



# KCCI - Country Wrap: Azerbaijan (Mar.'19)



## Azerbaijan – a brief overview

Located at the crossroads of Eastern Europe and Western Asia, Azerbaijan is a former Soviet Union country, gaining popularity as a tourist destination around the globe. Three geographical features dominate Azerbaijan: the Caspian Sea, the Greater Caucasus mountain range and the extensive flatlands at the country's center.

## Economy of Azerbaijan

Azerbaijan has made only limited progress on instituting market-based economic reforms. Trade with Russia and the other former Soviet republics is declining in importance, while trade is building with Turkey and the nations of Europe. Long-term prospects depend on world oil prices, Azerbaijan's ability to negotiate export routes for its growing gas production, and its ability to use its energy wealth to promote growth and spur employment in non-energy sectors of the economy.

In Azerbaijan, construction of an island named "Khazar Islands" is ongoing which will be built on an artificial archipelago 25km south of Baku. In general, it is planned to construct 20km boulevard and 20 bridges which will be implemented in three stages. The project will consist of 41 islands of different sizes with a total area of 3,000 hectares on which 19 residential districts will be built. The total investment required in the Khazar Islands project is estimated at \$ 100Bn.

## Key Industries of Azerbaijan

The key industries of Azerbaijan are textiles, food processing, automobiles, electronics, mining, steel, petroleum, construction, lumber and paper. The Agriculture products include tobacco, cotton, grain, olives, sugar beets, hazelnuts, pulses, citrus and livestock.

## Azerbaijan's major trading commodities and partners

The major trading commodities exported by Azerbaijan are apparel, foodstuffs, textiles, metal manufactures, transport equipment. The major export partners of Azerbaijan are Germany (9.6%), UK (6.1%), UAE (5.9%), Iraq (5.8%), US (5.5%), Italy (5.4%), France (4.2%) and Spain (4%). While the commodities imported by Azerbaijan include machinery, chemicals, semi-finished goods, fuels and transport equipment. The important import partners are China (10%), Germany (9.1%), Russia (8.4%), US (5.1%) and Italy (4.8%).

## Economic Relations between Pakistan and Azerbaijan

Relations between Pakistan and Azerbaijan were established when the republic of Azerbaijan became independent following the collapse of the USSR. Pakistan was among the first countries to recognize Azerbaijan. Exchange of visits of Azerbaijan and Pakistani leaders as well as other high level delegations played a pivotal role in cementing the links between the countries and people alike. Agreements in political, economic, strategic, social, humanitarian, cultural and other sectors signed during these visits formed a solid legislative base.

## Bilateral Trade Relations between Pakistan and Azerbaijan

Trade and cooperation has steadily grown between the two nations, with several summits being held on how to improve trade between the two nations. Both countries had cultural, social, religious and above all civilizational ties through famous Silk Route in the past. Caravans from both regions used this route extensively for trading purpose. National Bank of Pakistan was the first foreign bank to be allowed to open a branch in Azerbaijan. During 2017, Pakistan's export to Azerbaijan stood at \$ 12.59Mn as against exports of \$ 61.27Mn, a 79.5% decline. Pakistan's import in 2017 totaled \$ 1.83Mn compared to \$ 1.43Mn a year before, an increase of 27.97%. Trade balance is in favor of Pakistan, \$ 10.77Mn down 82% from \$ 59.84Mn in 2016.

## Potential for enhancing bilateral trade relations between Azerbaijan and Pakistan

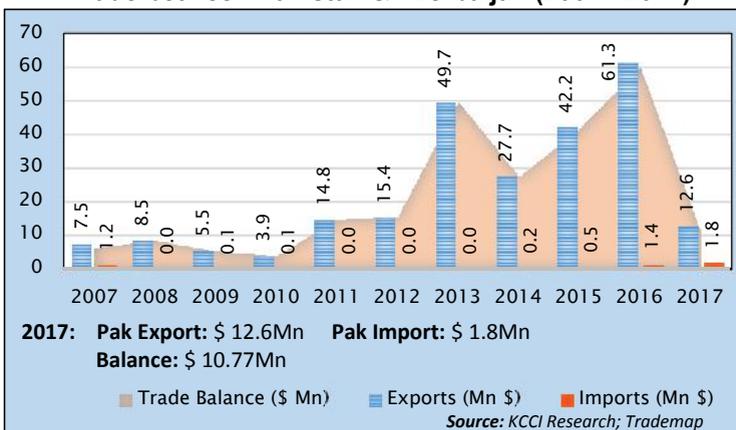
- Azerbaijan has shown interest in Pakistan's LNG sector and has planned to invest through State Oil Company of Azerbaijan Republic (SOCAR).
- Pakistan and Azerbaijan will constitute a joint working group on energy.
- The two govt. had entered into an inter-governmental agreement (IGA) in Feb' 17 for the supply of a number of oil and gas products, including furnace oil, petrol, diesel and LNG.
- The construction sector is one of the fastest growing areas of Azerbaijan's economy as it is in process of constructing huge buildings and a new island that provide investment opportunity of about \$130 billion. The two countries also have a potential of joint ventures in pharmaceutical, agriculture and manufacturing sectors.
- Pakistan can export to Azerbaijan its value-added agricultural products like mangoes, dates, fruits, sports and surgical goods. Pakistan s Basmati rice has a huge demand in Azerbaijan.

## Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	172.1	172.2	0.06%
GDP per Capita	\$	17,700	17,500	-1.13%
GDP growth	%	-3.1	0.1	3.20%
Forex Reserves	\$ Bn	7.14	6.68	-6.45%
External Debt	\$ Bn	13.8	17.4	25.89%
Exports of Goods	\$ Bn	13.21	15.15	14.69%
Imports of Goods	\$ Bn	9.00	9.04	0.37%
Trade Balance	\$ Bn	4.21	6.11	45.34%
Current Account	\$ Bn	-1.36	1.69	223.62%
FDI - at Home	\$ Bn	73.83	79.53	7.72%
FDI - at Abroad	\$ Bn	17.1	19.6	14.96%
CPI	%	12.6	13.0	0.40%
Prime Lending Rate	%	12.56	12.70	0.14%
Population	Mn	10.0	10.05	0.85%
Unemployment	%	5.0	5.0	0.00%
Litracy Rate	%	99.8	N/A	N/A

Sources: KCCI Research, CIA Factbook

## Trade between Pakistan & Azerbaijan (2007 - 2017)



## Azerbaijan's Trade - Commodity Wise (2017)

Top 10 Exports Items (\$ Mn)	Top 10 Imports Items (\$ Mn)
Mineral fuels & oils 12,359	Machinery & apps 1,302.53
Edible fruit & nuts 292.74	Articles of iron or steel 570.64
Edible vegetables & roots 210.09	Electrical machinery & equip. 564.14
Natural or cultured pearls 127.61	Commodities, NES 488.29
Aluminium & articles 117.67	Vehicles, not railway 422.16
Plastics & articles 101.12	Mineral fuels & oils 380.85
Organic chemicals 67.26	Plastics & articles 318.23
Cotton 51.96	Iron & steel 315.13
Articles of iron or steel 45.14	Cereals 291.52
Sugars & confectionery 40.24	Pharmaceutical products 249.02

Sources: KCCI Research, Trademap

## Pakistan's Trade with Azerbaijan - Commodity Wise (2017)

Pakistan Export Items (\$ Mn)	Pakistan Import Items (\$ Mn)
Cereals 9.22	Mineral fuels & oils 1.79
Edible fruit & nuts 1.36	Edible vegetables & roots 0.01
Oil seeds & oleaginous fruits 0.67	Beverages, spirits & vinegar 0.01
Pharmaceutical products 0.40	Products of animal origin 0.01
Cotton 0.21	Prep. of veg., fruit & nuts 0.01
Articles of leather 0.16	
Articles of apparel, knitted 0.10	
Machinery & apps 0.10	
Man-made staple fibres 0.09	
Misc. edible preparations 0.08	

Sources: KCCI Research, Trademap