



## Asia-Pacific Trade Briefs

### Azerbaijan

**Merchandise Trade:** Azerbaijan is a highly trade-dependent economy with a trade-to-GDP ratio of 72.6%, but despite this trade patterns remain considerably volatile. As of 2015, merchandise trade dominated the country's trade structure by contributing to 64.8% of its total trade. However, during 2010-2015 merchandise exports contracted by 14.0% per year on average, a trend which continued in 2015 as exports fell substantially by 48.7%. Azerbaijan is a major subregional energy supplier, especially of petroleum oil products which collectively accounts for over 90.0% of the country's total exports; the trend of falling exports growth has been largely due to lower world crude oil prices. Merchandise imports grew robustly over the period 2010-2015 by 8.6%, although this growth slowed to 0.7% in 2015. This was in contrast to the Asia-Pacific regional average which recorded a sharp fall in imports of 15.0%. However, this may be explained by several factors including currency devaluations and volatility that have followed on from Azerbaijan's implementation of a floating exchange rate regime in December 2015, and high domestic inflation rates for a range of import goods, such as foodstuffs and medicaments.

**Services trade:** The services trade share of total trade in 2015 reached 35.2%, up from 27.8% in 2014. While services exports – which in 2015 accounted for 23.4% of total exports – grew robustly on average by 13.0% over the period 2010-2015, in 2015 a more modest exports growth of 3.6% was observed, in contrast with the Asia-Pacific average decline of 4.8%. Travel services, accounting for 52% of total services exports, experienced a modest decline of 5% in 2015. However, the contraction in travel services exports was compensated by the remarkable growth of transport services, which accounts for 34% of services exports, of 36.3%. Services imports in 2015 fell sharply by 16.0%, which was largely driven by the decreasing imports of other commercial services and travel services which fell by 20.6% and 13.5%, respectively.

**Intraregional trade:** In 2015, only 10.7% of Azerbaijan's exports went to the ESCAP region. Azerbaijan trades most intensively with the European Union where 63.2% of its goods exports are absorbed, with Italy (31.7%) and Germany (15.9%) as the largest export destinations. In contrast, 48.1% of goods imports were sourced from ESCAP economies, with Turkey (19.0%) and the Russian Federation (16.8%) as the largest intraregional import sources.

**Foreign direct investment (FDI):** In 2015, FDI inflows into Azerbaijan sharply contracted by 8.6%, compared with Asia-Pacific average inflows growth of 5.6%, ending a trend of phenomenal inflows growth of 48.4% on average over the period 2010-2015. The oil and gas sectors are the main FDI destinations, and in 2015 attracted 88.5% of total FDI inflows. FDI inflows into Azerbaijan have been affected by international sanctions against the Russian Federation, especially sanctions targeting Russian oil and gas companies.

**Tariff levels:** Azerbaijan is still undergoing the process of accession to the WTO. In 2014, average MFN applied tariff of 9.0% was higher than the Asia-Pacific average MFN applied tariff of 6.9%. Trade weighted average tariffs were 6.7%.

**Trade costs:** Intraregional trade costs in Azerbaijan remained substantially higher compared with the most efficient major traders in Asia and the Pacific; a relatively mild decline in trade costs was observed over the period 2009-2013. Trade costs for Azerbaijan are on average four times and three times higher than those for the East Asia-3 and European Union-3, respectively, incurred in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation).

**Trade agreement:** Azerbaijan has 11 preferential trade agreements (PTAs) in force, which is higher than the Asia-Pacific average of 7.6 agreements. 5.0% total exports are to PTA partners, compared to 33.3% for the Asia-Pacific. 48.6% of total imports are from PTA partners, compared to 44.0% for the Asia-Pacific.

Figure 1. Key trade and investment indicators

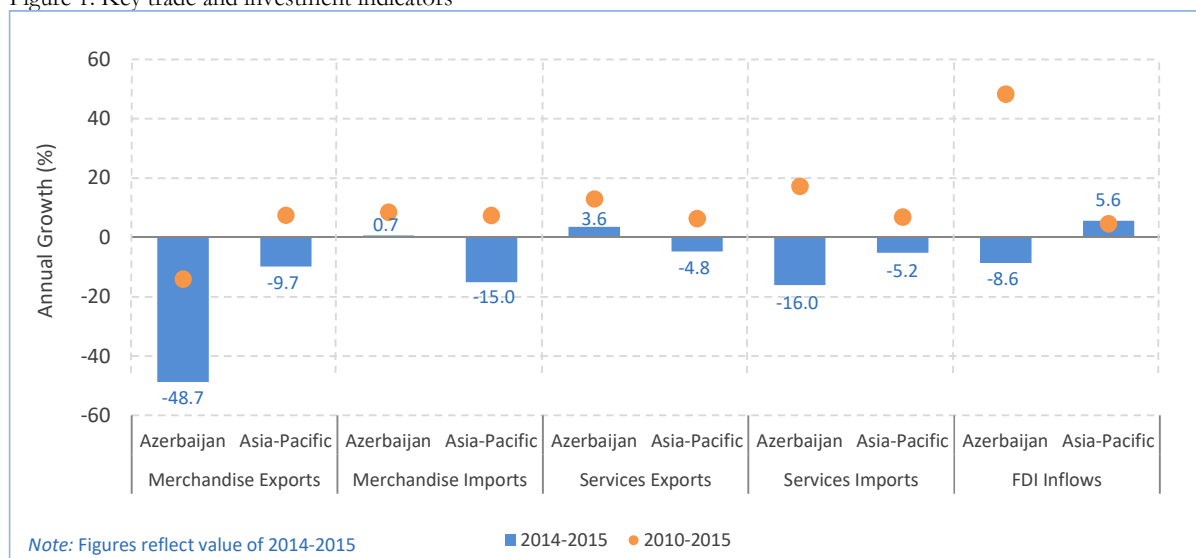


Figure 2. Top merchandise markets

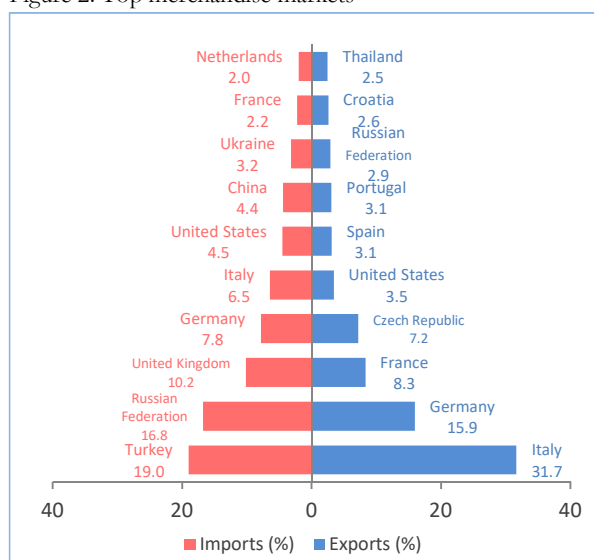


Figure 3. Top merchandise products

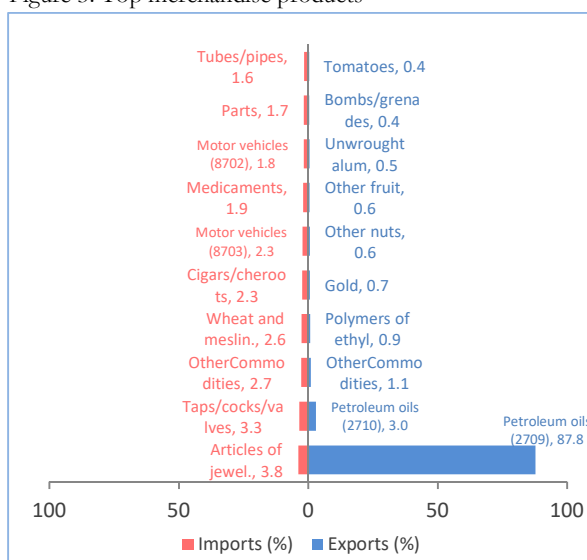


Figure 4. Trade within region and rest of the world

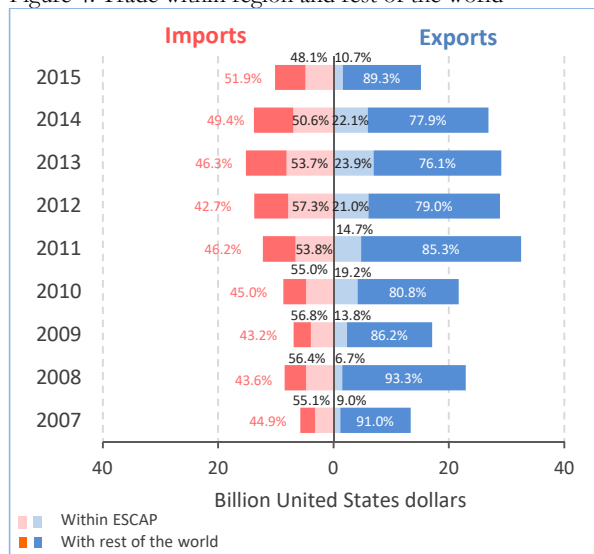


Figure 5. Foreign direct investment

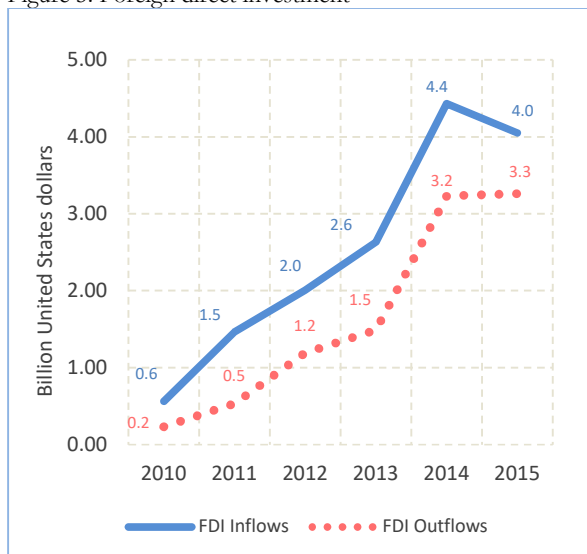


Figure 6. Tariffs (2014)

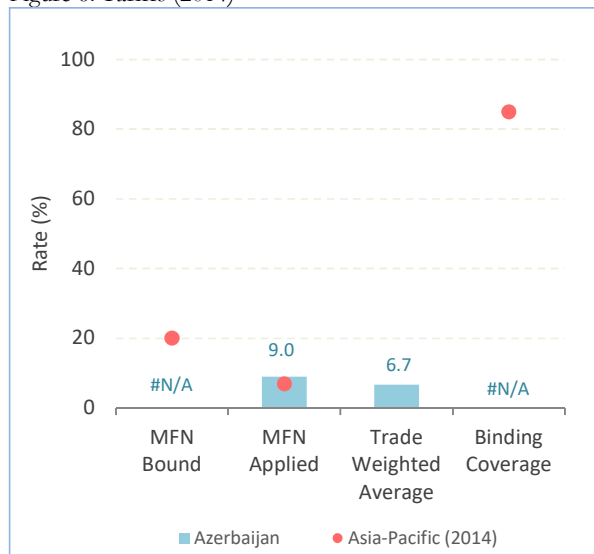
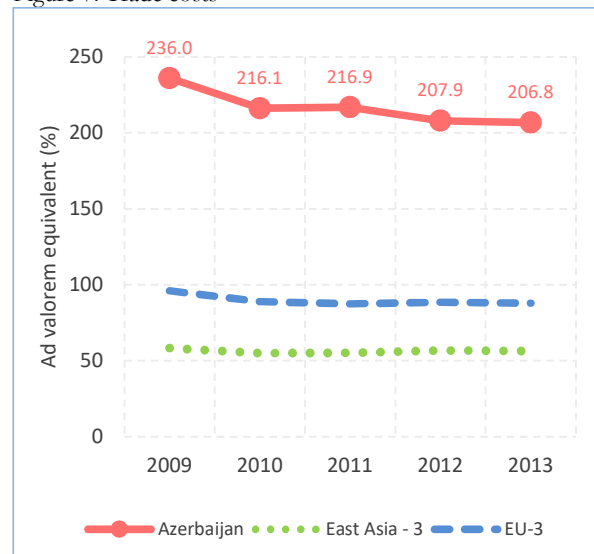


Figure 7. Trade costs



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