities from Azerbaijan without any import duties or restrictions.

Import Requirements and Documentation

Importers are required to provide the State Customs Committee with the following: a signed import contract (and contract number), customs declaration, permission(s) from the relevant state entity(s) when applicable, bill of lading, sales invoice and packing list, certificate of origin, and certificate of quality of the imported merchandise.

Goods imported into Azerbaijan for processing and later 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 import of goods and equipment are an integral part of production sharing agreements (PSAs) in the energy sector. 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 or foreign sub-contractors participating in PSAs, may also be exempt from duties and VAT on imported goods and equipment. In all cases, the specific terms of the PSA will govern each individual situation.

Labeling and Marking Requirements

Azerbaijani legislation imposes special rules on labeling food and agricultural products. The labels must be in Azerbaijani. English labels are acceptable if information in Azerbaijani is also provided. Azerbaijani legislation

requires the following product information to appear on the label, although compliance is poor and enforcement limited:

- 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).

The State Agency for Antimonopoly Policy and Supervision of the Consumer Market was created in 2018 after the abolition of the State Committee on Standardization, Metrology and Patents.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. Export Enforcement (EE) in the Department of Commerce's Bureau of Industry and Security is responsible for the enforcement of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the Export Administration Regulations, Bureau of Industry and Security officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the Export Administration Regulations, to verify compliance.

An End-Use Check is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of the Bureau of Industry and Security's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and

end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the Export Administration Regulations.

BIS officials rely on End-Use Checks to safeguard items subject to the Export Administration Regulations from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "[red flags](#)", or warning signs, intended to discover possible violations of the Export Administration Regulations.

Also, BIS has "[Know Your Customer](#)" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. Check a [list of upcoming seminars and webinars](#).

BIS also provides [online training](#).

The Export Administration Regulations do not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The Export Administration Regulations are available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations).

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions."

Temporary Entry

Goods to be displayed or exhibited may be brought in as temporarily imported goods, but must be re-exported within the time stipulated to avoid paying import duties and taxes. U.S. 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 for 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.

Prohibited and Restricted Imports

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, the government regulates the export of strategic commodities produced in Azerbaijan.

Export or import of the following goods also require government approval: wild animals and plants, animal- or plant-derived raw materials, 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

Customs clearance was streamlined in May 2016 through an e-declaration system. Azerbaijan's business community reports significant improvements in customs, including more transparency. Azerbaijan has worked to improve its regulatory system over the past several years, but opaque procedures and corruption allegations persist.

Contact information

State Customs Committee
2 Inshaatchilar Prospekt
Baku AZ1073, Azerbaijan

Tel: (+994 12) 404 22 00, (+994 12) 404 22 17

Web: www.customs.gov.az/en/

E-mail: international@customs.gov.az

Standards for Trade

Overview and Standards

In February 2017, the Azerbaijani government established the Food Safety Agency, taking over many of the duties previously executed by the State Veterinary Service, including ensuring basic health standards on imported food and animal products. Goods subject to inspection include plants, certain foodstuffs, wood, and leather.

The President established the Azerbaijan Standardization Institute (AzStand) in 2017. In April 2018, the President signed a decree creating the State Antimonopoly and Consumption Market Supervisory Agency, abolishing the State Committee on Standardization, Metrology, and Patents. 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 adopt many European Union standards in agricultural products.

Testing, Inspection, and Certification

Azerbaijan is a party to treaties on International Registration of Marks under the Madrid Agreement and the Madrid Protocol, the 1999 Geneva Act of The Hague Agreement Concerning the International Registration of Industrial Designs ("Hague Agreement"), and the Patent Cooperation Treaty. These treaties allow for individuals and legal entities to register industrial property outside of the territory of Azerbaijan and establish protections in the territories of several or all member states. Based on Azerbaijan's adoption of the protocol relating to the Madrid Agreement Concerning the International Registration of Marks in October 2006, individuals and legal entities in Azerbaijan can file an international application under the Madrid System for international registration of marks.

Publication of Technical Regulations

Following the abolishment of the State Committee on Standardization, Metrology, and Patents, the State Agency for the Control of Antimonopoly and Consumption Market assumed authority for technical regulation, standardization, metrology, conformity assessment, accreditation and quality management in Azerbaijan. The “Law on Technical Regulation,” which would establish the framework for technical regulations in Azerbaijan, has still not been adopted as of June 2019.

Contact Information

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. **Notify U.S.** (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country or countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.”

For more on Azerbaijan-specific trade standards, contact:

- Azerbaijan Standardization Institute: www.azstand.gov.az/
- The State Agency for the Control of Antimonopoly and Consumption Market: <http://www.consumer.gov.az/>

Trade Agreements

Azerbaijan has had observer status at the World Trade Organization (WTO) since 1997 and began negotiations with WTO members on accession in 2004. Progress on accession stalled following the adoption of import substitution as a policy goal. Azerbaijan has free trade agreements (FTAs) with Russia, Ukraine, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Moldova and Belarus. Under the FTAs, goods can be imported from those countries free of customs duties.

Licensing Requirements for Professional Services

A presidential decree signed in December 2015 issued new measures establishing that all licenses, both previously and newly issued, were to be valid for an unlimited period of time. The decree designated the Ministry of Economy as the state authority responsible for the issuance, suspension, resumption, and cancellation of licenses (except for licenses issued for types of activities related to national security) through ASAN Service Centers (<http://www.asan.gov.az/en>). It further established that licenses should be issued within 10 days of application (previous regulations provided for a 15-day period). Licenses can be granted to both Azerbaijani and foreign citizens and legal entities. Activities no longer requiring a special license include tourism services and the sale of tobacco and alcoholic drinks.

Licensable activities include those related to national security, medical services and products, education, and certain telecommunications activities, among others. The Ministry of Economy issues all business licenses, except those with a national security component, including private security activities, information security systems, biometric technologies, and personal information management systems. The State Security Service, the Ministry of Internal Affairs, and the Ministry of Transportation, Communications, and High Technologies issue these licenses.

Selling U.S. Products and Services

Distribution & Sales Channels

Overview

Local companies are often distributors for foreign brands. Chinese, Turkish, Iranian, and Russian products tend to dominate this price-sensitive market. Potential distributors and franchise operators frequently cite the high cost of U.S. goods and expensive supply chains as reasons to prefer regional, Chinese, or European products. Nonetheless, several Azerbaijani firms have successfully sold and represented U.S. brands in Azerbaijan. Due diligence should be done on any potential Azerbaijani distributor before concluding an agreement or shipment.

Using an Agent or Distributor

U.S. firms seeking distribution partners in Azerbaijan should focus on private Azerbaijani firms with proven track records and good financial standing. State-owned enterprises are unlikely candidates for distribution and sales activities on behalf of U.S. firms. They generally lack the resources to cover the costs of maintaining U.S. product inventories for the local market. Although many private 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 local firms for internal distribution within Azerbaijan.

Establishing an Office

Foreigners are allowed to register business entities by opening a fully-owned subsidiary, acquiring shares of an existing company, or creating a joint venture with local partners. Foreign companies are also permitted to operate in Azerbaijan without creating a local legal entity by registering a representative or branch office with the State Tax Agency. Representative offices and branch offices are not considered Azerbaijani legal entities, but are subject to taxation. An Azerbaijani legal entity can take the form of a Joint Stock Company, a General Partnership, a Limited Partnership, a Limited Liability Company, an Additional Liability Company, or a Cooperative.

Most frequently, U.S. companies enter the market by selecting a well-established distributor who provides logistical support, including customs clearance, warehousing, and inventory management. U.S. businesses should take care to monitor their advertising and marketing efforts to ensure success, since distributors often service multiple product suppliers. A representative office allows for greater contact with clients and control over marketing and distribution. A fully-owned subsidiary affords even greater control. Local partners often encourage U.S. companies to establish joint ventures.

Under the “single window” principle, the State Tax Service (via ASAN centers) is authorized to register all types of commercial legal entities and is legally obligated to do so within two business days. Online registration is available at <http://taxes.gov.az/modul.php?lang=eng&name=birpencere&bolme=registration> and works adequately.

The following documents should be submitted to the State Tax Service to register a branch or a representative office:

- Application for registration as a commercial (for-profit) legal entity;
- Charter of the legal entity (2 notarized copies);
- Original or a notarized copy of the company letter establishing the local entity and appointing the head of the local legal entity or its legal representative;
- 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 State Tax Service;
- A copy of a lease agreement or other document certifying the entity's legal address in Azerbaijan; and
- Other documents depending on the type of business and/or the applicable 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 should 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 other required documents copies; and
5. If required by the type of business, copies of documents indicating contributions towards charter capital.

There is a registration fee for a branch office of approximately \$130 (220 Azerbaijani manat) payable to the Taxes Ministry.

U.S. 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 a notarized translation into the Azerbaijani language.

Laws and regulations 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 the *Local Professional Services* section). A U.S. firm experiencing registration problems should contact the U.S. Embassy in Baku (see contact information in the *Business Travel* section).

Franchising

Franchising can be a successful retail model in Azerbaijan and several well-known U.S., European, and Turkish brands operate in the country. The Commercial Unit at the U.S. Embassy provides paid commercial services to parties interested in identifying an international partner and setting up a franchise in Azerbaijan.

Direct Marketing

In Baku, business-to-business and e-marketing to potential customers is common. Direct marketing via mobile phones is also popular. Person-to-person direct marketing for health and beauty products is well-developed.

Joint Ventures/Licensing

American firms considering establishing a joint venture (JV) with an Azerbaijani partner should carefully evaluate the proposed structure, particularly in the non-energy sector, which is not protected by the production sharing agreements that shield oil and gas investments. If a JV is selected as the best way to proceed, 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. Several U.S. companies have reported being pressured by local partners to establish joint ventures and localize production.

U.S. companies previously reported obstacles with licensing in Azerbaijan. However, as part of its economic reform program, the government simplified the licensing regime. All licenses are now issued with indefinite validity through the “ASAN” Service Centers and must be issued within 10 days of application. The Ministry of Economy also reduced the number of activities requiring a license from 60 to 32 in 2015.

Express Delivery

Several major U.S., European, Russian, and Asian courier services operate in Azerbaijan. They offer domestic and international shipping, courier, cargo, warehousing, and logistics services.

Due Diligence

Accurate financial documentation and credit history can be difficult to obtain for some potential buyers and partners. A 2013 commercial secrecy law complicates due diligence efforts, because it limits the information banks and other financial institutions can share with third parties about Azerbaijani companies. Additionally, understanding the corporate structure of a company or discovering who the beneficial owners, major partners, or shareholders are can be difficult. Failure to perform a 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, many 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 Unit at the U.S. Embassy can help U.S. clients determine the bona fides of prospective foreign business representatives or partners.

eCommerce

Assessment of Current Buyer Behavior in Market

Electronic commerce is slowly increasing in Azerbaijan from a low base. Domestic electronic payment systems such as GoldenPay and online authentication systems such as the “Asan Imza” electronic signature system have encouraged online sales. Despite the availability of electronic payment and authentication systems, most Azerbaijanis prefer to make payments in cash. E-commerce is otherwise only used for purchases made abroad. For sales overseas, AzExport.az online sales portal provides a database of goods produced in Azerbaijan

available for buyers anywhere in the world to purchase online. It offers secure payment options using major credit cards and global and local transport and logistics companies. The site has also partnered with other large international sales portals to direct potential buyers to its database of products.

Local eCommerce Sales Rules & Regulations

Electronic commerce is regulated by the Law on Electronic Commerce of the Republic of Azerbaijan issued in 2005. The first electronic payment system was created by Silver key company (golden pay electronic payment system) in 2008. No specific license is needed for businesses to engage in electronic commerce, however they have to be registered with the State Tax Service and possess a TIN (Tax Identification Number). The Ministry of Economy oversees and regulates the electronic commerce in Azerbaijan.

Typical issues businesses may face include the lack of reliable security mechanisms on local online platforms, intellectual property related issues, personal data protection issues and the small number of electronic trade platforms. Many shippers are reluctant to send goods without pre-payment, and e-commerce is limited by a lack of clear and effective legislation. To address some of these challenges, the government passed legislation in April 2017 to promote the use of non-cash transactions in an attempt to improve tax collection and promote transparent transactions. These efforts are on-going.

E-commerce is subject to relatively weak intellectual property rights (IPR) enforcement, as with every sector in Azerbaijan. Several multinational IT companies report widespread unlicensed software use in homes, offices, and government workspaces. Some multinational IT companies, have made progress by engaging directly with government officials to highlight the security risks of unlicensed software. The American Chamber of Commerce in Azerbaijan, which represents many of the largest local companies, took a pledge in May 2019 to respect and protect IPR rights and advocate for improved enforcement in Azerbaijan.

Selling Factors & Techniques

Overview

Operating in the Azerbaijani market requires patience and a long-term perspective. Having a local partner in Azerbaijan significantly facilitates marketing and selling goods and services, as well as interacting with the local government. Identifying a reliable partners requires sufficient due diligence. The U.S. Embassy's Commercial Unit can help U.S. companies conduct market research, identify potential partners, and conduct due diligence.

The Azerbaijani retail business is becoming increasingly regulated and moving off the "street" into shops and retail outlets. Azerbaijani consumers are price-sensitive and brand-conscious. U.S. goods and services typically enjoy a price premium and good brand recognition. New shopping malls and supermarkets have increased the profile of western brands in recent years. Counterfeit consumer goods, however, are a problem. Furthermore, the Azerbaijani market remains segmented based on income. The largest share of the population earns a monthly wage of approximately \$366 and has limited disposable income; a small, but growing middle class earns roughly \$1,000 per month; and a concentrated, but very wealthy segment of the population mostly in Baku has sufficient income to purchase luxury goods. The 2015 currency devaluations, and, more recently, decreased oil prices and the COVID-19 pandemic, have somewhat decreased the purchasing power of the majority of Azerbaijanis and reduced demand for high-end goods and services.

As Azerbaijan develops its tourism industry, the number of visitors from Iran, Iraq, and Gulf Cooperative Council (GCC) states' residents has increased significantly, representing a growing segment of the shoppers in Baku's malls.

Trade Promotion and Advertising

Advertising in Azerbaijan is primarily carried out through television, radio, newspapers, and billboards. Internet advertising is growing, especially through social media, but does not have the same audience as it does in countries with greater computer ownership. Outdoor billboards are widely used in urban centers 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 provide an effective 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. There are numerous Baku-based trade shows and exhibitions that provide opportunities to market U.S. goods and services.

More information on conference, trade shows and exhibitions can be found at the following websites:

- <http://iteca.az/>
- <http://azpromo.az/>
- <http://amcham.az>
- <http://abc.az/eng/>

Pricing

Prices in Azerbaijan must be quoted in Azerbaijani manat. Outside grocery stores and retail stores in shopping malls, Azerbaijanis will bargain over prices. Prices for gasoline, pharmaceuticals, and some food products are regulated.

Sales Service/Customer Support

Customer service is underdeveloped and typically not up to U.S. standards. To promote tourism, the State Tourism Agency has undertaken programs to train service sector employees to improve customer service standards in the tourism industry. Product guarantees are rare and not always honored by local partners.

Local Professional Services

Companies interested in entering the Azerbaijani market should seek advice on tax and legal issues from a reputable agent early and often.

The following websites may be of use in identifying local service providers:

- <http://www.taxes.gov.az/>
- <http://azpromo.az/>
- <http://amcham.az/>
- <http://abc.az/eng/>

Principal Business Associations

The largest and most active business association in Azerbaijan is the American Chamber of Commerce (AmCham). Established in 1996, AmCham is a private, non-profit business association of over 250 members

and associates from every sector of the Azerbaijani economy. AmCham represents approximately 80 percent of all foreign investment, as well as a significant portion of local investment, in Azerbaijan. Through its industry sector committees, members are able to share information, raise issues of common concern, and propose possible solutions. AmCham has maintained an active role in facilitating a public-private dialogue on economic reforms through its biennial White Paper of proposals submitted to the government as well as various conferences with different government agencies on topics such as customs and tax regimes.

Limitations on Selling U.S. Products and Services

The Embassy is not aware of any limits on selling U.S. products or services in Azerbaijan.

Trade Financing

Methods of Payment

In many areas of the economy, retail transactions are still generally completed on a cash basis. However, ATMs and credit/debit card payment machines are available in the retail market. Foreign credit cards are not universally accepted. Large transactions are accomplished through inter-bank wire transfers. Personal checks are not accepted anywhere. All payments must be made in the local currency, the Azerbaijani manat. Azerbaijan has established a credit-rating agency, but credit-rating and collections are not yet well-developed in Azerbaijan.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

Banking Systems

Although long-term lending is increasing and the quality of the banks' loan books is improving, the banking sector plays a small role in financing the real economy. Lack of credit, stringent collateral requirements, high interest rates, dollarization, an absence of correspondent banking relationships, 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% interest rates or higher in dollar-denominated loans with a maximum two-year term. Many Azerbaijani firms turn to private sources for finance. Some Azerbaijani banks have begun lending to the private sector, including construction, telecoms, food processing, and packaging. Western businesses use a handful of local banks for their local business dealings.

In 2019, bank assets grew 10.9%, and liabilities grew 10.7% for a total of AZN 32.7 billion. The banking sector's capital totaled AZN 4.5 billion, and dollarization was at 55%.

Foreign Exchange Controls

Azerbaijan has a liberal foreign exchange system and, in general, there are no current restrictions on converting or transferring funds into freely usable currency at a legal, market-clearing rate. For more information, see the *Conversion and Transfer Policies* section of the Investment Climate Statement.

U.S. Banks & Local Correspondent Banks

There are no U.S. banks with branches in Azerbaijan. Very few Azerbaijani banks have correspondent banking relationships with a U.S. bank.

Protecting Intellectual Property

Intellectual property right enforcement is weak in Azerbaijan. Although Azerbaijani law protects copyrights, patents, trademarks, and industrial designs, U.S. and multinational companies report significant problems with counterfeit goods. Piracy and blatant IPR infringements, such as the use of unlicensed software by both the private and public sectors and fake international computer shops, are commonplace.

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, link to our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) for more resources.”

More detailed information on IP issues in Azerbaijan is provided in the Investment Climate Statement in this guide.

For more information, contact ITA’s Regional ITA Attaché Dorian Mazurkevich at Dorian.Mazurkevich@trade.gov.

Selling to the Public Sector

Selling to the Government

The government of Azerbaijan, and state-owned and quasi-state-owned enterprises, are some of the largest players in the economy. Selling directly to the government or to these enterprises can be profitable, but limited transparency in government procurement processes can present a challenge. 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. Azerbaijan is not a WTO member and has not agreed to abide by the WTO Government Procurement Agreement.

U.S. companies bidding on government tenders may also qualify for U.S. government advocacy. A unit of the U.S. Commerce Department’s International Trade Administration, the Advocacy Center coordinates U.S. government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.

Financing of Projects

Access to capital is a key challenge to Azerbaijan’s economic development. Non-government domestic sources of project financing are limited. External sources of finance include the U.S. Export-Import Bank, the Overseas Private Investment Corporation, the Asian Development Bank, and the European Bank for Reconstruction and Development, among others. Venture capital is virtually non-existent. State procurement is typically financed from the national budget or through international financial institutions, though the government has focused on decreasing its debt-to-GDP ratio and limited borrowing.

Multilateral Development Banks and Financing Government Sales

Price, payment terms, and financing can be significant factors in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks

(MDB). A helpful guide for working with the MDBs is the [Guide to Doing Business with the Multilateral Development Banks](#). The U.S. Department of Commerce's (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank.

Learn more by contacting the:

- Commercial Liaison Office to the [European Bank for Reconstruction and Development](#)
- Commercial Liaison Office to the [Asian Development Bank](#)
- Commercial Liaison Office to the [World Bank](#)

Business Travel

Business Customs

A premium is placed on face to face contact and close business relations in Azerbaijan. Business takes time, patience, and often depends on personal relationships. Companies interested in entering the market should expect to spend a considerable amount of time building trust and may want to consider hiring a local representative. Delays in communication are common and should not be taken as an immediate sign that a potential partner is not interested. Azerbaijanis tend to be very polite and hospitable, but can appear to U.S. businessmen as vague and noncommittal in business transactions. Embassy Baku's Commercial Unit can facilitate communication with potential partners. Requests for meetings with government officials can take time to confirm and may only be finalized at the last moment. English is spoken by many in the business community, but Russian is more prevalent. If possible, consider printing company materials and business cards in Azerbaijani or Russian. Baku is a cosmopolitan city and western business attire is appropriate.

Travel Advisory

The State Department issues Travel Advisories when warranted by local conditions. If you are traveling to Azerbaijan, please refer to <https://travel.state.gov> for [Azerbaijan-specific information](#). This site is updated regularly and contains important information for travelers regarding security and safety, health, visa and immigration regulations, and general travel information about Azerbaijan.

Azerbaijan considers travel to the region of Nagorno-Karabakh and the surrounding occupied territories unlawful. Engaging in any commercial activities in Nagorno-Karabakh and the surrounding occupied territories, whether directly or through business subsidiaries, can result in criminal prosecution and/or other legal action being taken against individuals and/or businesses in Azerbaijan. It may also affect the ability to travel to Azerbaijan in the future. Due to the existing state of hostilities, consular services are not available to U.S. citizens in Nagorno-Karabakh.

Visa Requirements

A valid passport and visa are required to enter Azerbaijan. The visa application fee for an e-Visa is \$20. The application fee for a multiple entry visa is \$350 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 which has submitted their invitation for approval to the Azerbaijani Ministry of Foreign Affairs. The list of travel agencies can be found at www.mfa.gov.az or on the Embassy of Azerbaijan's website at www.azembassy.us/.

Travelers to Azerbaijan must register with the State Migration Service after arrival if they intend to stay more than 15 days in the country. Major hotels in Baku will generally assist guests with registration. Those staying in private homes or lesser known hotels will have to register themselves. Registration is the traveler's responsibility and failure to register can result in a fine of up to AZN 400 (\$235), which must be paid before being allowed to depart Azerbaijan. Registration may be done in person, at an ASAN e-government service center, or online at <https://www.migration.gov.az/>.

Outside the United States, visas may be obtained online or from any Azerbaijani embassy or consulate. For additional information on visa requirements, contact the Azerbaijani Embassy in Washington:

- Embassy of the Azerbaijan Republic
2741 34th Street NW
Washington, DC 20008
Telephone (202) 337-5912
Fax (202) 337-5913
Website: www.azembassy.us/
- Azerbaijan Electronic Visa Portal: <https://evisa.gov.az/en/>

Potential visitors to the United States are urged to apply for a visa well in advance of their intended travel. 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 Website on Visas: <https://travel.state.gov/content/travel/en/us-visas.html>
- U.S. Embassy Baku Visa Information: <https://ais.usvisa-info.com/en-az/niv>

Currency

The national currency of Azerbaijan is the manat. Credit and debit cards are accepted at most major hotels, restaurants, supermarkets, and mid-range shops in Baku, but the economy is still overwhelmingly cash-based. Foreign credit cards are not universally accepted, but most ATMs, particularly in Baku, accept U.S. ATM cards.

Telecommunications/Electronics

The telephone system in Baku is generally reliable. International calls can be completed, but are expensive. Cellular communication and roaming for U.S. cell phone services are available. E-mail and full internet service is available via local internet providers and Wi-Fi is readily available in many Baku hotels.

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

Transportation

Subway: There is a functioning, but limited, subway system in Baku. It is an inexpensive and quick way to navigate the city, although its stations are not always conveniently located for international travelers.

Buses: Buses are cheap and plentiful, but are crowded, provide limited route information, and are not always well maintained. Due to safety concerns, U.S. Embassy personnel may not use local buses.

Taxis: The taxi market in Azerbaijan is highly fragmented with a large number of competing companies operating metered taxis. There is also an abundance of unregulated drivers. Metered taxis cost approximately 4-12 AZN (\$2-7) to reach most places in and around Baku. A taxi to the airport from the city center costs approximately \$10-30. It is difficult to find an English speaking driver, but an international hotel can assist you with doing so. Ride-hailing service "Bolt" operates in Azerbaijan, but Uber is no longer available. Unregistered, unmetered cabs are prolific, but fares should be negotiated in advance.

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, although some routes have been suspended or their frequency decreased. Azerbaijan Airlines (AZAL), Lufthansa, Turkish Airlines, Qatar Airways, and other international carriers all offer flights to Baku.

Language

Business can be conducted in Azerbaijani, Turkish, English, or Russian, with English becoming increasingly prevalent. However, business travelers should be prepared to hire an interpreter for \$100-150 per day, depending on their experience. Outside Baku, most people speak only Azerbaijani.

Health

The health care system in Azerbaijan is often unable to provide the level of medical care common in the United States. U.S. 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. World Med Clinic (American Implant Center), a U.S.-Azerbaijani joint venture, provides U.S.-standard dental care. However, major medical emergencies require a medical evacuation. 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

Azerbaijan does not observe Daylight Savings Time. Therefore, Azerbaijan is eight hours ahead of Eastern Daylight Savings Time during daylight savings time in the United States and nine hours ahead of Eastern Standard Time when daylight savings is not being observed. 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 U.S. holidays as well as several Azerbaijani holidays or commemorations. A complete list of these holiday closures is available at <http://azerbaijan.usembassy.gov/holidays.html>. A complete list of official Azerbaijani holidays and commemorations (published by the President's office) is available at <http://en.president.az/azerbaijan/holidays>.

Temporary Entry of Materials and Personal Belongings

Personal items, tools of trade, and business samples can usually be imported with little difficulty. Foreign currency can be brought into the country, but must be declared. Visitors are allowed to take the same amount of currency out of the country as was shown on the declaration form upon entering the country. Camera equipment must be declared upon arrival. All visitors should retain their customs declaration form until departure from the country.

Investment Climate Statement (ICS)

The U.S. Department of State's Investment Climate Statements, prepared annually by U.S. embassies and diplomatic missions abroad, provide country-specific information and assessments of the investment climate in foreign markets. Topics include: market barriers, business risk, legal and regulatory system, dispute resolution, corruption, political violence, labor issues, and intellectual property rights. To access the ICS for Azerbaijan visit the U.S. Department of State's [Investment Climate Statement](#) website.

Political 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.

<https://www.state.gov/u-s-relations-with-azerbaijan/>