Asia-Pacific Trade Briefs

Azerbaijan

Merchandise trade: Falling oil prices are affecting Azerbaijan's economy on account of its status as a major petroleum exporter. Exports are diversified across only 227 products and 39 markets – compared to an Asia-Pacific average of 2,107 products and 95 partners. Petroleum oils are the core export product accounting for 94.9% of exports. In 2014 merchandise exports dropped by -10.9%, well below the 2010-2014 average of 1.6% growth. The main export partners are Italy, Germany and Indonesia, which together account for half of Azerbaijan's exports (50%). Likewise, merchandise imports fell by -9.6% in 2014, compared with the 2010-2014 average of 8.5% growth. Imported products include mainly commodities, motor cars and vehicles, and gold. Major import partners are Turkey, the Russian Federation, and Germany.

Services trade: Azerbaijan's services imports grew by 24.6% in 2014, which is only slightly lower than the 5-year annual average of 27.2%. Its services exports grew however more modestly by 4.0% in 2014, which is well below the 5-year annual average of 15.5%. The travel sector is the main contributor to the rise in services trade and has been facilitated by a new visa regime with a number of European countries which has enlarged the tourist inflow to the country. Additionally, the construction services sector associated with Azerbaijan's energy transportation infrastructure is also another important contributor.

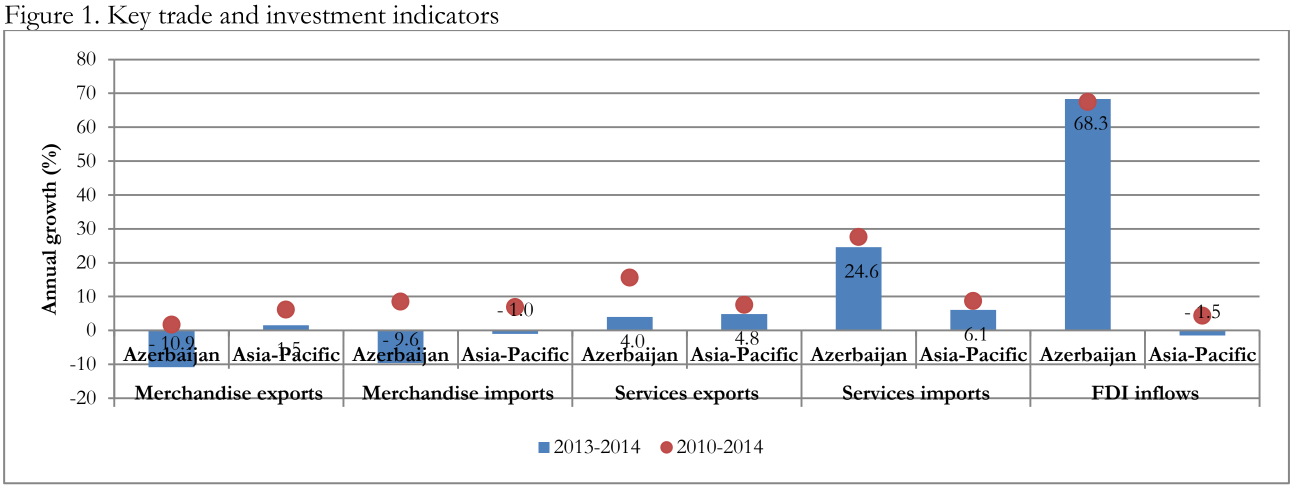
Global value chains (GVCs): The share of intermediate goods in trade – a proxy for participation in GVCs – in Azerbaijan (23%) is about the same as the Asia-Pacific overall (22%) for imports. However, participation is almost non-existent in exports (2%) compared with the Asia-Pacific overall (18%) because of the preponderance of petroleum oils in the export basket.

Foreign direct investment (FDI): Azerbaijan's FDI inflows increased significantly in 2014. They reached around $2,632 million in 2013, and rose further by 68.3% to total $4,430 million in 2014. More than eighty percent of these investments have been intended for the energy sector, especially for oil and gas pipelines and its related services, although these are expected to slow down significantly. The development of FDI will depend particularly on the economic health of the Russian Federation, the current dominant investor in Azerbaijan.

Trade costs: Intraregional trade costs with Azerbaijan have slightly dropped from 2013. However, it is still much costlier for Asia-Pacific economies to trade with the Azerbaijan than with East Asia-3 (China, Japan and Republic of Korea) – the intraregional benchmark – and with EU-3 (France, Germany and United Kingdom) – the extraregional benchmark. Based on the UNRC Survey 2015*, Azerbaijan's trade facilitation and paperless trade implementation score is at 52%, compared to 46.5% for the Asia-Pacific.

Trade agreements: Azerbaijan has 9 trade agreements in force, slightly higher than the Asia-Pacific average of 7 agreements. Only 7% of exports are to PTA partners, compared to 35% for the Asia-Pacific. However, 50% of imports are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



*Country notes summarising results of the UNRC Survey 2015 are available at: http://unnext.unescap.org/UNTFSurvey2015.asp

Figure 2. Top merchandise markets

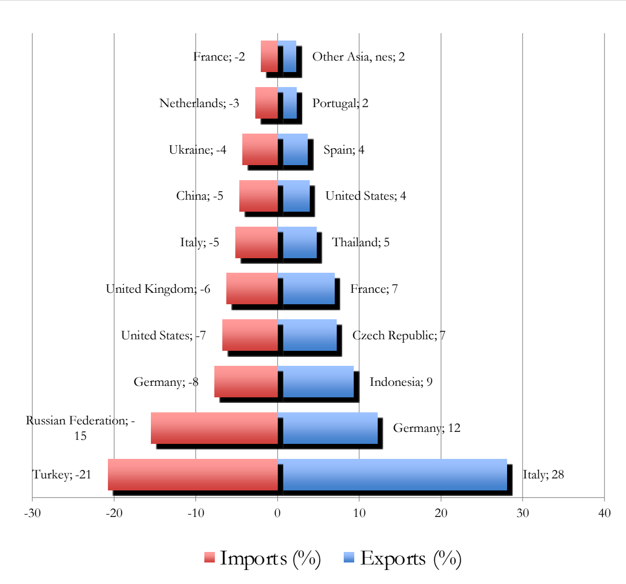


Figure 3. Top merchandise products

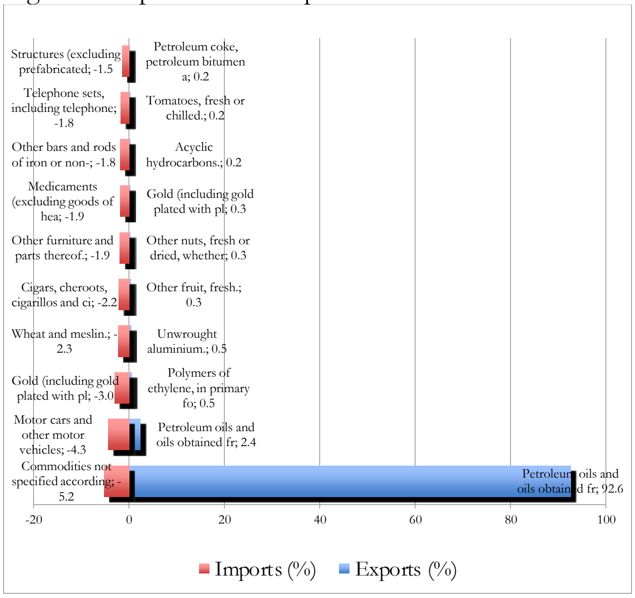


Figure 4. Trade in goods by their use

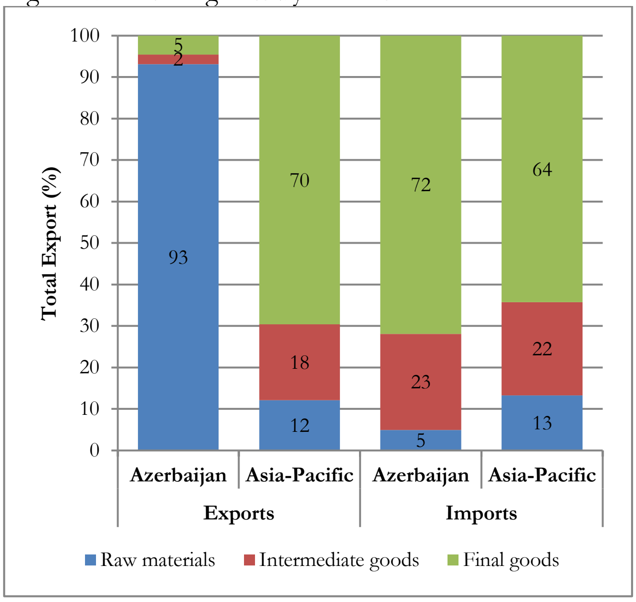


Figure 5. Foreign direct investment

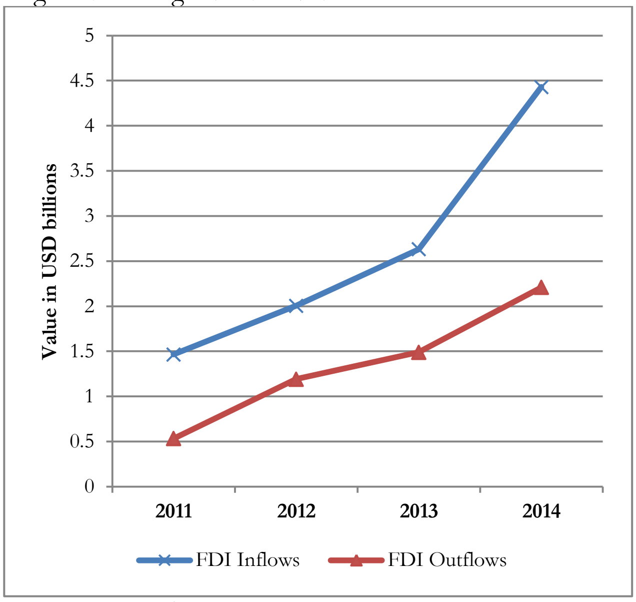
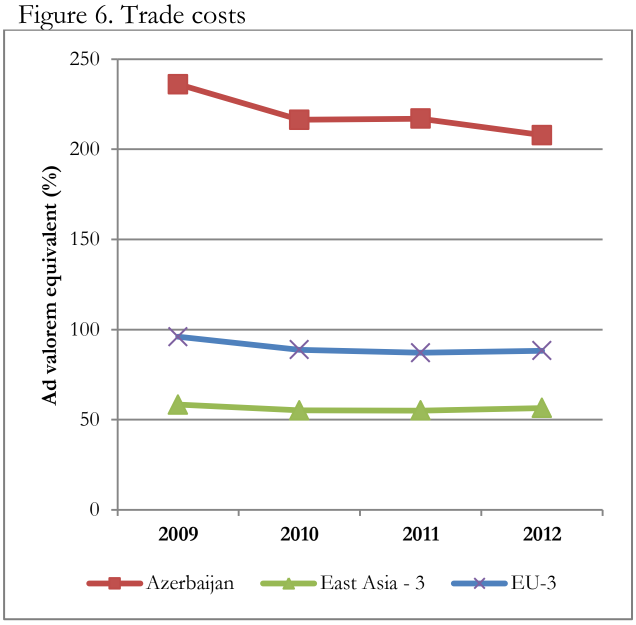


Figure 6. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.
Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.
Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.
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