Summary

Azerbaijan’s economy is based on gas and oil, steel, iron, chemical and petrochemical products, and textiles. Agriculture accounted for 5.63% of GDP in 2017 and employed 37.48% of the population in 2018. Main crops include wheat, barley, corn, fruits (wine grapes), potatoes, cotton, tea, silk and tobacco. The country also produces other potentially valuable crops, including indigenous pink grapes and persimmon. Soon, a new online and mobile Government platform will allow Azerbaijani farmers to sell their products. Industry accounted for 49.58% of GDP in 2017 and employed 13.85% of the population in 2018. Besides oil products and its derivates, Azerbaijan produces cement, machinery, cotton, and foodstuffs. In the large-scale Azerbaijan - 2020: outlook for the future development project, the Azerbaijani Government seeks to more than double the volume of per capita GDP in the country through non-oil industries.

COFACE estimates 2018 GDP growth at 1.5% and projects 3.5% growth in 2019. The country has benefited from high oil prices and increased gas production, although its non-oil and gas sectors have also shown improvement. Other strengths include a strong sovereign fund, gas abundance in the Caspian Sea, increase exports to Turkey and Europe, serving as a geographic liaison between China and Europe, and a positive business environment (25th in Doing Business 2019) (COFACE).


Supported by stable oil production and a modest acceleration in domestic demand, real GDP of Azerbaijan expanded by 1.4 percent in 2018. The non-energy economy expanded by 1.8 percent, reflecting greater dynamism in most economic sectors. The notable exception was construction, which posted a contraction year-on-year (y-o-y) following the completion of a major gas field project.

Due primarily to rising natural gas exports, economic growth in the medium term is forecasted to average 3.5 percent annually. Non-energy output is projected to expand at around 3 percent annually, supported by domestic demand, as real wages and credit to the economy continue to improve. In 2019, private consumption will receive a temporary boost from increases in the minimum wage and minimum pension. Meanwhile, recent tax reforms and ongoing efforts to reform the customs system—building on Azerbaijan’s strong business reform performance in 2018—could reduce informality and translate into greater economic activity.

The gradual recovery in domestic demand is expected to lift inflation slightly, and consumer price inflation will hover at about 3 percent through 2022. Monetary policy may be further loosened in the medium term. With no major decline in oil prices and a boost in gas exports, the current account surplus is likely to remain above 12 percent of GDP over the medium term. Imports will continue to recover, reflecting trends in domestic demand. (Last Updated: Apr 10, 2019).


Economic Indicators

Azerbaijan recorded a trade surplus of 2506266 USD Thousand in the fourth quarter of 2018. Balance of Trade in Azerbaijan averaged 2346719.46 USD Thousand from 1998 until 2018, reaching an all time high of 8201764 USD Thousand in the second quarter of 2008 and a record low of -306551 USD Thousand in the fourth quarter of 1998. Oil and natural gas account for around 95 percent of Azerbaijan’s total exports. As a result, the country consistently runs trade surpluses. In recent years, Azerbaijan’s trade relations have been shifting away from Russia and towards the European Union. Azerbaijan’s main trading partners are Italy, the United Kingdom, the United States, Turkey, Israel, France, Indonesia, Russia, Germany and India.


Source: Trading Economics: https://tradingeconomics.com/azerbaijan/indicators
Trade Analysis

Azerbaijan imported USD 9.44 Billion worth of goods in 2018. Its main trading partners were Russia (18.15% of total imports); Turkey (15.6%); UK (13.7%); China (5.5%) & Germany (5.4%). Main products (HS Chapters) imported by Azerbaijan in the same year were Machinery & appliances (HS 84, @ 16.8% of all imports); Precious Metals & stones (HS71 @ 10%); Iron & Steel and articles (HS72/73 @ 9.7%); Electrical machinery & equipment (HS85 @ 7.7%) and Vehicles (HS 87 @ 6.3%).

Exports from Dubai alone to Azerbaijan in 2018 totaled nearly USD 30 Million of which major exported product groups were Gold & Articles of jewellery (HS71); tobacco products (HS2402), Perfumes & Cosmetics (HS33) & Plastic Sheets /articles (HS39). Re-exports to Azerbaijan in the same year reached more than USD 184 Million of which major exported product groups were Eletricalal items (HS85), Machinery & Equipment (HS84), Iron & Steel & Articles (HS 72&73), Diamonds (HS7102) & vehicle / vehicle parts (HS87).

ITC’s Export Potential Map is a tool that turns economic analysis into practical trade information using the ITC export potential and diversification assessment methodology, wherein we can determine products and markets with (untapped) export potential opportunities for export diversification. A close look at Azerbaijan through this tool throws up the following Top opportunities for Dubai’s businesses:

Export Potential (EP)
- EP of Jewellery (HS711319) from UAE to Azerbaijan is USD 36 Million of which USD 33.5 Million is untapped.
- Similarly, EP of Polyethylene (HS390120) is USD 8.9 Million of which USD 4.2 Million is untapped.
- EP of Iron & Steel Structures (HS730890) is USD 8.3 Million of which USD 8 Million is untapped.
- EP of Cane/beet Sugar (HS170199) is USD 6.7 Million of which USD 6.6 Million is untapped.
- EP of Parts for Boring Machinery (HS843143) is USD 5.2 Million of which USD 3.5 Million is untapped.
- EP of Perfumes (HS330300) is USD 2.3 Million of which USD 1.6 Million is untapped.
- EP of Food Preparations (HS210690) is USD 1.9 Million of which USD 1.6 Million is untapped.

Re-Export Potential (REP)
- REP of Motor Vehicles (HS8703XX) from the World to Azerbaijan is USD 446 Million of which USD 241.8 Million is untapped.
- REP of Medicaments (HS3004XX) is USD 263.4 Million of which USD 192.2 Million is untapped.
- REP of Jewellery (HS711319) is USD 204.7 Million of which USD 126.9 Million is untapped.
- REP of Black Tea (HS090240) is USD 73.8 Million of which USD 29.2 Million is untapped.
- REP of Iron & Steel articles (HS732690) is USD 103.1 Million of which USD 62.1 Million is untapped.

For more information, refer the charts on UAE Export & Re-export Potential in this report
Source: ITC Data based on COMTRADE Statistics (www.intracen.org) and Dubai Customs
**Import Requirements**

Importers are required to provide the State Customs Committee with the following: 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.

Azerbaijani legislation imposes special rules on labeling food and agricultural products. The labels must be in Azerbaijani. English labels are also acceptable if information in Azerbaijani is also provided. Azerbaijani legislation requires the following product information to appear on the label:

<table>
<thead>
<tr>
<th>Name and brand of the product</th>
<th>Name and address of producing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of origin</td>
<td>Expiration date/shelf life</td>
</tr>
<tr>
<td>Nutrition and caloric values</td>
<td>Net weight (grams or kilos)</td>
</tr>
<tr>
<td>Usage instructions</td>
<td>Name and type of packing material</td>
</tr>
<tr>
<td>Storage instructions</td>
<td>Licensing and certification information</td>
</tr>
<tr>
<td>Special warnings, if applicable</td>
<td></td>
</tr>
</tbody>
</table>

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 flavors (up to 10% concentrate).

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, it regulates the export of strategic commodities produced in Azerbaijan. Export/import of the following goods also require government approval: wild animals and plants, and raw materials from them; 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.

Source: [https://www.export.gov/article?id=Azerbaijan-import-requirements-and-documentation](https://www.export.gov/article?id=Azerbaijan-import-requirements-and-documentation)

*Note: DE Partners, SGS and Intertek provides inspection and certification advice & services for exporters through Dubai. For further information contact them (see below) with DE reference for value added/preferential services. Husny Saeed, Intertek International Ltd., Government and Trade Services, M.E., Tel: +971 4 3178777/+971 4 3316883, Email: info.dubai.gs@intertek.com OR Sithara Hatim-GIS, Section Head - Certification Centre; SGS Gulf Ltd., Jebel Ali Branch; T: 9714 8809393 (Ext 249); E: sithara.hatim@sgs.com; www.sgs.com.*
Distribution and Sales Channels

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. Due diligence should be done on any potential Azerbaijani distributor before concluding an agreement or shipment. As a port city, Baku is both a destination and a growing distribution center for sea, rail, and air cargo. The government has established a free trade zone next to the Port of Alat (approximately 70 km south of Baku) in which legal entities and their employees will be exempt from all taxes and customs duties. The Baku-Tbilisi-Kars railway directly connects Azerbaijan, Turkey, and Georgia and forms part of the East-West corridor that intends to connect China and Europe by rail. Azerbaijan is also seeking to develop the North-South Transportation Corridor to facilitate trade between South Asia and Western Europe by linking Russia and Iran. Firms seeking distribution partners in Azerbaijan should focus on private Azerbaijani firms with proven track records and good financial standing. It is recommended that businesses should work with Baku-based firms for internal distribution within Azerbaijan.

Source: https://www.export.gov/article?id=Azerbaijan-Distribution-and-Sales-Channels

Potential Buyers:

The list of potential buyers of products as acquired through ITC database are large in some countries (e.g. Germany) while practically non-existent in others. For further assistance regarding “potential” buyers from on specific products produced/sold by our exporters, please contact DE Head office or register with ITC and browse the information available. Source: https://www.trademap.org

Customs Duties & Regulation

Azerbaijan is not yet a member of the WTO and has not made progress on accession to the WTO in recent years. In 2016, Azerbaijan imposed higher tariffs on a number of imported goods, including agricultural products, to promote domestic production and reduce imports. 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. See http://www.az-customs.net/en/zakon.htm for details.

Market Access Map has been developed by ITC to support the needs of exporters, trade support institutions, trade policy makers and academic institutions in developing countries. It provides information about customs tariffs (including tariff preferences) applied by more than 200 countries and faced by 239 countries and territories. It also covers tariff rate quotas, trade remedies, rules and certificates of origin, bound tariffs of WTO members, non-tariff measures and trade flows to help users prioritize and analyse export markets as well as prepare for market access negotiations. Users can also find ad-valorem equivalents for all non-ad-valorem duties and perform aggregations of products and countries as well as simulate tariff reduction scenarios. Market Access Map is free to users in UAE thanks to generous support from the European Commission, DFID, the World Bank, the Ministry of Finance of the Russian Federation and donors to ITC’s trust fund.

Source: https://www.macmap.org/Default.aspx
United Arab Emirates's products with potential to Azerbaijan

Legend
- Export potential
- Actual exports
- Potential to actual exports gap

- Jewellery & precious metal articles
- Plastics & rubber
- Metal products
- Beauty products & perfumes
- Sugar
- Machinery
- Glass articles
- Miscellaneous manufactured products
- Chemicals
- Motor vehicles & parts
- Other metals
- Ceramic articles
- Other food products
- Cocoa beans & products
- Beverages (not alcoholic)

ITC Export Potential Map
http://exportpotential.intracen.org

- Polyethylene, specific gravity >=0.94, in primary forms
- Structures & parts of structures
- Cane or beet sugar & chemically pure sucrose
- Parts for boring or sinking machinery
- Prefabricated buildings
- Carboys & other glass containers
- Wire of refined copper
- Unglazed ceramic flags, paving, hearth, wall tiles, mosaic cubes & the like, nes
- Paints & varnishes based, incl. enamels and lacquers, on s
- Perfumes & toilet waters, nes
- Motor vehicles for the transport of persons, nes
- Soap & organic surface-active products, for toilet use
- Food preparations, .
- Polypropylene, in primary forms
- Chocolate & other cocoa preparations
- Rubber pneumatic tires for motor cars, new
- Waters as beverage
- Drinking glasses, of lead crystal
- Propylene copolymers, in primary forms
- Starter batteries
- Reservoirs
- Shampoos
- Preparations for use on the hair, nes
- Prepared additives for cement/mortar/concrete
- Motor vehicles for the transport of >=10 persons, incl. driver