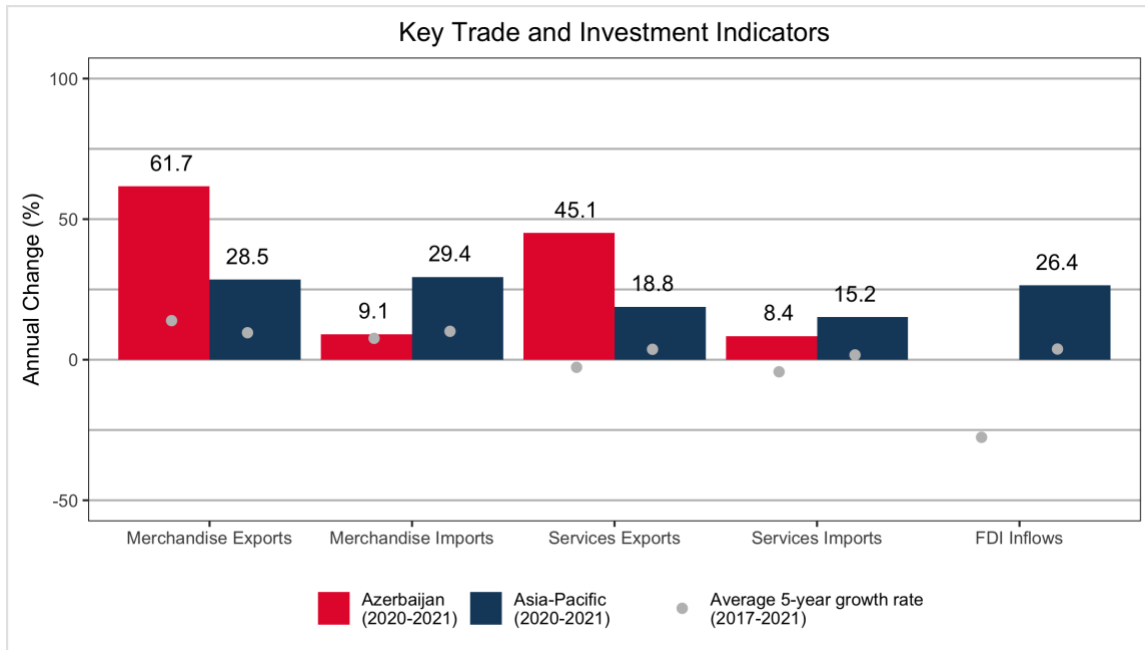




Azerbaijan Trade Brief



Merchandise Trade

In 2021, Azerbaijan registered a trade-to-GDP ratio of 79.7%, and merchandise trade accounted for 77.9% of Azerbaijan's total trade. From 2017-2021, Azerbaijan's merchandise exports grew by 13.9% and merchandise imports increased by 7.6% nominally each year on average. Merchandise exports in Azerbaijan experienced faster growth than the Asia-Pacific region's 9.6% annual growth during the same period. However, merchandise imports for Azerbaijan trailed behind the Asia-Pacific region's annual growth of 10.1%. In 2021, Azerbaijan's merchandise exports increased by 61.7% and merchandise imports grew by 9.1% nominally.

Looking ahead, Azerbaijan's merchandise exports are expected to grow by 25.3% in 2022 but then decline by 1.4% in 2023. Comparatively, exports in the Asia-Pacific region (excluding the Russian Federation) are anticipated to expand by 10.2% in 2022 and then by a more modest 1.9% in 2023. On the imports side, Azerbaijan is projected to grow by 25% in 2022 and then by 0.6% in 2023. Merchandise imports in the Asia-Pacific region (excluding the Russian Federation), for comparison, are forecasted to increase by 13% in 2022 and then by a more moderate 2.5% in 2023.

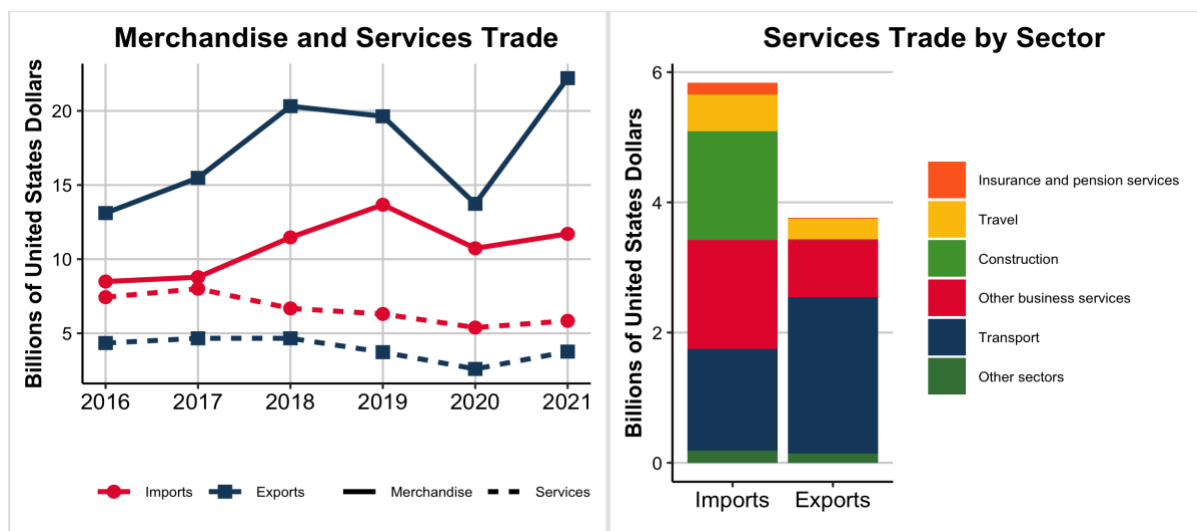
Services Trade

The services trade share of total trade by Azerbaijan amounted to 22.1% in 2021. Over the 2017-2021 period, commercial services exports for Azerbaijan contracted by 2.7% annually and commercial services imports decreased by an annual average of 4.3% in nominal terms, which was lower than the Asia-Pacific's 3.7% and 1.7% average growth, respectively. In 2021, Azerbaijan's services exports grew by 45.1%, following a year of 30.4% decline in 2020. In comparison, exports in the Asia-Pacific region grew by 18.8% in 2021, after falling by 21.4% in 2020. Commercial services imports in Azerbaijan recovered by 8.4% in 2021, compared to 15.2% growth in the Asia-Pacific region.



Sector-wise, "Transport services" comprised 41.3% of Azerbaijan's total commercial services trade in 2021, followed by "Other business services" at 26.5% and "Construction services" at 17.6%. The main driver of growth in services exports for Azerbaijan over the 2017-2021 period was "Transport services", which saw an average 23.8% increase annually in nominal terms. On the imports side, "Other business services" was the greatest contributor to growth in commercial services, increasing 25.2% annually on average over the same period.

Looking ahead, Azerbaijan's services exports are expected to increase by 3% in 2022 and then by 5% in 2023. Comparatively, exports in the Asia-Pacific region (excluding the Russian Federation) are anticipated to grow by 8.9% in 2022 and then by 8% in 2023. Meanwhile, Azerbaijan's services imports are projected to expand by 1.1% in 2022 and then by 2.2% in 2023. Services imports in the Asia-Pacific region (excluding the Russian Federation), for comparison, are forecasted to increase by 10.5% in 2022 and then by 4.5% in 2023.

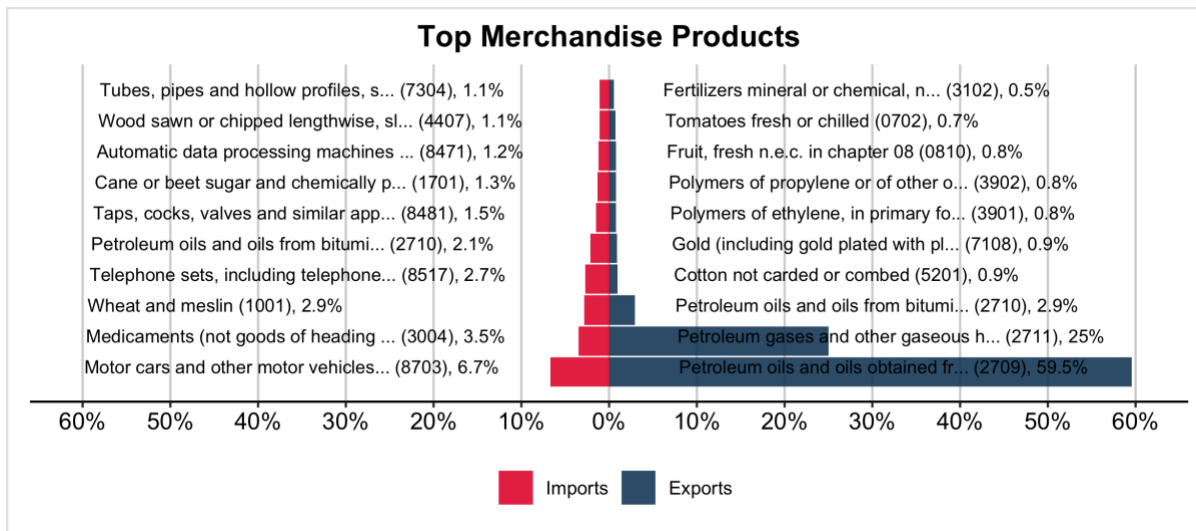
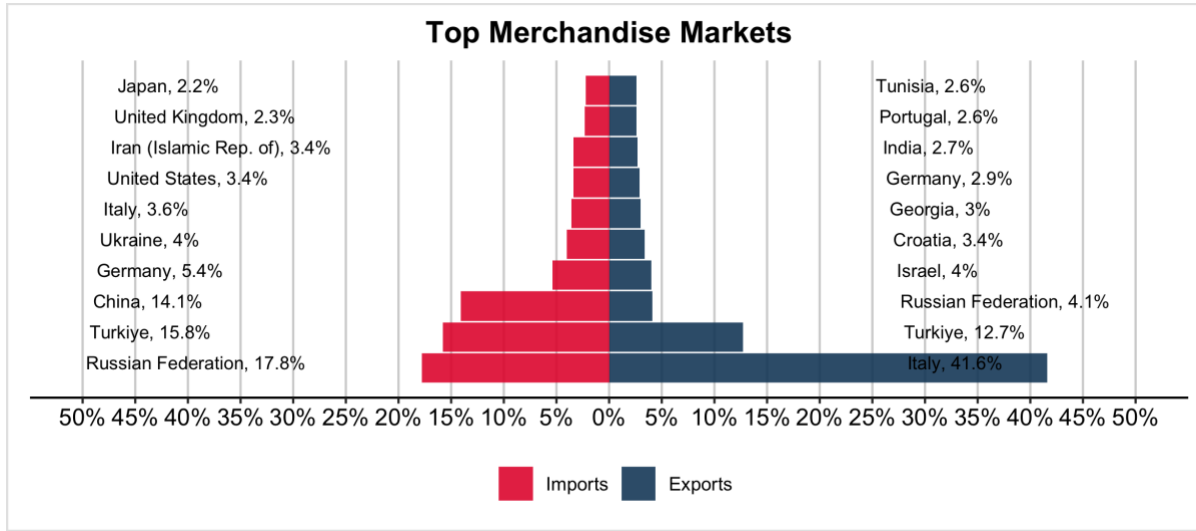


Top Trade Partners

In 2021, the largest merchandise trade partner of Azerbaijan was Italy, representing 41.6% of its exports and 3.6% of its imports. 12.7% of Azerbaijan's exports and 15.8% of Azerbaijan's imports by value were traded with Turkiye, its second largest trade partner. Other significant trade partners were the Russian Federation, China, Germany, Israel, Ukraine, Georgia, Croatia, and India.

Top Traded Products

The largest merchandise product category exported by Azerbaijan in 2021 was "Petroleum oils and oils obtained from bituminous minerals; crude" (2709), with an export share of 59.5% of total exports, followed by the second most exported product category, "Petroleum gases and other gaseous hydrocarbons" (2711), which accounted for 25% of Azerbaijan's total exports. In terms of imports, "Motor cars and other motor vehicles; principally designed for the transport of persons (other than those of heading no. 8702), including station wagons and racing cars" (8703) represented 6.7% of total imports, standing out the top imported product category. Meanwhile, "Medicaments; (not goods of heading no. 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic use, put up in measured doses (incl. those in the form of transdermal admin. systems) or packed for retail sale" (3004) had a share of 3.5%, the second largest imported product category in Azerbaijan in 2021.



Tariffs

Azerbaijan is currently not a member of the WTO (but an observer), and as such no detailed tariff information notified to the WTO is available.

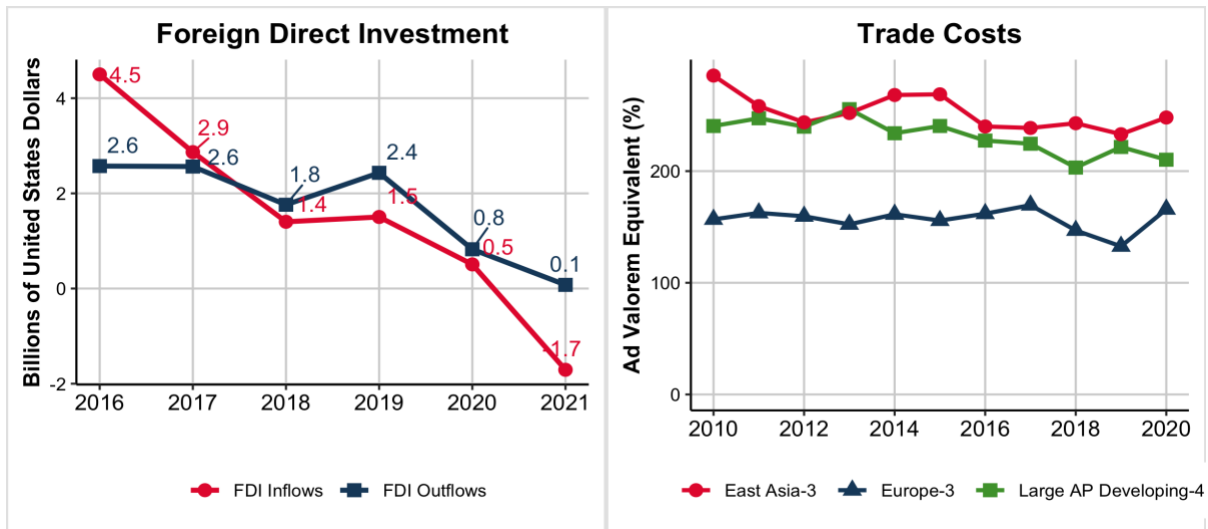
Foreign Direct Investment (FDI)

Azerbaijan recorded an average annual FDI inflows decline of 27.6% from 2017 to 2021, which was lower than the Asia-Pacific's 3.8% average annual FDI inflows growth. In 2021, Azerbaijan experienced a decline in FDI inflows by 436.8%. In terms of FDI outflows, Azerbaijan had an average annual FDI outflows decline of 19.4% in the last five years, which was also lower than the Asia-Pacific's 3.2% average annual FDI outflows growth. In 2021, Azerbaijan experienced a decline in FDI outflows by 90.7%.



Trade Costs

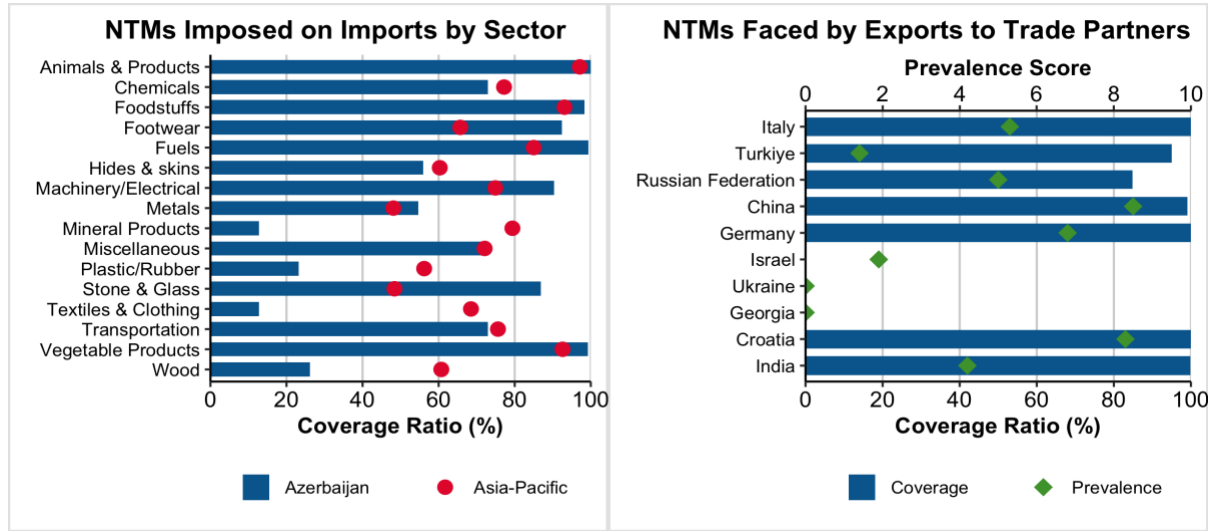
Azerbaijan's trade costs were lowest with the Europe-3 economies of Germany, France and the United Kingdom. In 2020, trade costs with the Europe-3 economies, on average, amounted to 165.8% of the value of goods, as compared to when the countries trade these goods within their borders. Trade costs were higher with the Large Asia-Pacific Developing-4 economies (China, India, Indonesia and the Russian Federation) and East Asia-3 economies (China, Japan and the Republic of Korea), amounting to 210.2% and 248%, respectively.



Non-Tariff Measures (NTMs)

Non-tariff measure (NTM) incidence varies across sectors. For Azerbaijan, Animal & Animal Products, Fuels and Vegetable Products had the highest percentages of imports regulated, where 100%, 99.4% and 99.3% of trade volume was subject to at least one NTM, respectively. The average coverage ratio for all other products was 72.4%. In Azerbaijan, Animal & Animal Products were subject to 10.3 distinct NTMs, which was the highest, followed by Vegetable Products and Foodstuffs, in which the average product was subject to 7.1 and 4.3 different NTMs. All other products in other sectors were subject to 1.6 NTMs on average.

On the exports side, 100% of export volume to Italy and 95% of export volume to Turkiye, Azerbaijan's top two trade partners, faced at least one NTM. For all other trade partners, the average coverage ratio was around 68.2%. Exports to Italy and Turkiye faced 5.3 and 1.4 NTMs on average, respectively. The prevalence score for all other trade partners was 3.4 NTMs on average.



Trade Agreements

Azerbaijan had 11 trade agreements in force, 0 signed agreements pending ratification and 0 trade agreements under negotiation as of 2021. Of the economy's total exports for the year, 24% were directed to its trade agreement partners, while 45.3% of its total imports came from trade agreement partners.

Title	Status	Year in Force	Share of Total Exports (%)	Share of Total Imports (%)
Azerbaijan-Russian Federation	in force	1993	4.14	17.78
Azerbaijan-Georgia	in force	1996	2.98	0.87
Azerbaijan-Republic of Moldova	in force	1996	0.01	0.04
Azerbaijan-Turkmenistan	in force	1996	0.15	0.61
Azerbaijan-Ukraine	in force	1996	2.04	4.03
Azerbaijan-Uzbekistan	in force	1996	0.15	0.66
Azerbaijan-Kazakhstan	in force	1999	0.18	0.82
Georgia-Ukraine-Azerbaijan-Republic of Moldova (GUAM)	in force	2003	5.02	4.94
Economic Cooperation Organisation Trade Agreement (ECOTA)	in force	2008	13.46	21.44
Azerbaijan-Turkey	in force	2021	12.69	15.81
Azerbaijan-Belarus	in force	N/A	1.33	1.11

Sources: Historic merchandise trade and commercial services data were accessed from the WTO statistics website. Merchandise and services projections were obtained from the Economist Intelligence Unit. Product-level and partner-level trade data were accessed through the UN Comtrade database. Tariff data were accessed through WITS and WTO tariff database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database. Logistics performance data were retrieved from the World Bank LPI dataset for the latest year available. Trade-to-GDP



ratio was calculated by summing commercial and merchandise exports and imports and dividing the sum by the latest GDP (current United States dollars), retrieved from the World Bank World Development indicators database. NTM data were accessed through UNCTAD TRAINS. Preferential trade agreement data were retrieved from the GPTAD database through WITS.

Note: Data are based on economies for which data available only. Merchandise trade data follow the latest HS classification. Products are defined at the 4-digit level. Tariffs are trade-weighted averages. Trade costs are simple average across country groups and exclude the cost of tariffs. NTM data may not be reported for top 10 trade partners.

Definitions: MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the lowest available tariff (between any preferential tariffs and MFN tariffs at the HS 6-digit level). Binding coverage refers to the share of bound tariff lines in the total number of tariff lines. For more details contact escap-tiid@un.org. For country reports on regional integration, please visit the [RIA website](#).