

TRADE SECTOR DEVELOPMENT IN AZERBAIJAN

Policies, Constraints
and Opportunities



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REPORT INFORMATION

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Report Quality Control Certification

As per the VM EUROPE Consortium procedures, this report and its content has been proofread and controlled for quality against the Terms of Reference of the assignment, and its subsequent possible modifications.

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EXECUTIVE SUMMARY

This report reviews the development dynamics of Azerbaijan's foreign trade, trade policy and reforms, the structure of goods and services exports, the main constraints faced by exporters, export promotion mechanisms, as well as trade and investment infrastructure. It examines current developments, the existing opportunities and constraints for increasing Azerbaijan's export potential and further diversifying the economy. At the end, the study provides recommendations aimed at addressing the challenges and promoting greater development of the international trade sector, which, in turn, would contribute to the long-term economic development of Azerbaijan.

The first section provides an overview of Azerbaijan's macroeconomic situation, trade policy reforms, and integration into the global economy. Information on government programs aimed at developing non-oil sectors and **reforms aimed at increasing trade** in goods and services. The report also examines Azerbaijan's transformation into a strategic regional logistics hub.

The next section provides an overview of Azerbaijan's international trade dynamics with the World and the European Union, covering **total trade, the non-oil sectors**, as well as **services exports**. The analysis shows that non-oil exports have experienced consistent growth due to the development of agriculture, the chemical and petrochemical industries. **A gradual trend** toward the expansion and diversification of exports to the EU is observed in the export of non-oil products. Nevertheless, the oil sector is still dominant. During the period under review (2017–2025), the oil sector accounted for more than 85% of the country's total exports. For the services sector, imports continue to exceed exports. However, **significant growth in services exports has been recorded in recent years**, particularly in transport and cross-border digital services sectors.

The third section provides information about the **main challenges faced by exporters of goods and services** in Azerbaijan based on data from international organizations. Findings show that the greatest regulatory barriers for enterprises operating in agriculture and manufacturing are **export procedures**, particularly certification requirements. In the services sector, **shortages of skilled personnel, mandatory inspections, and restrictions on international payments** are highlighted as the main challenges. Subsequently, the **need for further trade facilitation** reforms in areas such as document processing, cooperation with foreign border agencies, and the participation of the business community in decision-making is highlighted.

The next section presents Azerbaijan's institutional environment supporting export. The document highlights activities carried out by AZPROMO, Trade Representative Offices and Trade Houses abroad, the "Azexport" portal, as well as Customs Committee. It also provides information on **trade financing programs** of the European Bank for Reconstruction and Development, the Islamic Development Bank, the World Bank, and other international financial institutions that support Azerbaijan's exports through local banks.

Section 5 provides information on the incentives and benefits available in the Alat Free Economic Zone (AFEZ), Industrial Parks, and Industrial Districts, as well as those resulting from obtaining an "Investment Promotion Certificate."

The final section provides strategic **policy recommendations to diversify Azerbaijan’s non-oil exports, expand trade in services, and ensure long-term economic growth**. These include:

- Establishing an **“Export Mentoring Network”** to support exporters in accessing new markets;
- Establishing a **“National Trade Portal”** that integrates all legislative requirements, challenges, market research, and AI-based advisory services;
- Establishing a new **“Single Window”** system to simplify certification and conformity assessment procedures, which would reduce the administrative burden on businesses;
- Using **SOCAR’s financial resources** to shift from direct exports of raw mineral products toward the production of **higher-value-added industrial products**, such as synthetic fibres for textiles, carbon fibres and composite materials;
- Developing a **dedicated action plan** to improve trade facilitation indicators;
- **Accelerating momentum towards WTO accession** through intensified negotiations and timely completion of outstanding commitments.
- Pursuing **greater preferential access to the EU market** while broadening Azerbaijan’s network of trade agreements to support non-oil export diversification.
- Transforming the Middle Corridor from a transit corridor into a **comprehensive economic corridor** by integrating production and logistics;
- Ensuring exporters’ access to funds allocated by international financial institutions to **facilitate trade financing**, while also establishing an Export Credit Insurance and Factoring Fund (or an EXIM Bank) targeting small and medium-sized enterprises;
- Introducing a **“Skills-to-Jobs”** workforce development model that connects educational institutions with employers to address skilled labour shortages;
- Introducing an **“Open Skies”** regime, providing incentives to foreign cargo airlines, and subsidizing air freight for exporters in order to reduce high aviation costs;
- Constructing a **direct passenger railway** line to the Alat Free Economic Zone (AFEZ) to improve its accessibility for workers and investors;
- Expanding integration with **international payment systems** (such as PayPal) and removing existing regulatory restrictions to support the development of digital services exports.

SECTION 1. ECONOMIC TRENDS, TRADE REFORMS AND POLICIES

This section provides an overview of the key macroeconomic developments, major trade policy reforms and regulatory changes that have shaped the country's economic and trade environment during the reporting period. It reviews recent macroeconomic trends, the policy measures introduced to support the developments of international trade in goods and services, recent developments in Azerbaijan's preferential trade agreements, and the progress achieved in the country's WTO accession process. This section also provides an overview of key regional and international transit corridor initiatives and their role in strengthening Azerbaijan's position as a strategic trade, transport, and logistics hub.

1.1. RECENT TRENDS IN AZERBAIJAN'S ECONOMIC DEVELOPMENT

Over the last decade, Azerbaijan has undertaken comprehensive reforms to diversify its economy and integrate more deeply into global trade. This shift has been driven by a strategic objective of reducing the country's economic dependence on oil and gas, which was in a direct response to volatility of global oil and gas markets. Since 2016, the policies and reforms aimed at enhancing the business environment have intensified, strengthening non-oil sectors, and supporting the SMEs and export sector has particularly intensified. Yet, the oil and gas sector remains crucial.

According to data published by the Statistical Committee and Central Bank of Azerbaijan¹, in 2025, around 28.5% of the Gross Domestic Product (GDP)² of Azerbaijan originated originate in the oil sector oil sector. As such, fluctuation in oil prices largely affect the total GDP and economic activities in the country.

Figure 1 provides information about overall GDP growth rate and non-oil GDP growth rate for Azerbaijan from 2018 to 2025. The non-oil sector's performance suggests that diversification efforts are bearing fruits as, in all observed years, non-oil sector either demonstrated higher growth than overall economy and showed more resilience against COVID. Overall, Azerbaijan economy continues to grow. However, the slowdown in growth rates in 2025 for both total economy and non-oil sector indicates potential challenges in sustaining higher growth rates³.

Nevertheless, the economy of Azerbaijan continues to depend on the oil sector to a significant extent. Figure 2 presents information about Azerbaijan's total exports and oil and gas exports from 2017 to 2025 and shows that oil exports accounted for a significant majority of total exports. Throughout the period examined, the share of oil sector represented more than 85% of the total exports⁴.

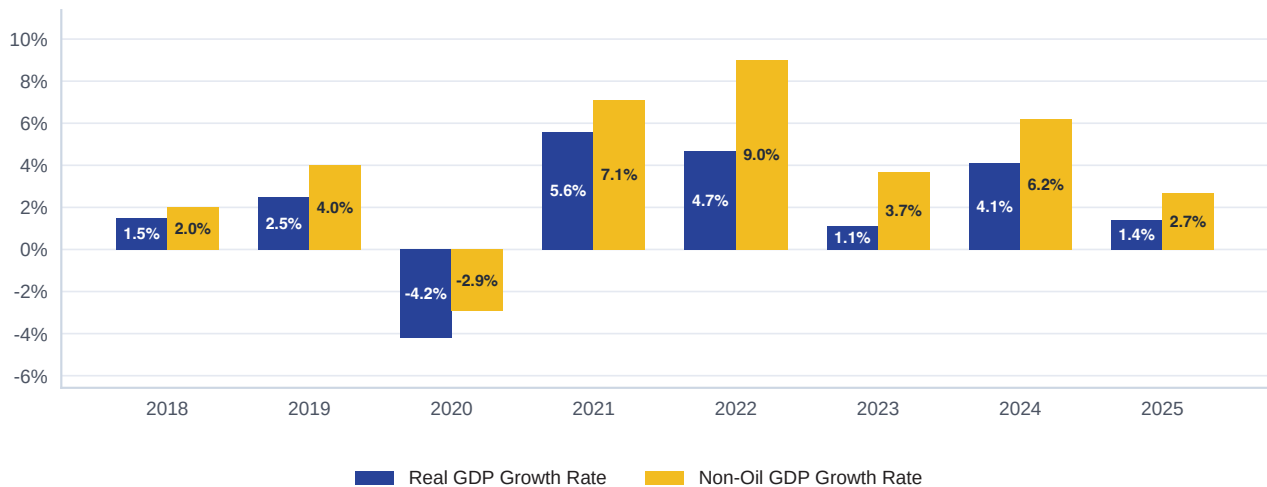
1. <https://stat.gov.az/news/macroeconomy.php?lang=en&page=7&>

2. GDP reflects total monetary value of economic activities in a country. It is the total value of all goods and services produced within a country in a year.

3. Source: Statistical Committee of the Republic of Azerbaijan (<https://www.stat.gov.az/news/index.php?lang=en&id=6611>)

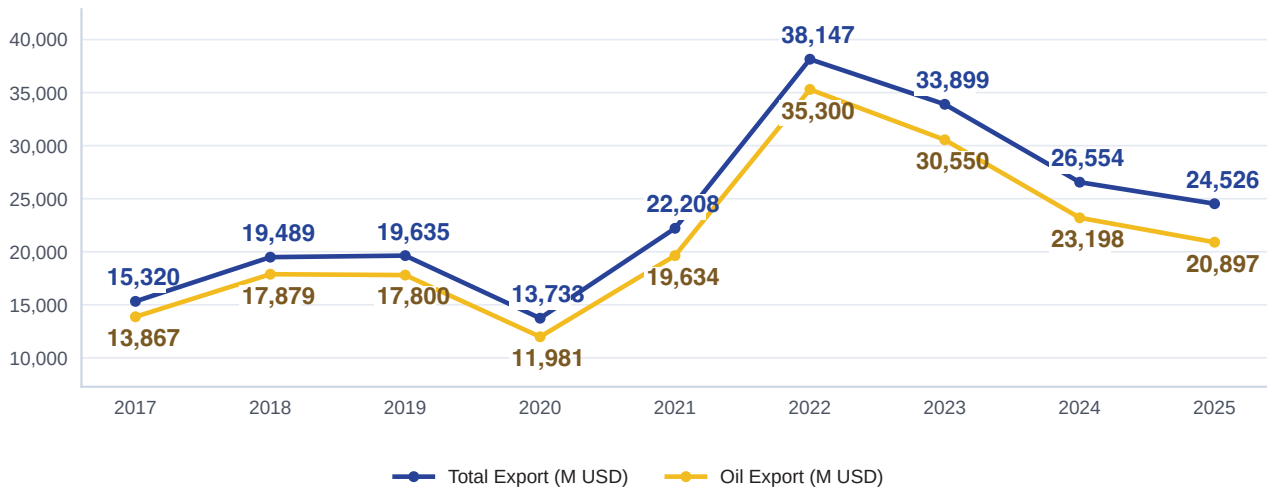
4. The share of the oil sector exports can be calculated by dividing oil-sector exports by total exports

FIGURE 1. Azerbaijan's real total GDP growth rate vs non-oil GDP growth rate, 2018-2025



Source: Statistical Committee of the Republic of Azerbaijan

FIGURE 2. Azerbaijan's total export and oil-sector exports, 2017-2025



Source: Statistical Committee of the Republic of Azerbaijan

1.2. OVERVIEW OF TRADE-RELATED REFORMS: GOODS SECTOR

Since the early 2010s, particularly in the wake of the 2014-2015 oil price shock, Azerbaijan has developed and implemented several strategic roadmaps and strategies to decrease its dependence on oil.

In response to challenges posed by being dependent on the oil sector, in 2012, a strategy document called "Azerbaijan 2020: Look into the Future" was adopted. The document aimed to transform Azerbaijan into a more diversified and resilient economy. Since then, the government made several advancements in this regard. However, the goals included in the document have not yet been fully realized.

The **Strategic Roadmap for the National Economy**, introduced in 2016, identified and prioritised the development of four crucial non-oil sectors: **agriculture, tourism, ICT, and transportation**. The Ministry of Economy was the principal government agency in designing and implementing trade and export promotion policies. This vision was later reinforced by the "Azerbaijan 2030: National Priorities for Socio-Economic Development", which aims to promote sustainable and inclusive economic growth, achieve a diversified and resilient economy with reduced dependence on oil and gas sectors, and enhance Azerbaijan's global competitiveness and integration into the international economy.

The other, more specific Roadmaps include sectoral and cross-sectoral plans that became the core policy document for economic diversification after decades of oil-led growth. Each of the Roadmaps identifies several non-oil sector development pillars: agro-processing and agriculture; transport and logistics; tourism and hospitality; manufacturing (including light industry, food processing); information and communication technologies; and SMEs. Each roadmap specifies investment measures, institutional reforms, tax and subsidy adjustments, and targets for export and employment growth.

The Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026 sets out the government's medium-term development vision, placing particular emphasis on economic diversification and integration into the global economy. The Strategy identifies expansion of trade with non-oil goods and services as a main objective for long-term resilience and sustainable growth.

The Roadmaps and Strategies also call for improved business environment by means of licensing simplification and establishment of public services one-stop shops, improved corporate governance, enhanced access to finance for SMEs, and targeted vocational training and human capital upgrades — all intended to raise competitiveness of non-oil sectors.

1.3. OVERVIEW OF TRADE-RELATED REFORMS: SERVICES SECTOR

In order to ensure more efficient use of Azerbaijan's transit potential, strengthen the country's position as a reliable transport and logistics hub between Europe and Asia, and increase coordination between state agencies in the field of transit transportation, the Coordination Council for Transit Freight Transportation was established in 2015. Other institutional initiatives related to the Middle Corridor were adopted in subsequent years, such as The Strategic Roadmap for the Development of Logistics and Trade (2016), complemented the Council's activities and supported Azerbaijan's development as a regional transit and logistics centre.

The **"Roadmap for the Elimination of Bottlenecks and Development of the Middle Corridor for 2022–2027"**, adopted by Azerbaijan, Kazakhstan, Georgia and Türkiye in 2022, is the first comprehensive multilateral action plan for the development of the Middle Corridor. The main objective of the document is to increase the competitiveness of the corridor, effectively manage increasing cargo flows and strengthen the position of the route as a reliable alternative transport corridor between Europe and Asia. The Roadmap covers priority areas such as modernization of transport infrastructure, increasing port and railway capacity, expanding ferry services in the Caspian Sea, simplifying border crossing procedures and forming a unified tariff policy. The Roadmap identified the establishment of permanent coordination mechanisms between the participating countries, strengthening cooperation between state institutions, railway companies, port operators and the private sector as the main areas of action.

Another problem of the Middle Corridor route, in addition to infrastructure, was the fragmentation of management as railways of Azerbaijan, Kazakhstan and Georgia each operated only their own part of the route. To create an optimal solution for this, in October 2023, Azerbaijan Railways, Kazakhstan Railways and Georgian Railways signed an agreement on the establishment of a joint venture, Middle Corridor Multimodal Ltd., with equal shares (33.3% + 33.3% + 33.3%). The company, acting as a single operator (Single Operator), sets a single tariff policy, carries out route planning and guarantees transit times.

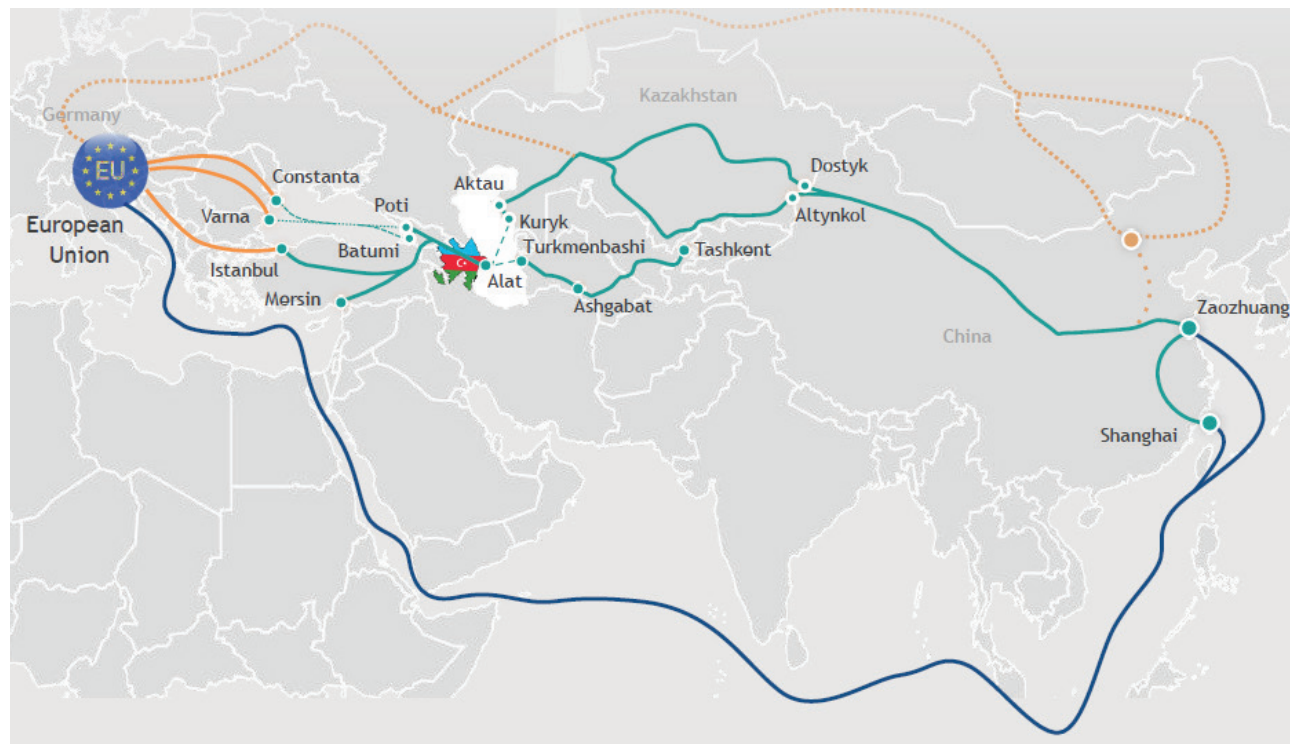
Digitalisation of Import–Export, Transit, Transport and Logistics Activities: in December 2025, the President of Azerbaijan signed a Decree aimed at further improving state governance in the field of foreign trade regulation and ensuring effective coordination among relevant state authorities⁵. The Decree focuses on the comprehensive digitalisation of import–export, transit, transport and logistics operations through the creation of a unified, fully digital environment and the implementation of an intelligent cargo flow management system.

The main objective of the Decree is to establish a “Single Window” information system that provides a unified access point for all procedures related to foreign trade, transport, transit and logistics activities. The implementation of the “Single Window” information system is expected to simplify foreign trade procedures, enhance transparency, reduce administrative burdens, improve efficiency in transport and logistics operations, and enable smart management of cargo flows through digital solutions.

Through the Single Window system, the following services and functions will be ensured:

- Submission of required documents, including commercial and transport documents;
- Electronic preparation of documents and data related to vehicles and transported goods;
- Provision of information on border-crossing procedures, transportation rules and conditions, as well as acceptance and response to user inquiries;
- Electronic conclusion of cargo transportation contracts and submission of concluded contracts;
- Tracking of transported cargo along the entire transportation route;
- Execution of payments and access to statistical data related to these activities.

5. <https://e-qanun.az/framework/61005>

Photo 1. Map of the Middle Corridor

Source: Photo courtesy of Ministry of Digital Development and Transport, Azerbaijan.

BOX 1. MIDDLE CORRIDOR AND NORTH-SOUTH CORRIDOR

Leveraging its strategic geographic location, Azerbaijan is positioning itself as a key regional transport and logistics hub. This is a critical component of the country's economic diversification policy and strategy. The country is a central player in major international transport corridors such as Middle Corridor and North-South Corridor.

Middle Corridor: Also known as the Trans-Caspian Transport Corridor⁶ (TCTC), this route connects China and Europe via Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Türkiye. The route is considered the shortest link between China and Europe. To support this corridor, major infrastructure projects have been completed, including the Baku-Tbilisi-Kars (BTK) railway line, which significantly increases the capacity for cargo transportation. In 2024, the volume of transit shipments along this route approached 4 million tons, with forecasts projecting further increases. Azerbaijan has also built a new sea port in Alat, which is further expanded to accommodate increasing trade and transit volumes.

6. Formal name of the corridor is Trans-Caspian International Transport Route (TITR)

North-South Corridor: The International North-South Transport Corridor (INSTC), commonly known as the North-South Corridor, is another ambitious multimodal network that aims to connect India and the Persian Gulf with Russia and Northern Europe. This corridor presents a more efficient and cost-effective alternative to the traditional Suez Canal route, reducing transit time by up to 40% and cutting costs by around 30%. Azerbaijan plays a central role in the Western branch of the INSTC, which runs along the western coast of the Caspian Sea. Currently, this corridor is mostly used for connecting Russia and Iran via Azerbaijan. Azerbaijan is modernizing its railway segments along this route to increase its capacity.

The Digital Development Concept of Azerbaijan, 2025, adopted in January 2025, defines the main strategic framework for Azerbaijan's digital transformation. The aim of the concept is to accelerate economic growth through digital technologies, make public services more efficient, and turn Azerbaijan into a digital centre of the region. Some of the expected results from the implementation of the concept are the creation of new jobs, the development and export of local expertise and the enhancement of the country's technological export potential of services. The Ministry of Digital Development and Transport is responsible for the implementation of this concept.

The Digital Economy Development Strategy 2026-2029, adopted in 2025, covers areas such as increasing the share of the digital economy in GDP, forming an innovation-based economic model, artificial intelligence, information economy, digital government, digital infrastructure, and digitalisation of the private sector⁷. One of the expected results from the implementation of the strategy is a significant expansion of export of ICT services. The Ministry of Economy is responsible for the implementation of the strategy.

In order to ensure the implementation of the above-mentioned strategic documents, the Action Plan for Accelerating Digital Development in the Republic of Azerbaijan for 2026–2028 has been approved⁸. The target indicators of the Action Plan include increasing the share of the ICT sector in non-oil and gas GDP and the annual export of digital products and services. The implementation of the Action Plan is supervised by the Digital Development Council⁹, established in February 2026 and chaired by the 1st Vice President.

1.4. AZERBAIJAN'S TRADE AGREEMENTS AND WTO NEGOTIATIONS

Since gaining independence from the Soviet Union and in order to decrease the negative effects of broken supply chain in the Soviet Union, Azerbaijan started to participate in bilateral free trade agreements with countries of the Commonwealth of Independent States (CIS). These include arrangements with Uzbekistan, Russia, Moldova, Ukraine, Georgia, Turkmenistan, Kazakhstan, Kyrgyzstan, Belarus, and Tajikistan¹⁰, most of which were signed in 1990s. In general, these agreements provide for the elimination of customs duties on a wide range of goods.

7. The complete text of the strategy is available at <https://e-qanun.az/framework/60981>

8. More information is available at https://mincom.gov.az/en/media-en/news/digital-development-acceleration-action-plan-for-2026-2028-approved-what-to-expect?utm_source=chatgpt.com

9. See more at <https://president.az/az/articles/view/71718>

10. Detailed information about these agreements available at <https://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> Regional Trade Agreements Database of the World Trade Organization.

In recent years, Azerbaijan has accelerated its trade integration agenda by expanding its network of trade agreements and intensifying its engagement with the multilateral trading system. As such, the country signed preferential trade agreements with Türkiye, Pakistan and the United Arab Emirates. Recently, the negotiations on a new comprehensive agreement with the European Union, which includes provisions on trade and economic cooperation, have also gained renewed momentum. At the same time, Azerbaijan has intensified efforts to advance its accession to the World Trade Organization (WTO).

Azerbaijan-Türkiye PTA

The Preferential Trade Agreement (PTA) between Azerbaijan and Türkiye was signed in February 2020 and entered into force in March 2021. This was the first agreement of its kind concluded outside the framework of Azerbaijan's earlier CIS-based treaties. This signals a shift towards more diversified preferential partnerships. Initially, this agreement covered a limited list of 15 agricultural and food products subject to tariff concessions, including dairy, fresh fruits, and vegetable products. In April 2023, the scope was expanded to 30 items, incorporating a broader range of agricultural and industrial products. The agreement remains product-specific rather than comprehensive and all-inclusive

In December 2025, the Chief Trade Counsellor of the Embassy of Türkiye in Azerbaijan announced that a specific list has been established covering certain goods produced in Azerbaijan's liberated territories that are eligible for preferential export to Türkiye¹¹. She noted that these preferences are granted unilaterally by Türkiye under a **special agreement**. This agreement is not related to the Azerbaijan-Türkiye PTA.

According to the counsellor, the concessions may take the form of partial or full tax exemptions. Due to the special nature of the arrangement, detailed information is not publicly available.

Azerbaijan-Pakistan PTA

The agreement forms part of broader efforts by both countries to deepen economic ties and increase market access for each other's goods.

The Preferential Trade Agreement (PTA) between Azerbaijan and Pakistan is a bilateral trade agreement aimed at enhancing economic cooperation and expanding bilateral trade by granting mutual tariff preferences on selected products. The agreement was signed in July 2024 in Islamabad during a high-level visit by Azerbaijani officials to Pakistan¹². After completion of necessary domestic procedures in both countries, the PTA entered into force on January 1, 2025.

The core goals of the PTA are to increase bilateral trade volumes by reducing or eliminating tariffs on specified goods; promote economic cooperation and private-sector engagement through eased market access; strengthen customs cooperation and trade facilitation between both sides. Both countries agreed to offer tariff concessions on a selected list of products (nine items each), which are eligible for reduced or zero duties under agreed rules of origin.

11. <https://report.az/biznes-xeberleri/qarabagda-istehsal-olunan-mallar-turkiyeye-guzestli-qaydada-ixrac-oluna-biler>

12. The text of the agreement is available in English at <https://www.commerce.gov.pk/wp-content/uploads/2024/07/Pak-Azerbaijan-PTA.pdf>

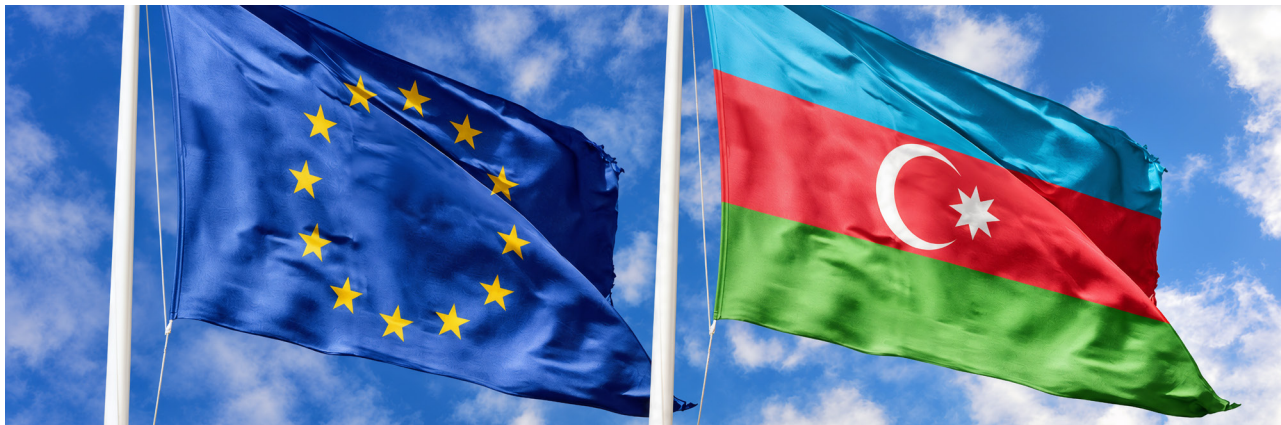
Azerbaijan-United Arab Emirates PTA

The Comprehensive Economic Partnership Agreement (CEPA), signed in July 2025 with the aim of expanding trade and investment relations between the Republic of Azerbaijan and the United Arab Emirates, entered into force in the first half of 2026 after the ratification procedures were completed¹³. This preferential trade agreement creates a legal framework for reducing tariff and non-tariff barriers, simplifying customs procedures and promoting investments. The entry into force of CEPA is considered one of the important steps taken in Azerbaijan's foreign trade policy towards diversifying economic partnerships and increasing non-oil exports. The agreement aims to facilitate access to the UAE market for local exporters, as well as strengthen cooperation in the logistics, industry, agriculture and service sectors.

EU-Azerbaijan New Comprehensive Cooperation Agreement Negotiations

The Partnership Agreement between the European Union and Azerbaijan was signed in April 1996 and entered into force in July 1999. The Agreement, which was signed for a period of 10 years, expired in 2009. According to the agreement reached, the implementation of the Agreement is automatically extended for 1 year each year until the signing of a new Agreement¹⁴.

In February 2017, President Ilham Aliyev and the President of the European Council Donald Tusk announced that negotiations on a new comprehensive cooperation agreement would officially begin. In 2025, Azerbaijani Foreign Minister Jeyhun Bayramov stated at a joint press conference with the High Representative of the European Union for Foreign Affairs and Security Policy Kaja Kallas that Azerbaijan and the European Union had reached an agreement on 90%–95% of the provisions of the new Strategic Partnership Agreement. He noted in particular that the issues that had not yet been agreed upon were mainly concentrated in the economic and trade sections¹⁵.



¹³. Visit <https://www.moet.gov.az/en/cepa-azerbaijan> for more information.

¹⁴. <https://mfa.gov.az/az/category/regional-organisations/relations-between-azerbaijan-and-european-union>

¹⁵. <https://caliber.az/en/post/fm-azerbaijan-eu-have-agreed-on-90-95-of-strategic-partnership-agreement>

A meeting was held in Brussels in April 2026 between the delegations of the Republic of Azerbaijan and the European Union to resume negotiations on a new bilateral agreement and to hold further discussions on the Partnership Priorities document¹⁶. In June 2026, negotiations were held in Baku between Azerbaijan and the European Union on a new comprehensive agreement and a Partnership Priorities document for 2026–2030. The negotiations were constructive and resulted in a preliminary agreement on the EU-Azerbaijan Partnership Priorities document covering 2026–2030. Progress was recorded in various areas of the new agreement and plans for the next stages were identified. The parties also agreed to continue the negotiations intensively in the future, both online and in person¹⁷.

Photo 2: Negotiations on a new bilateral partnership agreement between the delegations of the Republic of Azerbaijan and the European Union, April 2026.



Source: Photo courtesy of Ministry of Foreign Affairs, Azerbaijan

During her visit to Baku in July 2026, **European Commission President Ursula von der Leyen** met with the President of Azerbaijan and welcomed the revival of bilateral talks, stating:

“The resumption of discussions on a new comprehensive agreement is an important step. This can open the road for even more trade between Azerbaijan and the European Union, and we will work together to make progress happen.”

16. <https://sofia.mfa.gov.az/az/news/azerbaycan-respublikasi-ve-avropa-ittifaqi- arasinda-ikiterefli-senedler-uzre-aparilmis -danisqlara-dair-metbuat-melumat>

17. <https://sofia.mfa.gov.az/az/news/azerbaycan-respublikasi-ile-avropa-ittifaqi-arasinda-yeni-herterefli- sazis-layihesi-ve-2026-2030-cu-illeri-ehate-eden-terefdasliq-prioritetleri-senedi-uzre-danisqlara-dair-metbuat-melumat>

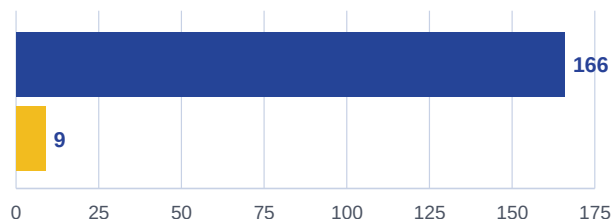
Azerbaijan's WTO accession Progress

Created in 1995, the World Trade Organization (WTO) 166 members, which account for 98% of global trade. Being a member of the WTO means that a country integrates into a global framework of predictable, non-discriminatory access to markets through a rules-based trading system, where members adhere to legally binding rules that promote stable trade with lower tariffs. Azerbaijan applied for WTO membership in 1997 and is one of the 22 observer states that are currently negotiating their membership.

Multilateral negotiations regarding membership are conducted within the framework of a Working Party established in 1997, while bilateral negotiations are held with individual countries. Currently, the Working Party consists of 42 WTO members, including the European Union.

The conclusion of bilateral negotiations means the formal completion of market access negotiations between Azerbaijan and a specific WTO member state. As of July 2026, Azerbaijan has signed bilateral protocols with Türkiye, Oman, the UAE, Georgia, Kyrgyzstan, Japan, Honduras, China, and the Dominican Republic (Figure 3 and 4).

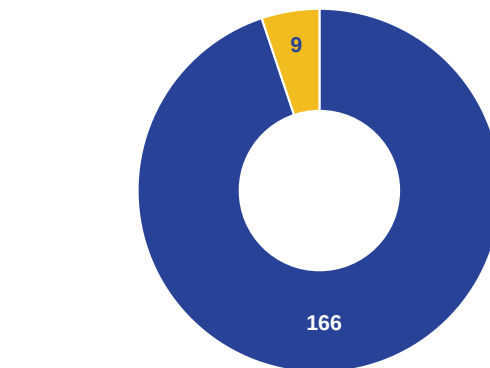
Figure 3. Share of WTO members with which bilateral negotiations concluded



■ WTO member states
■ Azerbaijan concluded bilateral negotiations

Source: Author's illustration

Figure 4. Share of WTO members with which bilateral negotiations concluded



■ WTO member states 166
■ Azerbaijan concluded bilateral negotiations 9

Source: Author's illustration

Photo 3: 15th Working Party meeting in Geneva, Switzerland. July 2023.



Source: Photo courtesy of the Ministry of Economy, Azerbaijan

To date, 16 official meetings of the Working Party established for Azerbaijan's membership to the World Trade Organization (WTO) have been held. The latest, 16th meeting, was held on September 26, 2024.

To accelerate the membership process, a special Commission was established in 2003, which coordinates the activities of government agencies. Awareness-raising events, seminars, conferences, and projects are implemented by the Ministry of Economy and international partners. Additionally, the www.wto.az website has been launched, where WTO-related information is shared.

For WTO membership, Azerbaijan is harmonizing its legislation with the organization's requirements. To this end, a number of new laws have been adopted, including those on Standardization, Technical Regulation, Food Safety, and the Competition Code.

More detailed information regarding Azerbaijan's accession to the WTO is available on the websites of the Ministry of Economy, the WTO, and www.wto.az website¹⁸.

¹⁸. Respectively, <https://economy.gov.az/az/page/beynelxalq-elaqeler/umumdunya-ticaret-teskilati-wto-ve-azerbaycan>, https://www.wto.org/english/thewto_e/acc_e/a1_azerbaidjan_e.htm , and <https://www.wto.az/>

SECTION 2. INTERNATIONAL TRADE DYNAMICS OF AZERBAIJAN

This section provides an overview of Azerbaijan's recent trade performance and the main trends in its external trade. It examines developments in total merchandise trade and non-oil exports, as well as exports of digitally delivered services, transport services, and other trade-related services. The section also highlights the composition and direction of trade, key export and import trends, and developments in freight and logistics, including transport volumes and the performance of the country's logistics sector.

2.1. TOTAL GOODS TRADE

The Figure 5 below illustrates the trend of **Azerbaijan's exports** to the World compared to exports to the European Union (EU 27) over a ten-year period from **2015 to 2024¹⁹**, with all values represented in **millions of USD**.

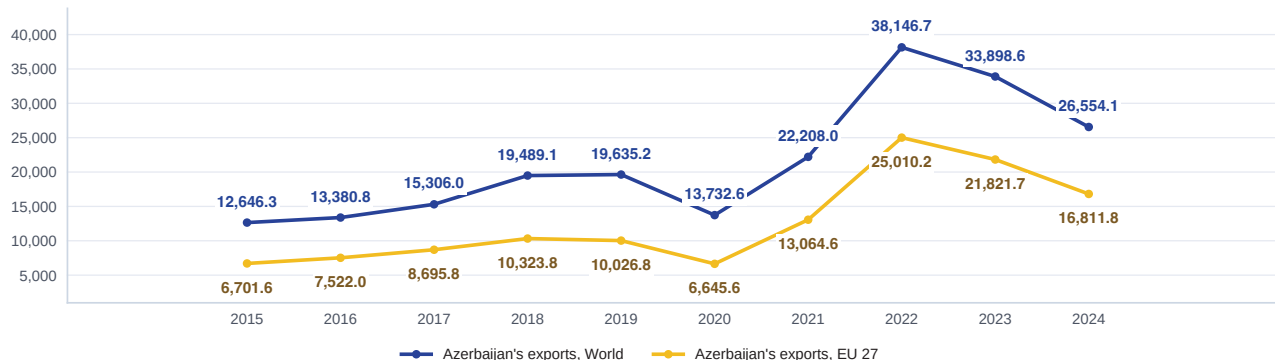
Azerbaijan's total exports to the world (blue line) have shown significant overall growth, rising from approximately **\$12.7 billion** in 2015 to a substantial peak of roughly **\$38.1 billion** in 2022²⁰. This growth was driven largely by the high global demand and prices for oil and natural gas, which together consistently account for over **90%** of the country's export revenue. During the height of the **COVID-19 pandemic in 2020**, total exports experienced a sharp temporary decline of approximately **30%**, primarily due to the global collapse in energy demand and oil prices.

In contrast to the rapid fluctuations in global totals, Azerbaijan's exports to the **EU 27** (orange line) have maintained a dominant share of the country's trade profile, recently accounting for over **60%** of its total export volume. The gap between world and EU exports narrowed significantly in 2022 as energy security concerns in Europe drove a surge in Azerbaijani gas exports via the Southern Gas Corridor. However, by 2024, total exports saw a moderate decline to roughly **\$26.3 billion** as production levels in older oil fields began to decrease and global energy prices stabilized.

¹⁹. Data collection for the study was completed in 2025. Accordingly, the analysis of trade flows presented in the main body of the report covers the period up to 2024. However, the Annex provides a brief analysis of trade flows for 2025. The information included in the Annex was kindly provided by the EU-funded Azerbaijan Technical Assistance Facility (ATAF) project.

²⁰. Trade in goods data in this study is collected from the COMTRADE database of the United Nations, which is regarded as the world's most comprehensive repository of official international trade statistics. Data to the UN Comtrade Database is provided directly by official national government authorities and verified international agencies.

Figure 5. Azerbaijan's Exports to the World and EU (mln USD)

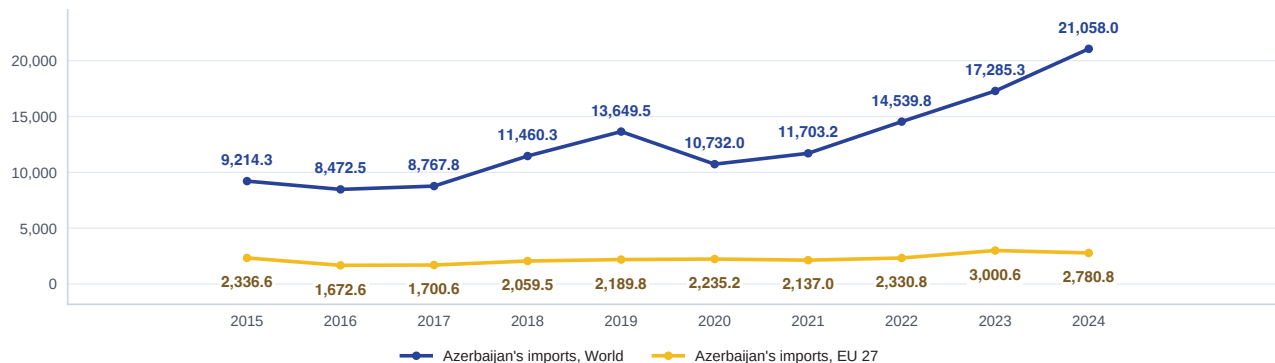


Source: Author's illustration based on the UN COMTRADE data

The Figure 6 below illustrates the trend of Azerbaijan's imports from the World compared to imports from the European Union (EU 27) over a ten-year period from 2015 to 2024. All values are represented in millions of USD.

Over the observed period, Azerbaijan has experienced significant overall growth in its international trade, with total imports from the world more than doubling from approximately **\$9.2 billion** in 2015 to a peak of **\$21.1 billion** by 2024. During the height of the **COVID-19 pandemic in 2020**, this upward trajectory was briefly interrupted. This caused total imports to drop by roughly **12%** compared to the previous year.

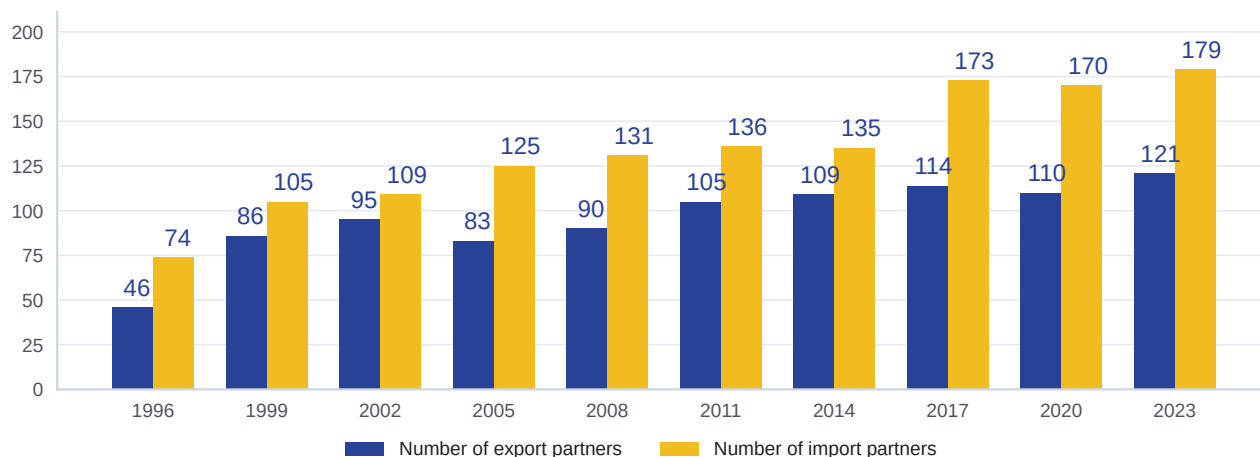
Figure 6. Azerbaijan's Imports from the World and EU (mln USD)



Source: Author's illustration based on the UN COMTRADE data

In contrast to rapid climb of Azerbaijan's import from the World, imports from the **EU 27** have remained relatively stable, fluctuating between **\$1.7 billion and \$3.0 billion** over the same period. This divergence has caused the "gap" between total global imports and EU-specific imports to widen significantly since 2020. This is suggesting that Azerbaijan is increasingly sourcing a larger share of goods from non-EU markets.

Figure 7. Azerbaijan's number of importing and exporting partners, 1996-2023



Source: Author's illustration based on the UN COMTRADE data

Figure 7 illustrates the evolution of Azerbaijan's international trade network from 1996 to 2023, highlighting a consistent expansion in both the number of countries from which goods are purchased and those to which domestic products are sold. To clarify the terminology used in this analysis, the number of importing partners refers to the total count of unique countries from which Azerbaijan imports goods in a given year, while the number of exporting partners represents the total count of countries to which Azerbaijan exports its products during that same period.

Shortly after gaining independence from the Soviet Union, the country's trade reach was relatively limited. For instance, in 1996, there were only 46 exporting and 74 importing partners. However, soon after, these numbers began to increase significantly, suggesting the country's rapid integration into the global economy and the effects of globalization. Throughout this entire period, it is notable that the **number of exporting partners has always been less than the number of importing partners**.

When evaluating these figures against a global total of approximately 200 trading partners, Azerbaijan's current market integration is substantial. As of 2023, the country maintains an importing relationship with 179 nations, meaning it sources goods from about 90% of the world's countries. However, the number of exporting partners remains significantly less than that of importing partners, reaching a peak of 121 in 2023. This indicates that while Azerbaijan successfully exports to 60% of the global market, its reach for selling goods is not yet as wide-ranging as its network for purchasing them.

Table 1: Top 10 Importing and Exporting Partners of Azerbaijan in 2024

(values in thousand USD)

TOP 10 Exporting Partners of Azerbaijan		TOP 10 Importing Partners of Azerbaijan	
Exporters	Imported value in 2024	Importers	Exported value in 2024
China	3,725,054	Italy	10,875,266
Russia	3,620,684	Türkiye	3,819,408
Türkiye	2,310,045	Russia	1,178,347
United States of America	1,618,426	Czech Republic	1,088,486
Australia	1,463,121	Croatia	873,441
Germany	825,560	Germany	776,980
Iran	633,058	India	734,416
Italy	516,105	Israel	733,528
Belarus	457,454	Bulgaria	683,049
Japan	409,059	Georgia	675,193

Source: Author's estimation based on the UN COMTRADE data

Table 1 illustrates the top ten exporting and importing partners of Azerbaijan for the year 2024, with values measured in thousands of US dollars.

In 2024, the top three exporting partners were China (\$3,725,054,000), Russia (\$3,620,684,000), and Türkiye (\$2,310,045,000), while the top three importing partners were Italy (\$10,875,266,000), Türkiye (\$3,819,408,000) and Russia (\$1,178,347,000).

Notably, while China and Russia lead as the primary sources of goods exported into Azerbaijan, Italy stands out as the single largest destination for Azerbaijani goods, with a trade value that more than doubles any other partner on the list.

Within these rankings, the representation of European Union (EU) member states varies significantly between the two lists. Among the Top 10 Exporting Partners there are two European Union countries represented, which are Germany and Italy. However, among the Top 10 Importing Partners, there are five European Union countries which are **Italy, the Czech Republic, Croatia, Germany, and Bulgaria**.

Table 2. Value of Total Azerbaijani exports to the EU countries (2018-2024)

	2018	2019	2020	2021	2022	2023	2024
EU	10,323,757	10,026,836	6,645,568	13,064,553	25,010,232	21,821,719	16,811,797
Italy	5,879,774	5,638,642	4,172,308	9,243,666	17,782,905	15,208,235	10,875,266
Czech Republic	938,384	647,451	229,679	263,789	922,191	684,216	1,088,486
Croatia	245,844	436,550	470,819	751,279	952,397	590,440	873,441
Germany	787,795	931,618	234,109	650,259	591,301	907,923	776,980
Bulgaria	39,476	79,697	553	54,042	292,122	481,926	683,049
Portugal	528,718	353,915	239,779	587,440	743,408	299,628	631,358
Greece	161,147	242,758	523,303	415,416	1,391,812	1,363,448	626,591
Romania	338,161	139,189	101,476	120,592	446,866	604,469	476,868
Spain	396,368	704,460	329,270	564,436	1,008,998	785,368	163,696
Netherlands	77,304	68,000	7,928	39,690	131,962	44,220	149,971
Ireland	10,016	40	143	41,756	400,009	369,729	139,782
France	441,593	536,648	110,663	64,595	50,992	133,220	96,304
Poland	7,895	3,876	4,766	5,457	21,455	11,559	68,316
Austria	329,755	185,735	127,581	139,980	90,763	153,795	50,644
Luxembourg	43,858	17,608	22,649	26,902	80,006	36,629	29,772
Belgium	9,204	6,536	1,174	33,156	11,041	20,092	17,520
Malta	69,721	12,493	9,617	16,582	22,372	37,587	14,375
Cyprus	833	13,363	2,821	5,659	9,852	16,825	10,760
Estonia	1,315	2,295	1,593	1,797	2,235	6,348	9,735
Slovenia	8,332	26	0	4,272	1,162	11,125	8,131
Hungary	1,464	670	1,072	1,793	2,323	4,794	7,512
Latvia	2,511	855	874	9,879	27,602	45,181	5,877
Lithuania	1,956	2,125	2,366	13,904	6,506	2,401	5,541

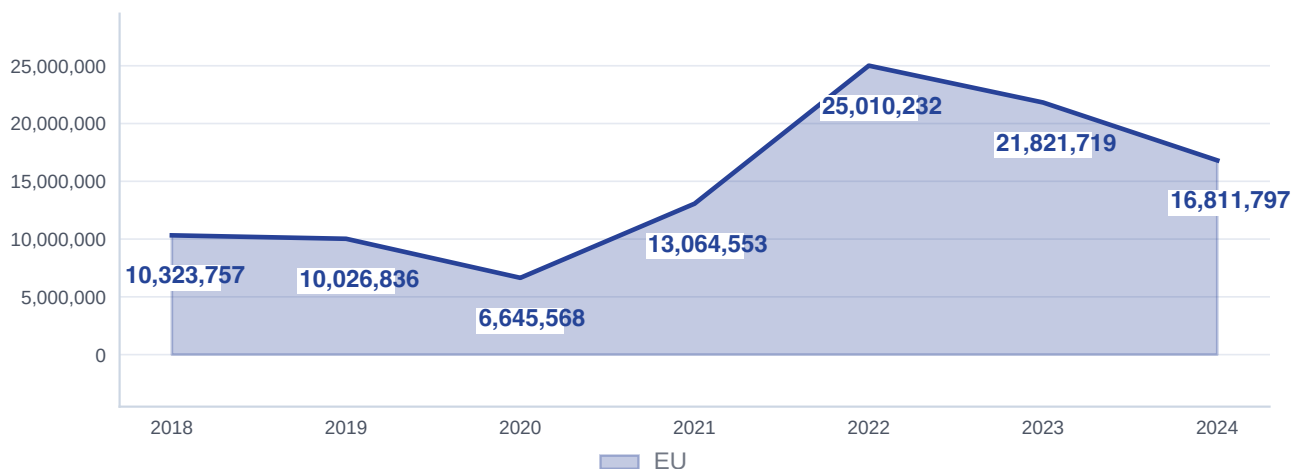
	2018	2019	2020	2021	2022	2023	2024
Sweden	829	468	968	5,692	18,936	1,562	1,400
Finland	617	398	223	377	498	347	175
Denmark	840	999	49,790	1,000	252	558	125
Slovakia	47	421	44	1,143	266	94	122

Source: Author's estimation based on the UN COMTRADE data

Table 2 and Figure 8 show the value of total Azerbaijani exports to the European Union and its member states between 2018 and 2024, measured in thousand US dollars.

Table 2 highlights both strong concentration and significant fluctuations over time. Overall exports to the EU remained around USD 10 billion in 2018–2019, fell sharply in 2020 due to the COVID-19 pandemic and the associated drop in energy demand and prices, and then rebounded strongly in 2021–2022 as global economic activity recovered and energy prices increased, before easing again in 2023–2024.

Figure 8: AZERBAIJAN'S TOTAL EXPORTS TO EU, 2018-2024, in thousand USD



Source: Author's illustration based on the UN COMTRADE data

Over the period as a whole, exports to Italy increased the most in value terms, rising from about USD 5.9 billion in 2018 to more than USD 10.8 billion in 2024, despite some volatility, which clearly reflects Italy's role as the main destination for Azerbaijani energy exports. Significant increases in value were also observed for countries such as the Czech Republic, Greece, Bulgaria, Portugal, and Croatia, especially after 2021, although their absolute levels remained far below Italy. In contrast, exports to several smaller EU economies grew from very low bases and therefore showed sharp percentage changes.

Looking specifically at 2024, **Azerbaijan exported goods to all EU member countries**. Total exports to the EU amounted to roughly USD 16.8 billion, with Italy alone accounting for about USD 10.9 billion, meaning that Italy accounted for roughly **65% of Azerbaijan's total exports** to the EU in that year. Other notable destinations in 2024 included the Czech Republic, Croatia, Germany, Bulgaria, Portugal, Greece, and Romania, Spain, Netherlands, Ireland - each receiving exports valued in the hundreds of millions of US dollars.

The sharp decline visible in 2020 clearly reflects the **impact of COVID-19**, which disrupted global trade, reduced energy consumption, and lowered prices, while the strong rebound in 2021 and especially 2022 was driven by economic recovery, tighter energy markets, and higher oil and gas prices. The moderation observed in 2023–2024 can be linked to price normalization, changing energy demand in Europe, and geopolitical situation.

Table 3: Azerbaijan's TOP 20 exports to EU (in thousand US, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	10174813	9842843	6525086	12810357	24629462	21520966	16516352
Organic chemicals	29518	27676	19665	38699	89739	61127	68979
Plastics and articles thereof	31001	28727	3040	80315	61963	75164	66906
Edible fruit and nuts; peel of citrus fruit or melons	41879	60663	59391	57042	50604	46589	46437
Fertilisers	0	5404	0	21010	99071	46594	26101
Vehicles other than railway or tramway rolling stock, and parts	557	633	124	989	224	6851	23228
Nuclear reactors, boilers, machinery and mechanical appliances; parts	6549	3112	8677	4467	7894	12442	12168
Tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine, ...	43	378	0	197	0	2302	11836
Articles of iron or steel	2722	1866	3035	1133	3818	4959	5501
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	2366	4669	2725	2424	6495	8293	5358
Beverages, spirits and vinegar	916	837	993	4837	1997	4946	4994
Iron and steel	1556	2077	3741	14675	17005	4913	4605

	2018	2019	2020	2021	2022	2023	2024
Other made-up textile articles; sets; worn clothing and worn textile	3518	1890	2109	4038	3597	1747	2788
Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; ...	36	138	164	540	701	2347	2053
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1501	1469	989	1310	2121	3625	1948
Commodities not elsewhere	10726	861	1435	839	1532	684	1520
Essential oils and resinoids; perfumery, cosmetic or toilet	2	154	340	8	711	1830	1331
Preparations of vegetables, fruit, nuts or other parts of plants	1095	1432	1274	1274	1293	1549	1219
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	121	130	927	1179	1087	782	1161
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	0	18	36	108	0	0	1100

Source: Author's estimations based on the UN COMTRADE data

Table 3 above shows Azerbaijan's top 20 export products to the European Union from 2018 to 2024²¹. The table highlights a strong dependence on the energy sector as mineral fuels, mineral oils, and products of their distillation made up \$10.17 billion, or 98.7% of the top 20 exports in 2018. By 2024, this figure increased to \$16.52 billion, still holding a very high share of 98.28%. This shows that energy products continue to dominate Azerbaijan's exports to the EU.

However, despite this heavy concentration, several non-oil product groups recorded notable growth during the period. Fertilizer exports increased from no recorded exports in 2018 to \$26.1 million in 2024. Exports of tobacco and manufactured tobacco substitutes also rose sharply, from just \$43,000 to \$11.84 million. In addition, exports of vehicles (excluding railway vehicles) almost doubled, growing from \$6.55 million to \$12.17 million.

²¹ The products are grouped based on the Harmonized System 2-digit level heading. The Harmonized System (HS) is an internationally standardized system for classifying traded goods. It is used by customs authorities around the world to identify products for tariffs, trade statistics, customs procedures, and regulatory controls. More information is available at <https://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx>

Other sectors that showed steady growth since 2018 include organic chemicals, plastics, articles of iron or steel, electrical machinery, and beverages. More recent growth between 2023 and 2024 was especially visible in organic chemicals, tobacco products, and furniture. These trends suggest **a gradual expansion of Azerbaijan's non-oil export base to the European Union.**

2.2. MAJOR NON-OIL GOODS EXPORTS OF AZERBAIJAN AND THEIR RESILIENCE TO EXTERNAL SHOCKS

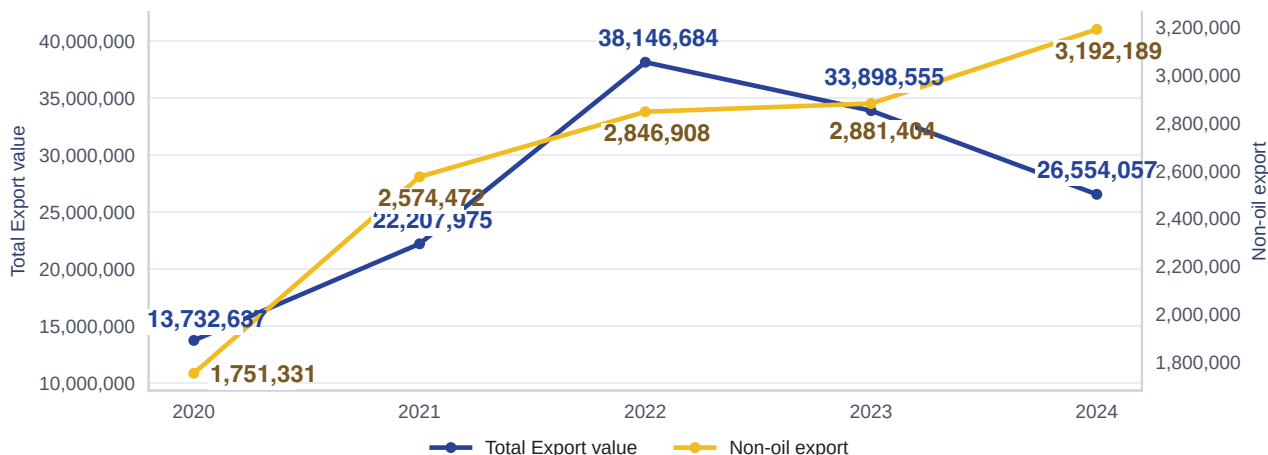
The Figure 9 and Table 4 below show how Azerbaijan's total exports and non-oil exports evolved between 2020 and 2024 with all values expressed in thousand USD. In the Figure, the left vertical axis corresponds to Azerbaijan's total export value, which is shown by the **blue line**, while the right vertical axis corresponds to non-oil exports, represented by the **orange line**. This dual-axis structure allows the two series **to be compared despite their different scales.**

In 2020, total exports were relatively low, which can be directly linked to the negative impact of the COVID-19 pandemic, as global demand contracted, supply chains were disrupted, and energy consumption fell sharply worldwide. In 2021 and especially in 2022, total exports increased very strongly, reaching a peak in 2022, a development that largely reflects the sharp rise in global oil and gas prices following the post-COVID economic recovery and heightened **geopolitical tensions** in energy markets. During this period, Azerbaijan benefited from higher hydrocarbon prices even without a corresponding increase in export volumes.

From 2023 to 2024, however, total export values declined noticeably, which can be explained by a combination of easing global energy prices, more volatile demand, and Azerbaijan's gradually declining oil production as mature oil fields face natural depletion. This trend highlights that, despite temporary price-driven windfalls, reliance on oil exports exposes the country to external shocks and long-term sustainability challenges.

At the same time, data show a **steady and uninterrupted increase in non-oil exports** throughout the entire period. Non-oil exports rose from about 1.75 billion USD in 2020 to around 3.19 billion USD in 2024, meaning that their **value almost doubled** - increased by roughly 1.44 billion USD over the observed years. Unlike total exports, non-oil exports were far less affected by price volatility and continued to grow even when total exports declined, indicating a gradual strengthening of non-hydrocarbon sectors. This consistent upward trend can be linked to Azerbaijan's **export diversification policies**, including support for agriculture, food processing, chemicals, metallurgy, and manufacturing, as well as efforts to improve trade facilitation and access to foreign markets.

Nevertheless, the comparison between the two series also makes clear that non-oil exports still represent a relatively small share of total exports, and their growth has not yet been sufficient to offset declines in oil-related revenues. This suggests that while progress in diversification is evident, a significant amount of work remains to further expand the scale, competitiveness, and value-added of non-oil exports in order to reduce Azerbaijan's long-term dependence on hydrocarbons.

Figure 9: Azerbaijan's Total and Non-Oil Exports between 2020-2024 (values are in thousand USD)

Source: Author's illustration based on the UN COMTRADE data

Table 4: Azerbaijan's Total Exports, Non-Oil Exports, and Share of non-oil exports in total export between 2020-2024 (values are in thousand USD)

	2020	2021	2022	2023	2024
Total Export value	13,732,637	22,207,975	38,146,684	33,898,555	26,554,057
Non-oil export	1,751,331	2,574,472	2,846,908	2,881,404	3,192,189
Non-oil export, as share of total exports	12.75%	11.59%	7.46%	8.50%	12.02%

Source: Author's estimation based on the UN COMTRADE data

Table 5: Azerbaijan's exports of non-oil products to the World between 2020-2024 (values in thousand USD)

	Product name	2020	2021	2022	2023	2024
1	Gold, incl. gold plated with platinum, unwrought	195,906	202,642	185,625	162,756	211,759
2	Cotton, neither carded nor combed	131,930	207,980	173,542	122,410	177,120
3	Tomatoes, fresh or chilled	201,316	160,229	167,609	161,984	175,430

	Product name	2020	2021	2022	2023	2024
4	Commodities not elsewhere specified	2,530	4,361	5,067	2,467	149,376
5	Fresh or dried hazelnuts or filberts "Corylus spp.", shelled	113,588	108,755	106,323	119,555	126,684
6	Urea, whether or not in aqueous solution	10,631	118,526	209,723	83,010	126,225
7	Fresh persimmons	91,587	125,895	113,505	127,194	113,664
8	Aluminium alloys	28,394	59,046	43,577	52,868	108,216
9	Methanol "methyl alcohol"	51,186	90,064	131,933	89,858	104,397
10	Propylene copolymers, in primary forms	8,349	53,828	50,092	93,597	96,819
11	Electrical energy	59,802	71,657	121,598	402,483	94,144
12	Polyethylene with a specific gravity of $\geq 0,94$, in primary forms	31,276	79,632	54,894	92,022	89,695
13	Butter	1,719	1,288	9,430	7,046	78,398
14	Motor cars and other motor vehicles principally designed for the transport of <10	214	2,518	9,357	51,283	75,112
15	Polysulphides, polysulphones and other polymers and prepolymers produced by	4,128	78,327	81,471	84,815	73,802
16	Fresh peaches, incl. nectarines	9,983	29,240	32,852	51,436	68,638
17	Fresh apples	29,501	37,364	51,981	57,246	61,901
18	Polypropylene, in primary forms	64,462	120,027	91,352	109,915	51,131
19	Cement clinkers	13,040	23,559	34,260	46,056	49,661
20	Unwrought aluminium alloys	14,934	39,129	62,458	32,025	47,708

Source: Author's estimation based on the UN COMTRADE data

Table 5 presents Azerbaijan's top 20 non-oil export products to the World between 2020 and 2024, with all values expressed in thousand USD. Overall, the composition of the top 20 products shows a mix of agricultural, chemical, metallurgical, manufacturing, and energy-related goods, reflecting ongoing efforts to diversify exports beyond hydrocarbons.

A significant share of the products in the top 20 belongs to the **agricultural and agri-food sector**. These include cotton (neither carded nor combed), tomatoes, fresh hazelnuts, fresh persimmons, peaches and nectarines, apples, and butter. In total, **7 of the top 20 products** are directly linked to agriculture and food

processing. Over the observed period, many of these products show a generally increasing trend in export values, particularly fresh fruits such as tomatoes, persimmons, peaches, and apples, indicating expanding production capacity and improved access to foreign markets.

Another large group is formed by the chemical and petrochemical industry, including urea, methanol, polypropylene, polyethylene, propylene copolymers, and other polymers. This sector accounts for about **6–7 products in the top 20** and increasingly dominates in value terms, especially after 2021. Products such as urea and methanol show sharp increases, reflecting investments in domestic chemical production and the utilization of natural gas as an input rather than exporting it only in raw form. This trend is closely linked to the commissioning and expansion of SOCAR-linked industrial facilities, most notably the **SOCAR Carbamide (Urea) Plant in Sumgait**²², which became operational in 2019, and **SOCAR Methanol**²³, which has been operating since 2013. These plants enabled Azerbaijan to convert domestically produced natural gas into higher value-added chemical products for export, contributing directly to the strong growth observed in urea and methanol exports during the 2020–2024 period.

For polypropylene, polyethylene, propylene copolymers²⁴ and other polymers, the observed growth is closely associated with the operations of **SOCAR Polymer**²⁴. The **SOCAR Polymer complex in the Sumgait Chemical Industrial Park**, which includes polypropylene and high-density polyethylene (HDPE) plants commissioned in 2018–2019, has played a key role in expanding Azerbaijan's polymer production capacity. By processing natural gas-derived feedstock domestically and exporting higher value-added polymer products, **SOCAR Polymer** has significantly contributed to the rising export values of these polymer categories during the 2020–2024 period, further supporting Azerbaijan's export diversification strategy.

Over the period as a whole, the chemical and petrochemical sector shows the strongest growth in value, outpacing agriculture in absolute terms. The remaining products come from metallurgy and manufacturing, such as unwrought aluminium alloys, aluminium alloys, gold, and motor vehicles, as well as electricity exports. These categories are fewer in number but still contribute meaningfully to the diversification of export revenues, with some, such as electricity and aluminium products, showing notable increases in specific years.

Taken together, the table suggests that while agricultural products dominate in terms of the number of items, the chemical and petrochemical sector dominates in terms of export value growth over the period. This pattern is closely linked to Azerbaijan's export diversification policies, which have aimed to promote agriculture, develop value-added processing, and expand chemical and industrial production.

Nevertheless, the concentration of growth in a limited number of sectors also indicates that substantial further efforts are still needed to broaden the export base, increase technological intensity, and strengthen the competitiveness of non-oil exports in global markets.

22. <https://socardownstream.az/en/page/socar-carbamide-plant>

23. <https://socardownstream.az/en/page/socar-methanol-plant>

24. <https://www.socarpolymer.az/>

2.3. TOTAL TRADE IN SERVICES

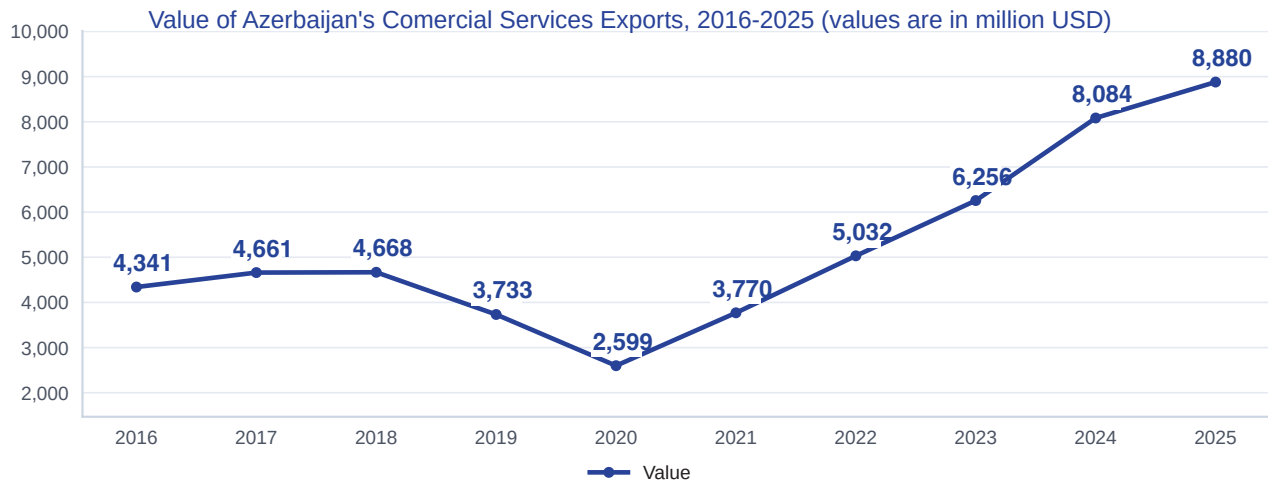
Table 6 and Figure 10 show the dynamics of the value of Azerbaijan's commercial services exports (in million USD) in 2016–2025. As can be seen, in 2016–2018, the value of services exports increased relatively steadily from 4,341 million USD to 4,668 million USD. However, a decrease was observed in 2019 and 2020, which can partially be explained by the negative impact of the COVID-19 pandemic on international trade in services, especially on tourism services.

Table 6. Value of Azerbaijan's Commercial Services Exports since, 2016-2025 (values are in million USD)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Value	4,341	4,661	4,668	3,733	2,599	3,770	5,032	6,256	8,084	8,880
Share in World	0.09%	0.08%	0.08%	0.06%	0.05%	0.06%	0.07%	0.08%	0.09%	0.09%
Annual Change	▼ 2%	▲ 7%	▲ 0%	▼ 20%	▼ 30%	▲ 45%	▲ 33%	▲ 24%	▲ 29%	▲ 10%

Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

Figure 10. Value of Azerbaijan's Commercial Services Exports, 2016-2025 (values are in million USD)

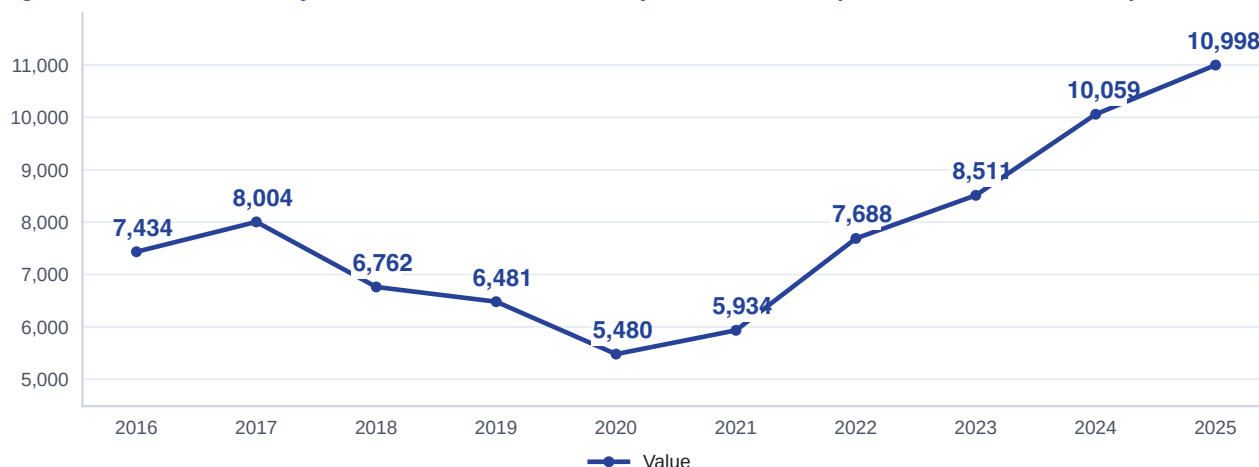


Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

Following the COVID-19 pandemic, the recovery process has begun, with service exports increasing consistently. Services export reached 5,032 million in 2022, 6,256 million in 2023, 8,084 million in 2024, and 8,880 million in 2025. The rapid growth observed during the post-pandemic period can be attributed to the restoration of international economic activity and increasing importance of Azerbaijan as a logistics and transport hub. As a result, in 2025, the value of commercial services exports **nearly doubled** compared to 2016 and reached historical maximum.

As illustrated in Table 6, Azerbaijan's share in world commercial services exports varied within the range of 0.05–0.09% during the analysed period. Although this indicator decreased to 0.05% in 2020 during the pandemic, it gradually increased in subsequent years and rose to 0.09%. All this indicates that Azerbaijan's weight in global services exports is limited, but this position has somewhat strengthened in recent years.

Figure 11. Value of Azerbaijan's Commercial Services Imports, 2016-2025 (values are in million USD)



Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TISMoS) databases

Figure 11 shows the dynamics of the value of Azerbaijan's commercial services imports (in million USD) in 2016–2025. As can be seen, although commercial services imports showed an overall growth trend during the analysed period, this growth was accompanied by different dynamics at different stages. In 2016–2017, the value of imports increased from 7,434 million USD to 8,004 million USD. However, a decrease was observed in 2018–2020 and decreased to 5,480 million USD in 2020.

Since 2021, the recovery process in commercial services imports has begun and the value of imports increased from 5,934 million USD to 10,998 million USD in 2025. The growth observed during this period can be explained by the revival of economic activity in the country, the increase in demand for foreign services, the

expansion of international transport and logistics operations, as well as the increase in the use of business and professional services. In addition, the closer integration of the economy into international markets may have further strengthened the demand for service imports. Thus, in 2025, the value of commercial services imports significantly exceeded the level of 2016 and reached a historical maximum.

Table 7 demonstrates that, Azerbaijan's share in world commercial services imports also remained relatively stable during the analysed period, varying within the range of approximately 0.10–0.13%. Although a certain decrease was observed during the pandemic, this indicator increased again in subsequent years.

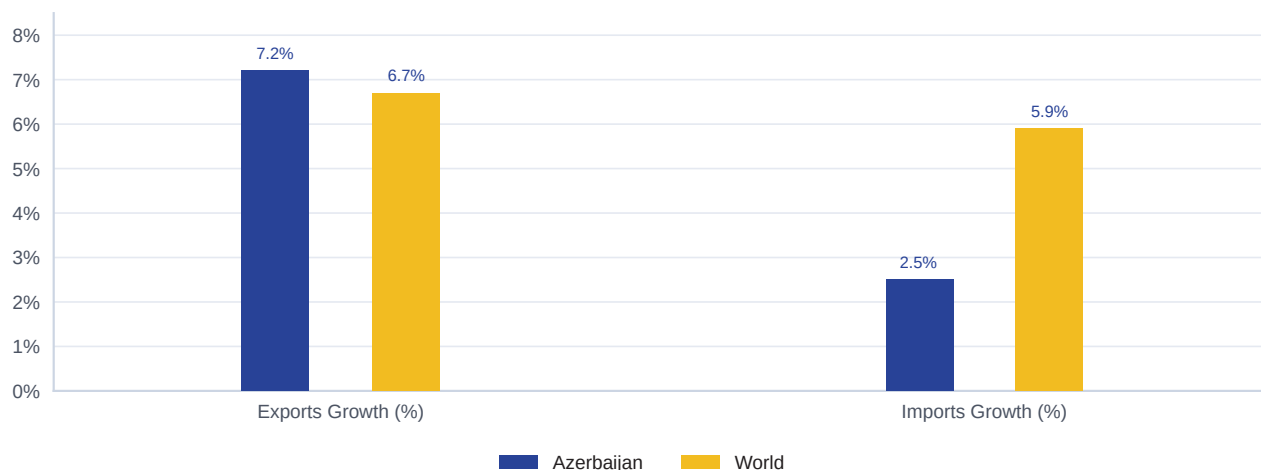
Table 7: Value of Azerbaijan's Commercial Services Imports, 2016-2025 (values are in million USD)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Value	7,434	8,004	6,762	6,481	5,480	5,934	7,688	8,511	10,059	10,998
Share in World	0.15%	0.15%	0.12%	0.11%	0.11%	0.10%	0.11%	0.11%	0.12%	0.13%
Annual Change	▼ 13%	▲ 8%	▼ 16%	▼ 4%	▼ 15%	▲ 8%	▲ 30%	▲ 11%	▲ 18%	▲ 9%

Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

It should be noted that throughout the analysed period, the value of Azerbaijan's commercial services imports exceeded the value of exports. This indicates that the country's demand for foreign services is higher than its service exports and there is a negative balance in services trade. In 2025, the value of commercial services imports amounted to 10,998 million US dollars, and the value of exports amounted to 8,880 million US dollars, as a result, imports exceeded exports by approximately 23.9% (2,118 million US dollars).



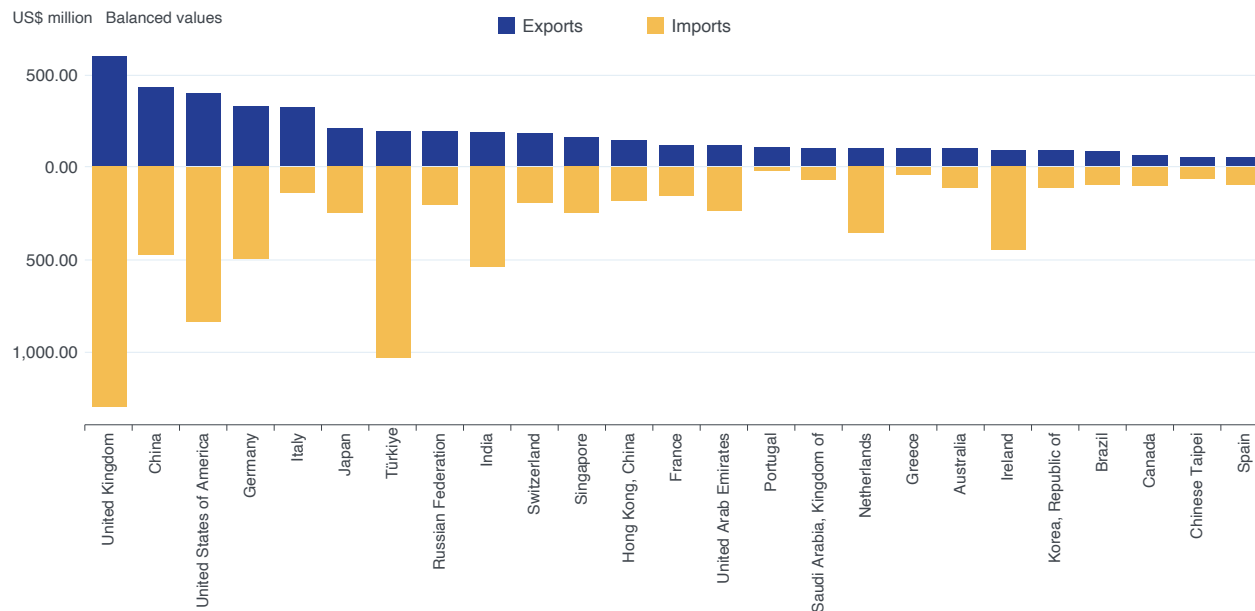
Figure 12. Growth of Commercial Services in the World and Azerbaijan (Average Annual % Growth, 2015–2025)

Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

Figure 12 compares the average annual growth rate of commercial services exports and imports in Azerbaijan and the World for 2015–2025. As can be seen from the Figure, the average annual growth rate of Azerbaijan's commercial services exports was 7.2%. This is slightly higher than the world average of 6.7%. This indicates that over the past decade, Azerbaijan's commercial services exports have grown faster than the global average.

On the other hand, Azerbaijan's average annual growth rate of commercial services imports was 2.5%. This is lower than 5.9% worldwide. This indicates that service imports in Azerbaijan have grown more slowly than the global average.

This also indicates that, although the total value of imports has remained higher than exports throughout the period, the faster growth rate of exports can be seen as a positive trend for improving the services trade balance in the future.

Figure 13. Top 25 trading partners for Azerbaijan's commercial services

Source: Author's calculations based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

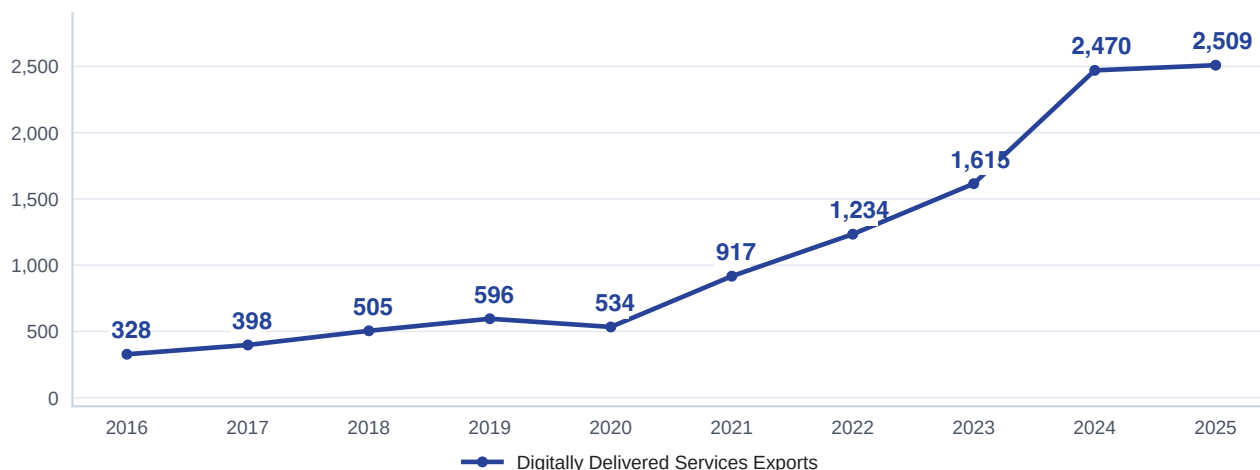
Figure 13 shows the top 25 trading partners for Azerbaijan's commercial services imports and exports in 2025. The data is based on the Balanced Trade in Services (BaTiS) database developed by the WTO and OECD. As can be seen, Azerbaijan's commercial services trade is largely concentrated in a limited number of large economies and regional partners. The United Kingdom stands out as Azerbaijan's largest partner in both exports and imports. In addition, China, the United States, Germany, Türkiye, Italy, Japan and the Russian Federation also occupy important positions in Azerbaijan's commercial services trade.

One of the noteworthy points is that **8 out of the 25 largest trading partners** of Azerbaijan in commercial services are **EU member states**. These are Germany, Italy, France, the Netherlands, Portugal, Greece, Ireland and Spain. This indicator shows that EU countries have an important position in Azerbaijan's commercial services trade and that a significant part of its services trade is carried out with EU countries.

2.4. Digitally Delivered Services, Trade Related Services, and Transport Services Exports

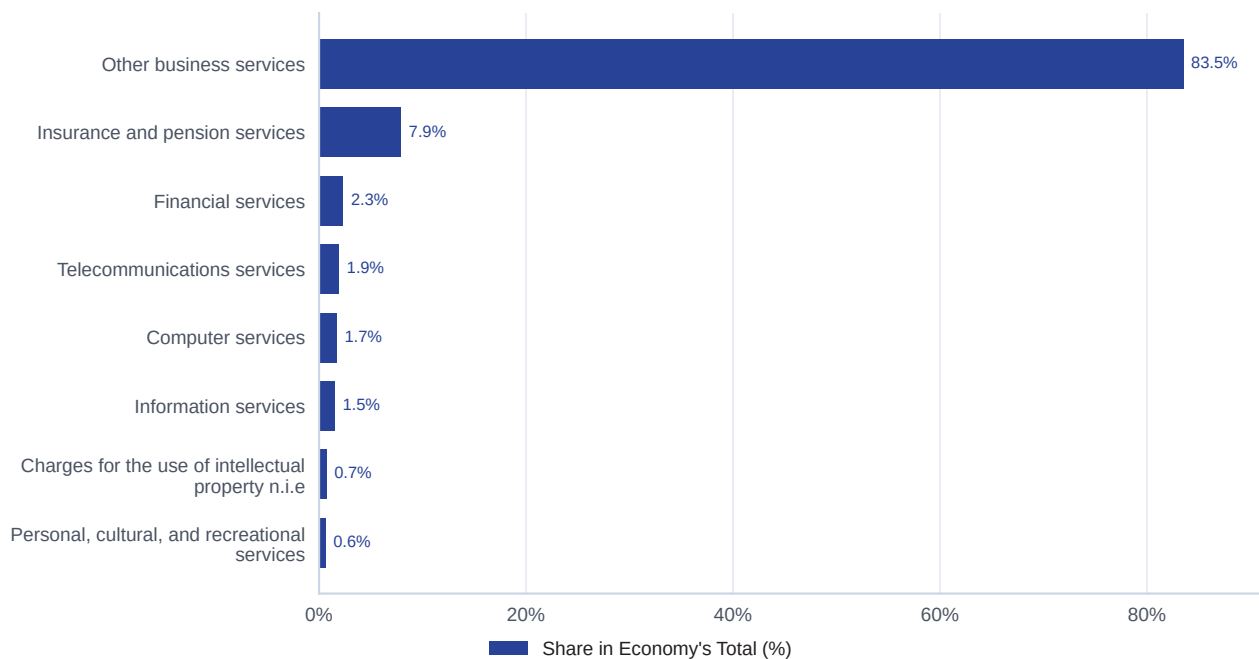
Figure 14 shows the dynamics of Azerbaijan's digitally delivered services exports for 2016–2025. As can be seen from the Figure, digital service exports have mainly shown an upward trend over the past decade. The value of exports was approximately 7.6 times higher, from 328 million USD in 2016 to 2,509 million USD in 2025. Only in 2020 was a slight decrease observed as a result of the impact of the pandemic. In 2023–2025, a significant increase in digital service exports occurred. As a result, in 2025, Azerbaijan's digital service exports amounted to 2,509 million USD.

Figure 14. Digitally Delivered Services Exports of Azerbaijan, 2016-2025



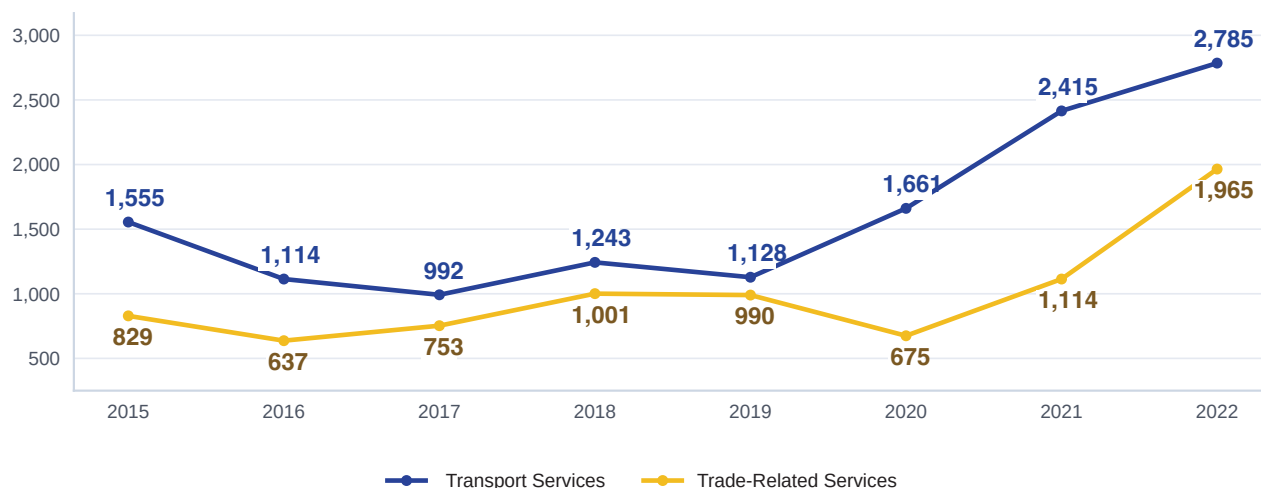
As indicated in Figure 15, “other business services” dominate the structure of Azerbaijan's digital service exports²⁵. This service group formed 83.5% of total digital service exports in 2025. Next in line were insurance and pension services with a share of 7.9%, financial services with a share of 2.3%, telecommunications services with a share of 1.9%, computer services with a share of 1.7%, and information services with a share of 1.5%.

²⁵. The WTO and OECD trade in services data follow the international EBOPS 2010 / BPM6 standards, where the “Other Business Services” is a broad category that catches most commercial business-to-business transactions that are not explicitly included under other headings (such as transport, finance, telecom, or travel). Relatively modern and knowledge-intensive services trade, such as Research and Development (R&D) Services; Professional and Management Consulting Services; Architectural, Engineering and Scientific Services; Operational Leasing & Equipment Rental Waste Treatment & Environmental Services, and some other related services are included under this category.

Figure 15. Azerbaijan Digitally Delivered Services Exports Breakdown 2025 (%)

Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases



Figure 16. Transport Services and Trade Related Services Exports (2015-2022)

Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TISMoS) databases

Figure 16 shows the dynamics of Azerbaijan's exports of transport services and trade-related services for 2015–2022. As can be seen from the Figure, the export value of both service categories has shown an overall growth trend over the period. Exports of transport services increased from US\$1,555 million in 2015 to US\$2,785 million in 2022, an increase of 79%. Exports of trade-related services during the same period increased from US\$829 million to US\$1,965 million, an increase of nearly 2.4 times. The rapid growth observed in 2021–2022, in particular, demonstrates that the expansion of Azerbaijan's transit potential, the restoration of international trade flows, and the growing demand for logistics services have had a positive impact on the country's service exports.

2.5. Azerbaijan's Services Trade by Service Modes

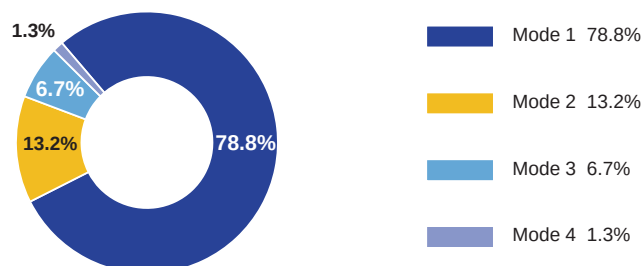
Under the World Trade Organization's (WTO) General Agreement on Trade in Services (GATS), depending on the physical location of the supplier and the consumers, international trade in services is classified into four distinct modes of supply.

The WTO established these modes because, unlike physical goods, services trade is “invisible” and complex to regulate. Breaking down service delivery into these four clear channels makes it significantly easier for governments to negotiate specific trade commitments, simplify cross-border regulations, and remove barriers. This structured framework also lowers legal uncertainty for businesses as it brings clarity, transparency, and predictability. Information on the Modes of supply is provided in Table 8.

Table 8: Definitions of Services Trade Modes

Mode	Name	What Is It?	Examples
Mode 1	Cross-Border Supply	The service crosses the border of the country but both the provider and consumer remain in their own countries.	Software development. Emailing architectural blueprints to an overseas client. Delivering remote consulting services on economy, business management, marketing etc.
Mode 2	Consumption Abroad	The consumer travels to the territory of another country to receive or consume the service provided	International tourism. Traveling abroad for medical surgery. Studying at a foreign university or taking professional courses in a foreign country
Mode 3	Commercial Presence	A service supplier establishes a physical or legal business presence (such as branch or subsidiary) in a foreign country to deliver their services locally.	A foreign bank, foreign insurance company or construction company opening a local branch in another country. A multinational hotel chain operating in a foreign country.
Mode 4	Presence of Natural Persons	An individual travels temporarily to a foreign country to deliver their services in person.	An IT consultant traveling abroad to install software or do software troubleshooting. A university lecturer visiting a university in another country to deliver a paid lecture. An independent auditor is traveling to audit a foreign company.

Figure 17 shows value of Azerbaijan's services exports for year 2022 by WTO Modes of Supply. The data is based on the Trade in Services by Mode of Supply (TISMOS) database developed by the (WTO)²⁶.

Figure 17. Azerbaijan's Exports of Services by Modes of Supply (2022)

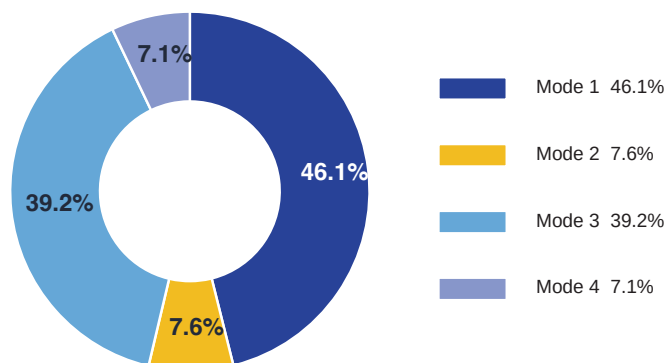
Source: Author's estimation based on the WTO Trade in Services Data (TiSMoS) databases

²⁶. The TISMOS database provides estimated indicators of services trade by the four modes of supply defined in the WTO General Agreement on Trade in Services (GATS). The database covers more than 200 countries and regions, as well as 55 service sectors, covering the period 2005–2022, and allows assessing the impact of various factors, including digitalization, on the structure of services trade.

In 2022, the value of Azerbaijan's total service exports (commercial service exports + public sector service exports) amounted to 6.9 billion USD, with Mode 1 (Cross-border provision) dominating. 78.8% or 5.44 billion USD of total service exports fell to Mode 1. This shows that Azerbaijan's service exports are mainly carried out on the condition that the service provider and consumer remain in their respective countries. This category includes services that can be provided digitally without leaving the country, such as information and communication technologies, professional and business services, and financial services.

Mode 2 (Consumption Abroad) accounted for 13.2% or 911 million USD of service exports. This indicator includes services consumed in the country by foreign tourists visiting Azerbaijan, as well as foreign citizens using services such as education, training, and healthcare in the country. In 2022, Mode 3 (Commercial Presence) accounted for 6.7% of service exports or 462 million USD, while Mode 4 (Presence of Natural Persons) accounted for 1.3% or 90 million USD. These results indicate that the provision of services by Azerbaijani companies abroad through branches and representative offices, and the export of services by individuals temporarily operating abroad, have a limited share in total service exports. Overall, the Figures show that Azerbaijan's service exports, unlike global service trade, are mainly based on cross-border services.

Figure 18. Azerbaijan Imports of Services by Modes of Supply (2022)

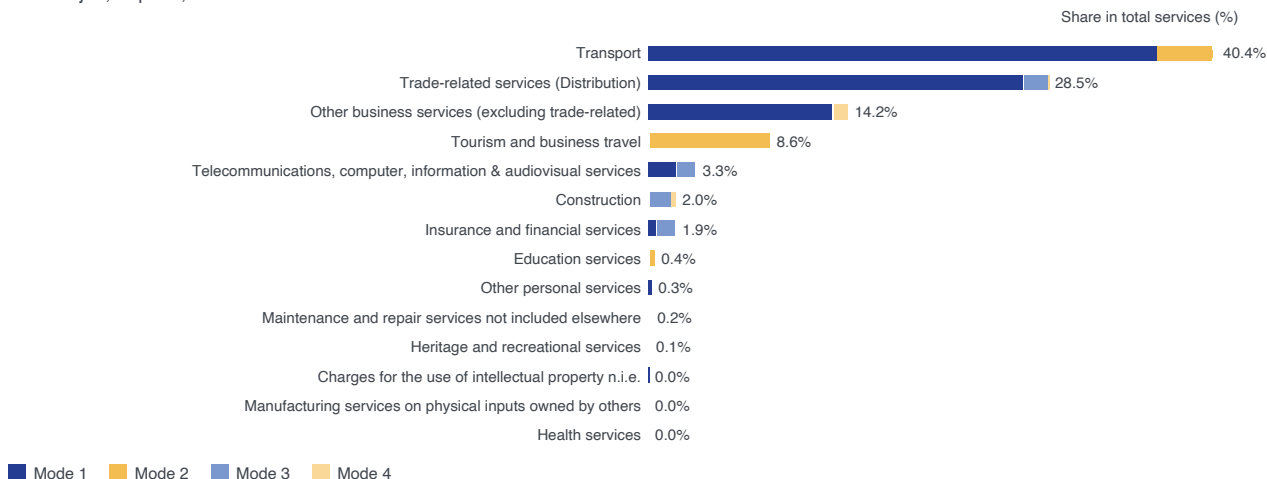


Source: Author's estimation based on the Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

Figure 18 shows shares of Azerbaijan's services imports for year 2022 by WTO Modes of Supply. In 2022, Azerbaijan's total services imports (commercial services imports + public sector services imports) were worth USD 12,021 million, with Mode 1 (Cross-border supply) having the largest share in services imports. Mode 1 accounted for 46.1% of total services imports, or approximately USD 5.54 billion. In contrast to services exports, Mode 3 (Commercial presence) had the second largest share, with 39.2%, or approximately USD 4.71 billion. This indicator shows that services provided by foreign companies through their branches, representative offices and subsidiaries in Azerbaijan are of significant importance in the country's services imports.

Figure 19. Structure of Azerbaijan's Services Export by Mode of Supply and Main Services Sectors.**Structure of Services Trade by Mode of Supply and Main Service Sector**

Azerbaijan, Exports, 2022



Source: The Balanced Trade in Services (BaTiS) and WTO Trade in Services Data (TiSMoS) databases

Figure 19 shows the structure of Azerbaijan's service exports in 2022 by main service sectors and Modes of Supply. The data is based on the WTO (TiSMoS) database.

As can be seen from the Figure, transport services were the largest service sector and accounted for 40.4% of total service exports. Almost all of these services were exported through Mode 1 (Cross-border supply), with only a small portion being exported through Mode 2 (Consumption abroad). Trade-related services (distribution services) were the second largest service type with a share of 28.5%, which mostly exported through Mode 1.

Other non-trade-related business services accounted for 14.2% of total service exports and were mainly provided through Mode 1 and partly through Mode 4 (Individuals). Services related to tourism and business travel accounted for 8.6% and were almost entirely exported through Mode 2 (Consumption Abroad), which reflects services consumed by foreign citizens in Azerbaijan.

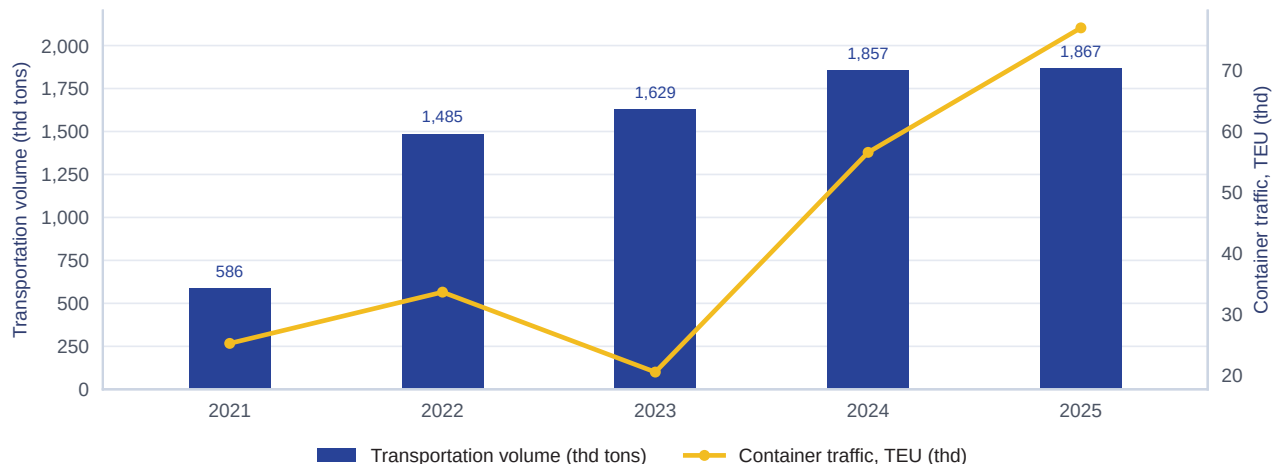
The share of other service sectors in service exports was relatively low. Thus, telecommunications, computer, information and audiovisual services accounted for 3.3%, construction services for 2.0%, insurance and financial services for 1.9%, and education services for 0.4%. The share of each of the other service sectors was less than 1%.

Overall, the Figure shows that Azerbaijan's service exports are mainly formed by transport and business services. At the same time, the dominant position of Mode 1 in service exports is once again confirmed, which indicates that Azerbaijan's service exports are mainly formed by services provided across borders, and that digital, transport-logistics, and business services play a leading role in the country's service trade.

2.6. Freight and Logistics Dynamics: Middle Corridor & National Trends

Figure 20 shows the dynamics of cargo and container volumes transported through the Middle Corridor during 2021–2025²⁷. As can be seen from the Figure, the total cargo volume transported during this period has increased steadily, from 586 thousand tons in 2021 to 1,867 thousand tons in 2025. This is an increase of approximately 3.2 times in four years and indicates that the importance of the Middle Corridor as a regional transit route is rapidly increasing.

Figure 20. Middle Corridor Transport Volumes



Source: Author's illustration based on the data provided by the ATAF project.

The volume of container transportation has also shown an overall upward trend. Although the container turnover, which was 25.2 thousand TEU in 2021, increased to 33.6 thousand TEU in 2022, it decreased to 20.5 thousand TEU in 2023. However, a sharp increase was recorded in subsequent years. The volume was 56.5 thousand TEU in 2024 and 76.9 thousand TEU in 2025. Thus, the volume of container transportation in 2025 increased by almost 3 times compared to 2021.

Overall, the Figure shows that cargo and especially container transportation along the Middle Corridor has been rapidly expanding in recent years. This dynamic is one of the key indicators that demonstrate the strengthening of Azerbaijan's role as a transit and logistics center, as well as the increasing demand for multimodal transport and container transportation in the region.

²⁷. Data for this subsection was kindly provided by the EU-funded Azerbaijan Technical Assistance Facility (ATAF) project. The ATAF project collected data from official sources, such as the Statistical Committee of Azerbaijan.

Table 9 shows the volume and growth dynamics of cargo transportation by transport type in Azerbaijan in 2021–2025. As can be seen from the table, during the period in question, the volume of total cargo transportation in the country increased from 193.9 million tons to 243.2 million tons, resulting in an increase of 25.4%. During the studied period, an increase in total cargo turnover was observed in all other transport types, except air transport.

Table 9. Modal trends in freight transport, 2021–2025 (thousand tons)

Mode of transport	2021	2022	2023	2024	2025	2021-2025 growth rate
Rail transport	15,057.6	18,723.1	18,275.9	18,530.6	16,821.4	11.7%
Maritime transport	5,468.4	7,519.2	9,010.8	8,621.4	9,089.6	66.2%
Air transport	556.6	406.2	357.4	411.0	391.2	-29.7%
Pipelines	60,298.1	66,007.4	68,037.4	67,802.9	65,275.7	8.3%
Road transport	112,522.0	126,024.6	134,216.2	143,477.1	151,655.3	34.8%
Total	193,902.7	218,680.5	229,897.7	238,843.0	243,233.2	25.4%

Source: Author's illustration based on the data provided by the ATAF project

The largest share of cargo volume was transported by road transport throughout the entire period. The volume of cargo transported by this type of transport increased from 112.5 million tons to 151.7 million tons, an increase of 34.8%. At the same time, cargo transported by pipelines also had a high share, increasing from 60.3 million tons to 65.3 million tons, an increase of 8.3%. These indicators indicate that road transport retains an important role in domestic cargo transportation, and pipelines in the export of energy resources.

Positive dynamics were also observed in railway and sea transport. The volume of freight transportation by rail increased from 15.1 million tons to 16.8 million tons, an increase of 11.7%. The highest growth was recorded in sea transport. Thus, the volume of freight transported by this type of transport increased from 5.5 million tons to 9.1 million tons, an increase of 66.2%. This dynamic indicates the strengthening of the role of the Baku International Sea Trade Port and the increasing transit traffic along the Middle Corridor.

The only decrease was observed in air transport. The volume of freight transportation by air decreased from 556.6 thousand tons to 391.2 thousand tons, a decrease of 29.7%.

The rapid growth of cargo and container traffic along the Middle Corridor in 2021–2025 is also explained by global geopolitical processes. In particular, the Russia-Ukraine conflict has significantly increased the demand for alternative routes between Europe and Asia bypassing Russian territory. As a result, the strategic importance of the Middle Corridor has increased. At the same time, security problems in the Red Sea and

disruptions in international shipping routes have prompted logistics companies and shippers to diversify their routes, which has increased interest in land and multimodal transport corridors connecting Asia and Europe, particularly to Middle Corridor. Given that Iran is one of the main participants in the International North–South Corridor, it can be assumed that the security situation in the Persian Gulf in 2026 may stimulate additional growth in cargo traffic along the Middle Corridor.

In general, the results show that the total volume of freight transportation in Azerbaijan increased significantly during the observed period. Particularly, road and sea transport were the main driving forces of this growth. At the same time, a moderate increase was observed in rail transport, while air transport was the only mode of transport to record a decrease.



SECTION 3. CHALLENGES IN INTERNATIONAL TRADE IN GOODS AND SERVICES

This section provides an overview of the challenges faced by exporters of goods and services, Azerbaijan's level of trade facilitation implementation, and the challenges affecting the Middle Corridor. The data presented in this section are drawn from the reports and databases of international development organizations, primarily the International Trade Centre (ITC, which is a joint agency of the United Nations and the World Trade Organization) and the Organization for Economic Co-operation and Development (OECD).

3.1. Regulatory and Procedural Barriers to Goods Exporters

Figure 21 shows the structure of the most burdensome regulatory measures faced by businesses in the agricultural and manufacturing sectors²⁸. As can be seen from the Figure, the most common barrier in both sectors was export-related measures. This category accounted for 57% of all regulatory barriers in the agricultural sector and 66% in the manufacturing sector.

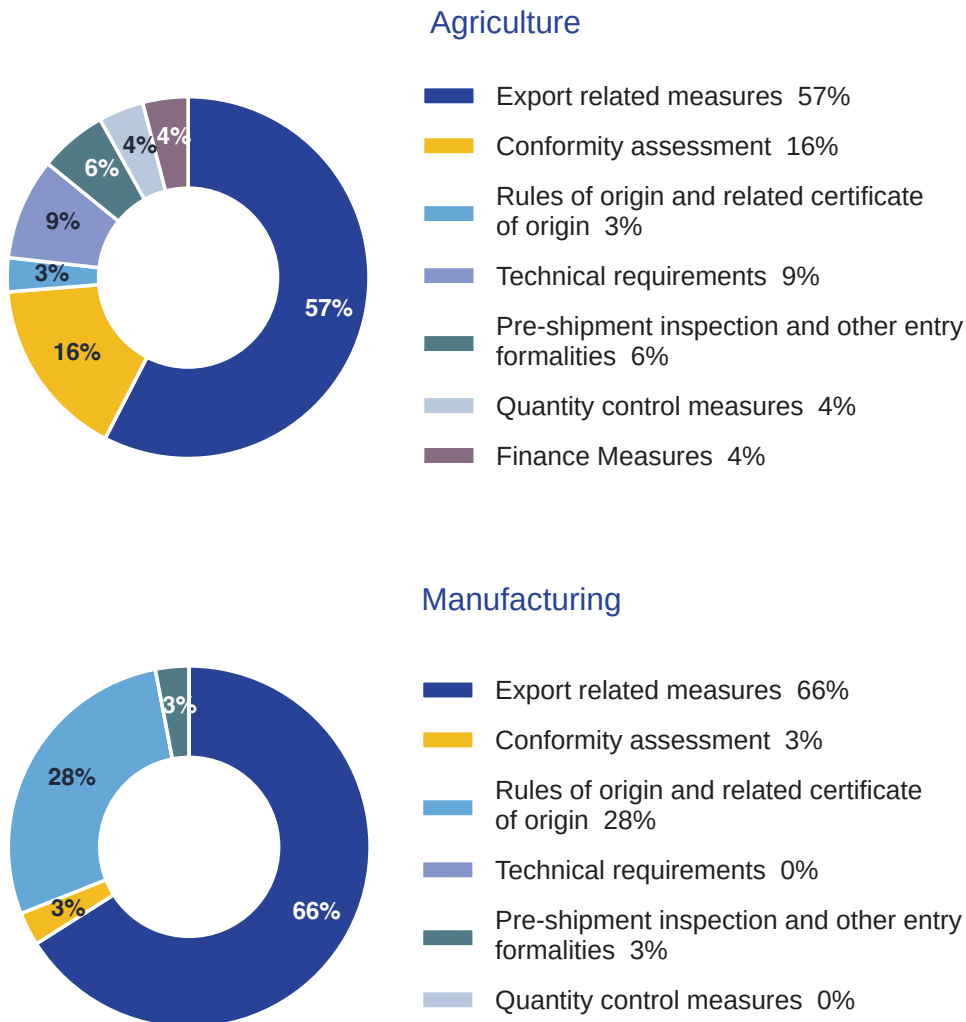
The second most important barrier in the agricultural sector was conformity assessment procedures with 16%, and the third most important barrier was technical requirements (9%). In the manufacturing sector, rules of origin and certificate of origin requirements were the second most important barrier with 28%. Other barriers did not have a significant share.

Overall, the Figure shows that export procedures and export-related administrative requirements remain the main regulatory burden for both sectors. It is observed that regulatory barriers are more diverse in agriculture, while in the manufacturing sector, problems mainly relate to export procedures and rules of origin.



²⁸. The results presented in this subsection are based on the International Trade Center (ITC) report, "Republic of Azerbaijan: Invisible barriers to trade: Business perspectives." Published in 2025, the report draws on a survey conducted between 2022 and 2024 among approximately 500 businesses, business associations, and public sector representatives. For more information, please visit <https://eap.tradehelpdesk.org/en/help-center/country-resources/azerbaijan>

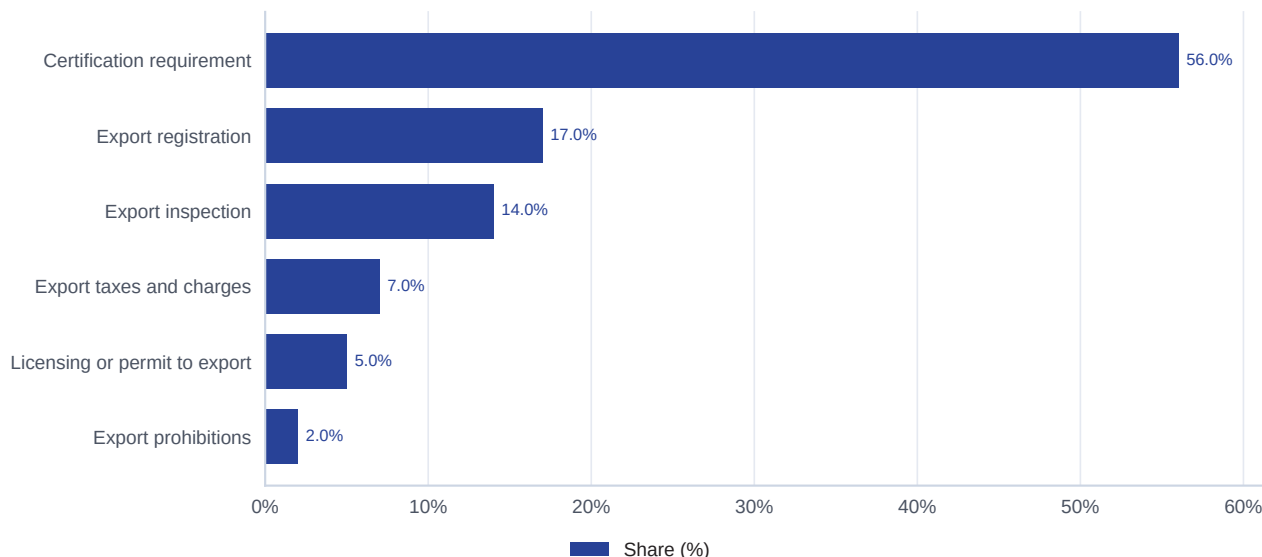
Figure 21. Structure of the most burdensome regulatory measures faced by businesses in the agricultural and manufacturing sectors.



Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade: Business perspectives" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

Figure 22 shows the structure of the main internal regulatory barriers that hinder export activity of Azerbaijani exporters. As can be seen from the Figure, the most frequently mentioned barrier by respondents was certification requirements, which accounts for 56% of all responses. Export registration was next with a share of 17% and export inspections with a share of 14%. Other barriers with a lower share include export taxes and charges, requirements related to licensing and permit, and export prohibitions.

Figure 22. Types of domestic regulations that make exporting difficult



Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade: Business perspectives" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

These results indicate that the main challenges faced by enterprises in the export process are related to certification and administrative procedures. These results indicate that simplifying certification processes, digitizing them, and optimizing administrative procedures are among the priorities to facilitate exports.

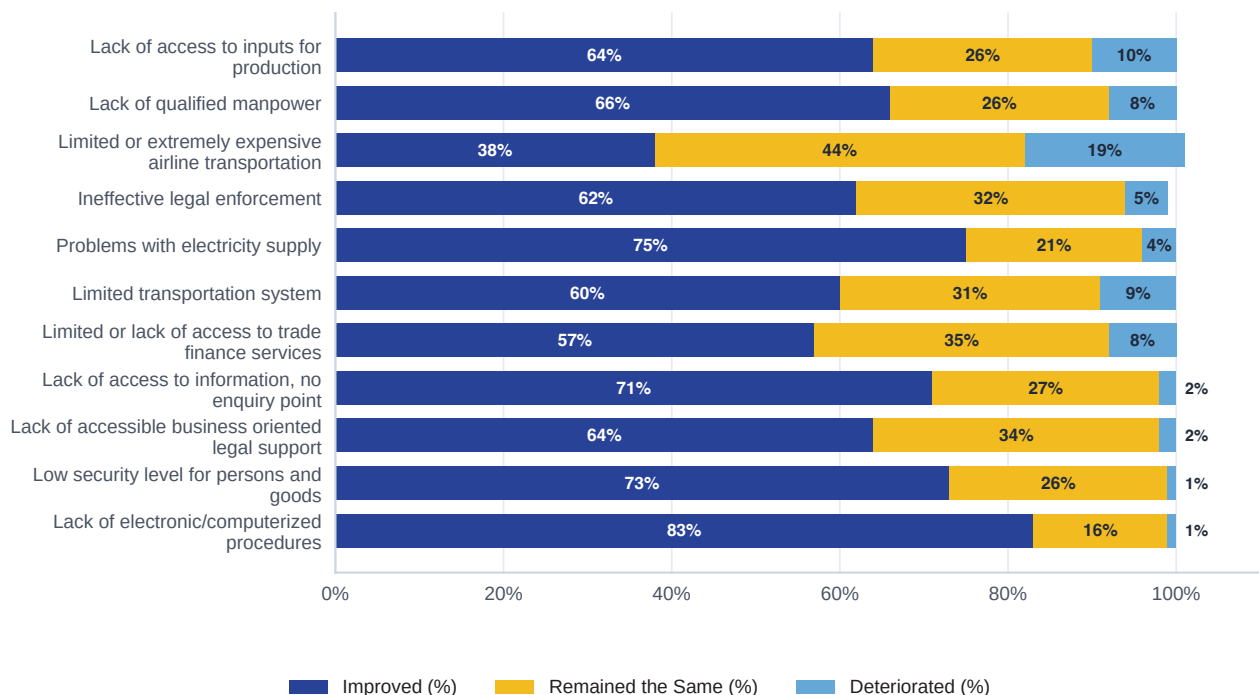
Figure 23 reflects the assessment of companies engaged in the export of goods on how the business environment in Azerbaijan has changed over the past five years and the level of impact of various problems on business environment. Table 10 shows that the majority of respondents believe that the business environment has improved in many areas. However, some problems continue to negatively affect the activities

of companies. For example, 29% of respondents assessed limited access to necessary resources for production, 28% - the lack of qualified manpower, and 17% - limited or extremely expensive airline transport services as the main obstacles. In addition, ineffective enforcement of the law (16%), limited access to trade financing services (13%), problems with electricity supply (13%) and limited transport system (13%) also continued to create difficulties for a certain part of the enterprises.

Table 10. Company perception on how business environment conditions changed in last 5 years

Business Environment Condition	Negatively Affected (%)	Improved (%)	Remained the Same (%)	Deteriorated (%)
Lack of access to inputs for production	29%	64%	26%	10%
Lack of qualified manpower	28%	66%	26%	8%
Limited or extremely expensive airline transportation	17%	38%	44%	19%
Ineffective legal enforcement	16%	62%	32%	5%
Problems with electricity supply	13%	75%	21%	4%
Limited transportation system	13%	60%	31%	9%
Limited or lack of access to trade finance services	13%	57%	35%	8%
Lack of access to information, no enquiry point	11%	71%	27%	2%
Lack of accessible business oriented legal support	10%	64%	34%	2%
Low security level for persons and goods	6%	73%	26%	1%
Lack of electronic/computerized procedures	5%	83%	16%	1%

Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade: Business perspectives" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

Figure 23. Company perception on how business environment conditions changed in last 5 years

Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade: Business perspectives" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

According to the results, the share of those who reported that the situation had worsened in the case of limited or excessively expensive air transport was higher than others and amounted to 19%. For other indicators, the share of those who believe that the situation has worsened varied between 1–10%. Overall, the Figure shows that although companies engaged in the export of goods recognize that the business environment in Azerbaijan has improved significantly in recent years, access to production resources, the lack of qualified labour, and problems with logistics still remain the main factors affecting their competitiveness.

3.2. REGULATORY AND PROCEDURAL BARRIERS TO SERVICES EXPORTERS

Transport and Logistics Service Exporters

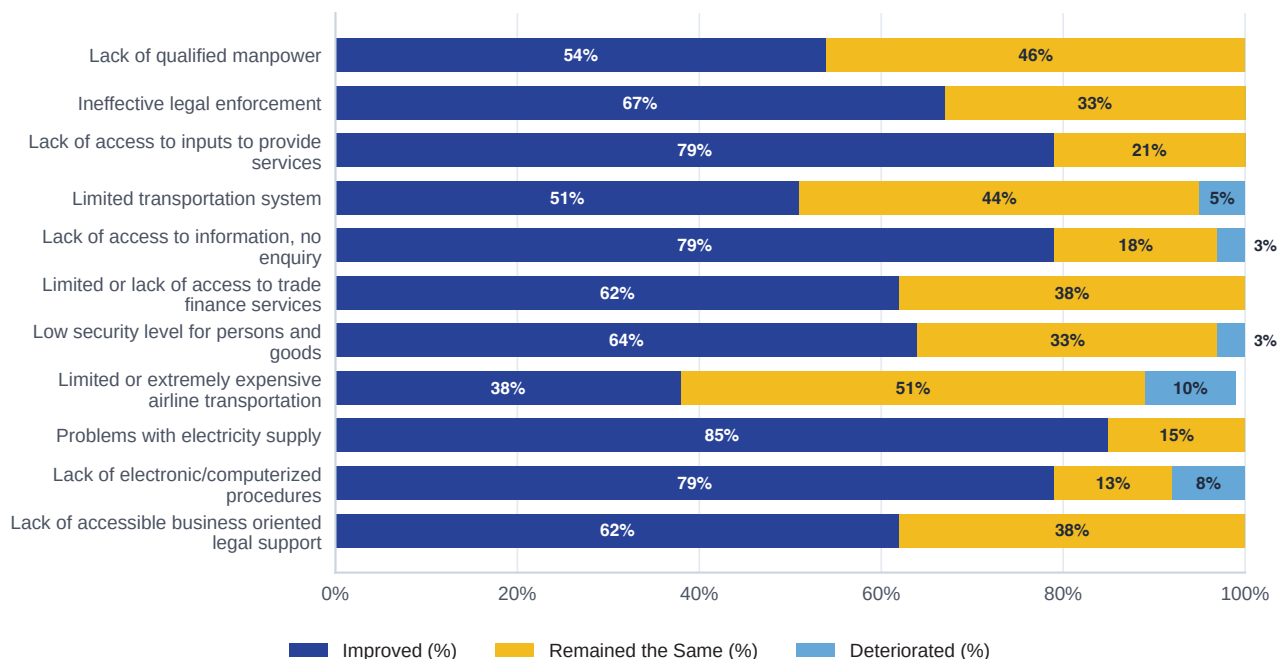
Table 11, Figure 24 and 25 reflect the main problems of companies operating in the transport and logistics sector in Azerbaijan related to the business environment, the level of negative impact of these problems on their activities, and their assessments of changes in the business environment over the past five years²⁹. The data in the table indicate that the most serious problems for the sector were the lack of qualified labour and the ineffective implementation of legislation. Both factors were assessed by 15% of respondents as the main problem negatively affecting their activities. The impact of other problems was assessed relatively low.

Table 11. Company perception on how business environment conditions changed for transport and logistics

Business Environment Condition	Negatively Affected (%)	Improved (%)	Remained the Same (%)	Deteriorated (%)
Lack of qualified manpower	15%	54%	46%	0%
Ineffective legal enforcement	15%	67%	33%	0%
Lack of access to inputs to provide services	10%	79%	21%	0%
Limited transportation system	10%	51%	44%	5%
Lack of access to information, no enquiry	10%	79%	18%	3%
Limited or lack of access to trade finance services	8%	62%	38%	0%
Low security level for persons and goods	8%	64%	33%	3%
Limited or extremely expensive airline transportation	6%	38%	51%	10%
Problems with electricity supply	5%	85%	15%	0%
Lack of electronic/computerized procedures	5%	79%	13%	8%
Lack of accessible business oriented legal support	5%	62%	38%	0%

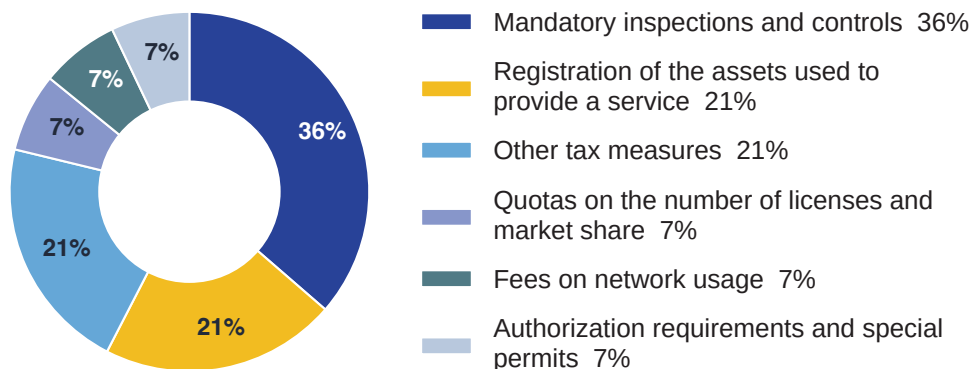
Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade in Services. Tourism, Transport and ICT Sectors" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

²⁹. The results presented in this subsection are based on the International Trade Center (ITC) report, "Republic of Azerbaijan: Invisible barriers to trade in Services. Tourism, Transport and ICT Sectors". Published in 2025, the report draws on a survey conducted between 2022 and 2024 among approximately 500 businesses, business associations, and public sector representatives. For more information, please visit <https://eap.tradehelpdesk.org/en/help-center/country-resources/azerbaijan>

Figure 24. Company perception on how business environment conditions changed for transport and logistics

Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade in Services. Tourism, Transport and ICT Sectors" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

Assessments of changes in the business environment over the past five years were generally positive. However, only 38% of respondents reported an improvement in the limited or expensive air transport. 51% of respondents noted that the situation in this area has not changed, while 10% noted that it has worsened, which is the highest deterioration indicator in the table.

Figure 25. Regulatory hurdles faced by transport and logistics service providers

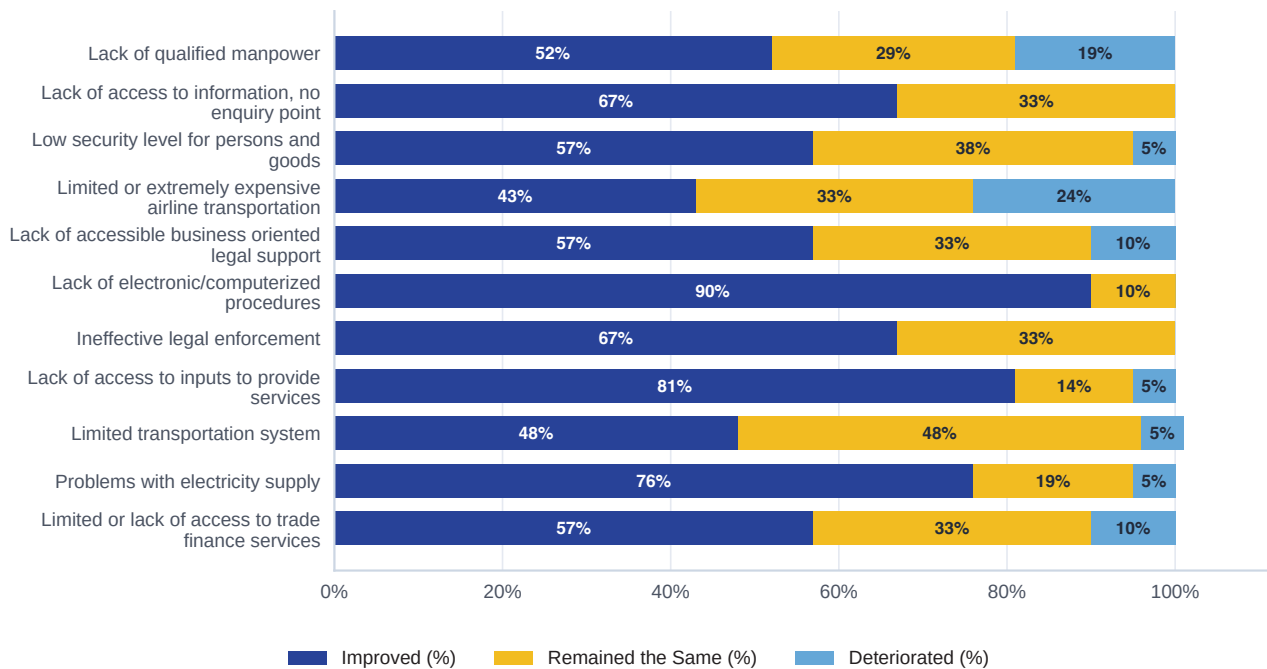
Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade in Services. Tourism, Transport and ICT Sectors" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)

Figure 25 shows the main regulatory barriers faced by companies providing transport and logistics services. As can be seen from the Figure, the barrier most highlighted by companies was mandatory inspections and control measures. This factor accounted for 37% of all responses. Next in line were the registration of assets used for the provision of services and other tax measures, with 21%. The impact of other regulatory barriers was much more limited.

These results indicate that simplifying administrative procedures, optimizing inspection mechanisms and reducing the regulatory burden in the sector can significantly contribute to increasing the competitiveness of service providers.

Figure 26 reflects the main problems of companies operating in the information and communication technologies (ICT) sector in Azerbaijan related to the business environment, the level of negative impact of these problems on the companies, and their assessments of changes in the business environment over the past five years. As illustrated in the table, the most common problem faced by ICT companies is the lack of qualified manpower. As such, 33% of respondents reported that this factor had a negative impact on their activities. Other important problems included the lack of access to information and enquiry point (24%), low security for persons and goods (14%), limited or extremely expensive airline transportation (10%), and Lack of accessible business oriented legal support (10%).

Assessments of changes in the business environment over the past five years were generally positive (Table 12). However, only 38% of respondents reported an improvement in the limited or expensive air transport. 51% of respondents noted that the situation in this area has not changed, while 10% noted that it has worsened, which is the highest deterioration indicator in the table.

Figure 26. Company perception on how business environment conditions changed for ICT sector

Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade in Services, Tourism, Transport and ICT Sectors" by the International Trade Centre (ITC, a joint agency of the United Nations and the World Trade Organization)



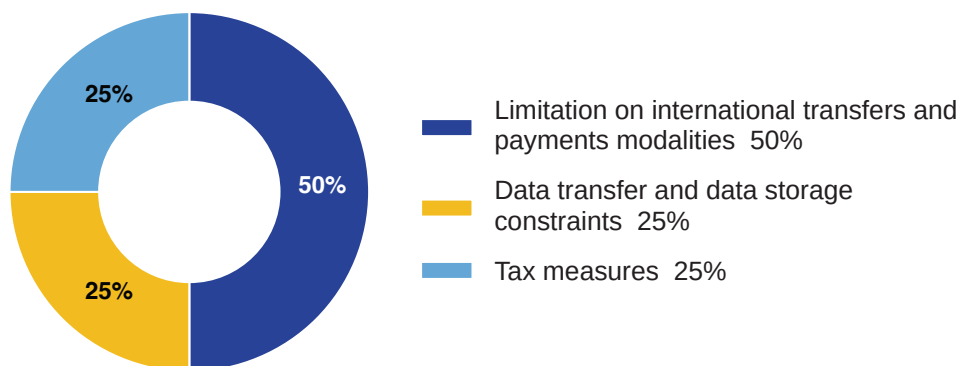
Table 12 Company perception on how business environment conditions changed for ICT sector

Business Environment Condition	Negatively Affected (%)	Improved (%)	Remained the Same (%)	Deteriorated (%)
Lack of qualified manpower	33%	52	29	19
Lack of access to information, no enquiry point	24%	67%	33%	0%
Low security level for persons and goods	14%	57%	38%	5%
Limited or extremely expensive airline transportation	10%	43%	33%	24%
Lack of accessible business oriented legal support	10%	57%	33%	10%
Lack of electronic/computerized procedures	5%	90%	10%	0%
Ineffective legal enforcement	5%	67%	33%	0%
Lack of access to inputs to provide services	0%	81%	14%	5%
Limited transportation system	0%	48%	48%	5%
Problems with electricity supply	0%	76%	19%	5%
Limited or lack of access to trade finance services	0%	57%	33%	10%

Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade in Services. Tourism, Transport and ICT Sectors" by the International Trade Centre (ITC, a joint agency of the United Nations and the World

Table 12 illustrates the main problems of companies operating in the information and communication technologies (ICT) sector in Azerbaijan related to the business environment, the level of negative impact of these problems on the companies, and their assessments of changes in the business environment over the past five years. As illustrated in the table, the most common problem faced by ICT companies is the lack of qualified manpower. As such, 33% of respondents reported that this factor had a negative impact on their activities. Other important problems included the lack of access to information and enquiry point (24%), low security for persons and goods (14%), limited or extremely expensive airline transportation (10%), and lack of accessible business oriented legal support (10%).

At the same time, in the assessments related to the availability of qualified manpower, 52% of respondents noted that the situation in this area has improved, 29% have not changed, and 19% have worsened. 24% of respondents reported that the situation has worsened with limited or expensive air transport, the highest deterioration rate in the table. While this shows that the business environment for the ICT sector in Azerbaijan has improved in many areas in recent years, the lack of qualified personnel and restrictions on air transport remain key challenges for the sector's development.

Figure 27. Regulatory Hurdles Faced by ICT Service Providers

Source: Author's illustration based on the report "Republic of Azerbaijan: Invisible barriers to trade in Services, Tourism, Transport and ICT Sectors" by the International Trade Centre (ITC, a joint agency of the United Nations and the World

Figure 27 shows the main regulatory barriers faced by ICT service providers. As can be seen from the Figure, 50% of respondents identified restrictions on international transfers and **payment mechanisms** as the **main regulatory barrier** affecting their activities. The other two main problems, restrictions on data transfer and storage and tax measures, were mentioned by 25% of respondents.

3.3. AZERBAIJAN'S LEVEL OF TRADE FACILITATION IMPLEMENTATION

Trade facilitation plays an important role in improving the efficiency of international trade. It simplifies border procedures, reduces transaction costs and accelerate the movement of goods at customs. Effective trade facilitation promotes higher trade volumes and supports economic growth. Recognizing these benefits, the OECD developed the Trade Facilitation Indicators (TFIs). This tool enables countries to evaluate their trade facilitation performance by identifying both strengths and weaknesses³⁰. The indicators measure the extent to which trade facilitation measures have been adopted and implemented while also comparing each country's performance with other countries.

Figure 28 provides results from the TFI and compares Azerbaijan's key trade facilitation indicators under the WTO Trade Facilitation Agreement (TFA). Here, a score of 2.0 represents the theoretical maximum score, where all criteria under the TFA are fully met. Best Practice reflects the average score of the top 25% of countries scoring highest on each criterion.

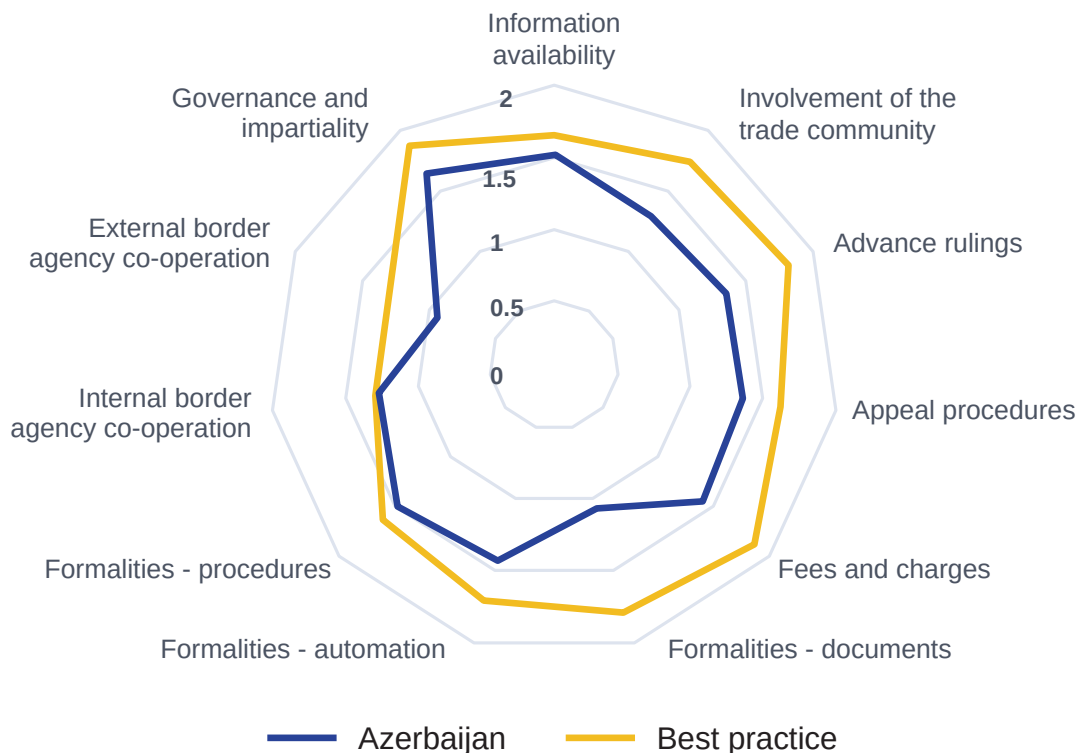
The comparison of Azerbaijan's score with the "best practices" shows that Azerbaijan scores highest in the area of "Governance and impartiality", with a score of 1.667. However, this score is still lower than the best practices. On the other hand, even though value-wise being lower than the score for "Governance and

30. Visit <https://sim.oecd.org/default.ashx?ds=TFI> for more information about TFI.

impartiality”, Azerbaijan’s score on “Internal border agency co-operation” is exactly at the Best Practice level, at 1.273.

The scores on accessibility of information, border procedures, and fees and charges are also relatively high. In some other areas, however, Azerbaijan’s results are significantly below the “Best Practice” level. In particular, the gap is more pronounced in the areas of “document formalities”, “cooperation between external border agencies”, “involvement of the business community in decision-making”, and advance rulings.

Figure 28. Azerbaijan's level of trade facilitation implementation



Source: OECD Trade Facilitation Indicator database

Overall, the results show that while Azerbaijan has made significant progress in trade facilitation, additional reforms in the areas of simplifying document flow, cooperation between external border agencies, and more active involvement of stakeholders in decision-making could allow it to approach Best Practice.

SECTION 4. EXPORT SUPPORT ENVIRONMENT IN AZERBAIJAN

This section provides information about policies and support programs of AZPROMO³¹ and Ministry of Economy; Single Window initiative and AZEXPORT portals of the Centre for Analysis of Economic Reforms and Communication of Azerbaijan; export supporting systems and programs of the Customs Committee; and export financing schemes of international financial institutions (IFIs).

4.1. AZPROMO AND ITS SUPPORT PROGRAMS

Originally established in 2003 as the Azerbaijan Export and Investment Promotion Foundation under a joint public-private initiative, AZPROMO was created to support the country's strategic priorities of diversifying its economy, expanding non-oil exports, and attracting foreign direct investment (FDI). It evolved over time to become a central coordinating body responsible for export and investment promotion. Today, **AZPROMO** stands for Azerbaijan Export and Investment Promotion Agency and operates as a public legal entity directly under the Ministry of Economy.

AZPROMO operates under a charter approved by presidential decree on July 23, 2021. Under the charter³², main goals, duties and functions of AZPROMO include contributing to the formulation of state policies regarding export promotion and investment environment improvement, promoting the "Made in Azerbaijan" brand and supporting the export of non-oil goods and services, facilitating the entry and operation of investors in the Azerbaijani market, and expanding cooperation between local and foreign business communities through international or national conferences, forums, exhibitions, and missions. The headquarters of AZPROMO is located in Baku, Azerbaijan's capital.

AZPROMO's funding sources include allocations from the state budget, income generated from its services and grants, donations, and other sources not prohibited by law.

31. On February 24, 2026, by the decree of the President of the Republic of Azerbaijan, a new organization was created based on the Small and Medium Business Development Agency (KOBİA) and the Investment and Export Promotion Agency (AZPROMO). The new organization is called the Agency for Small and Medium Business Development, Investment and Export Promotion under the Ministry of Economy of the Republic of Azerbaijan. According to the decree, the main part of the institutional transformation is expected to be completed by the end of 2026. During this period, both agencies will continue their previous activities and the programs they implemented in the same order.

32. Available at <https://azpromo.az/en/page/haqqimizda/nizamname> (in English) and at <https://president.az/az/articles/view/52563> (in Azerbaijani)

4.1.1. AZPROMO's Exporters Club

The Exporters Club Public Union was established in 2014 by AZPROMO with the primary goal of providing operational support to local non-oil exporters and ensuring that their interactions with government agencies and the export process are managed in a systematic and coordinated manner³³. The initiative reflects AZPROMO's broader mission to strengthen non-oil exports and support domestic businesses in navigating the challenges of international trade.

Within the framework of the Exporters Club, regular gatherings, meetings, and discussions are organized that bring together exporters who are actively seeking to expand into foreign markets, as well as representatives from relevant state institutions. These events are designed to address the practical difficulties and obstacles that exporters encounter during production, packaging, branding, logistics, documentation, customs clearance, and other aspects of the export process.

The core objectives of these activities are:

- 1. Identifying and resolving barriers** in the export process.
- 2. Collecting feedback from exporters** regarding their experiences, challenges, and suggestions.
- 3. Supporting non-oil export growth** by improving the efficiency and effectiveness of the export process through dialogue between businesses and government bodies.

The Exporters Club has more than 100 active members, representing a wide range of non-oil sectors. By fostering collaboration, providing information, and facilitating communication between exporters and authorities, the Club plays a key role in enhancing Azerbaijan's non-oil export performance and helping businesses expand sustainably into international markets.

4.1.2. AZPROMO's Export Academy

Recognizing the critical role of human resources in enhancing Azerbaijan's export potential, AZPROMO, in collaboration with the Ministry of Education and the Exporters' Club PU, has established the "Export Academy", a comprehensive three-month online training program. This initiative is designed to develop the knowledge and skills of current and future personnel engaged in export activities, ensuring they are well-prepared to meet the challenges of modern international trade.

The Export Academy brings together specialists from state institutions and leading exporting companies who voluntarily share their expertise, professional experience, and practical insights with participants. This mentorship enables future export managers to gain a deep understanding of the export process and acquire real-world skills that are directly applicable to their profession.

33. <https://azpromo.az/az/page/layiheler/ixracatcilar-klubu>

The program is structured into three core modules—Export Strategy, Export Operations, and Export Procedures—which collectively cover the entire export process from the organization of commercial activities to final export execution. Participants are provided with practical, foundational knowledge at each stage, enabling them to effectively apply what they learn to their own work contexts. After completing each module, participants are tested on the relevant topics before progressing to the next module, ensuring a step-by-step reinforcement of their learning.

At the conclusion of the program, participants undertake a final exam, and certificates are awarded based on their performance, attendance, and engagement across the three modules³⁴. In addition, trainers who delivered the courses also receive certificates in recognition of their contribution³⁵.

4.1.3. Main Export Support Measures of AZPROMO

The Presidential Decree on Export Support Measures, approved in 2016, defines the mechanism³⁵ for state-funded support measures that promote the "Made in Azerbaijan" brand and expand non-oil exports³⁴. It provides the list of support measures, outlines how the state budget covers costs for various export-related activities and the rules for selecting participants.

Individuals and legal entities registered as taxpayers in Azerbaijan who export non-oil products of Azerbaijani origin can benefit from support measures. This includes European businesses operating in Azerbaijan.

Participants are selected through competitions. The regulation does not apply to products in the Harmonized System 27th commodity group (mineral fuels, oil, bitumen, etc.) or to state-owned legal entities, except for specific brand promotion activities.

³⁴. This indicates that experts from European Companies operating in Azerbaijan can also participate in these activities.

³⁵. The full name of the Decree is as the "Decree on Approval of the Payment Rules for Expenses Related to the Organization of Export Missions to Foreign Countries and Buyer Missions to Azerbaijan, Market Research and Marketing Activities, Promotion of the 'Made in Azerbaijan' Brand in Foreign Markets, Obtaining International Certification for Local Companies in Export, and Research and Development Programs and Projects Related to Export". It's available at <https://e-qanun.az/framework/33825> (in Azerbaijani)

Export and Buyer Missions

- **Export Missions:** These are organized to discover opportunities in new foreign markets and expand existing business presence for non-oil products. The Ministry of Economy covers organizational expenses including visas, airfare, hotels, local transport (excluding taxis), translation services, and venue rentals. Each mission is limited to 6 days, 30 participants, and one representative per exporter.
- **Buyer Missions:** These are activities organized for foreign importers or distributors to visit Azerbaijan to purchase local non-oil products. The state covers the costs of the foreign participants' travel, accommodation, translation, and meeting arrangements. These are limited to 20 missions per calendar year, with a maximum of 10 buyers per mission.

Market Research and R&D

- **Market Research:** Conducted at the request of exporters to study access to new or existing markets for specific non-oil product groups. The Ministry hires specialized local or foreign entities to perform the research. The support amount is capped at **30,000 AZN** per research project, and results are shared for free with other relevant exporters.
- **Research and Development (R&D) Programs:** These focus on creating new export-oriented products or technologies, reducing production costs, or increasing added value. The state covers **50%** of the costs, up to **100,000 AZN** per project. A maximum of 5 such programs can be supported per year.

Exhibitions and Fairs

- **Unified Country Stand:** Exporters participate as a group in international exhibitions under a single national pavilion. The Ministry handles all logistics, including space rental, stand design, product transportation, marketing, and registration. This is limited to 10 exhibitions per year.
- **Individual Participation:** Exporters who choose to participate in international fairs independently can apply for a partial refund of their costs. The state covers **50%** of the expenses related to space rental, stand construction, and product transportation, up to a maximum of **10,000 AZN**.

Brand Promotion and Marketing

- **"Made in Azerbaijan" Shelves:** This involves setting up dedicated shelves for Azerbaijani products in foreign stores, retail chains, or Duty-Free shops. Support covers space rental, management, transportation, and customs clearance of the products. This is limited to 5 store chains per year.
- **Public and Media Promotion:** The "Made in Azerbaijan" brand is promoted through advertising in foreign public spaces and media outlets (TV, print, etc.). The state funds the preparation and execution of these advertising campaigns and strategies.
- **Promotion via State-Owned Entities:** The brand is promoted through the foreign branches and representative offices of legal entities that are state-owned or state-controlled.

International Certification

- **Certification Support:** This measure assists exporters in obtaining international certificates required for their products to enter foreign markets. The state pays **50%** of the costs, capped at **60,000 AZN** per exporter.

- **Export Requirement:** An exporter receiving this support must export the certified product within one year of obtaining the certificate and provide documentation to the Ministry; otherwise, the support amount must be refunded.

Payment and Financial Rules

- **Cashless Only:** All support payments are made exclusively via transfer into bank accounts.
- **Direct Payments:** For many measures (missions, unified stands, research), the Ministry pays the service providers directly rather than the exporters.
- **Currency:** Payments are made in **Manat (AZN)** based on the Central Bank exchange rate at the time of the expense.
- **Repayment Obligation:** If an exporter receives support for a certificate but fails to export the relevant product within one year, they must return the funds.

4.2. TRADE REPRESENTATIVES

Adopted in 2017, Decree of the Cabinet of Ministers of the Republic of Azerbaijan establishes the operational framework for **trade representatives** and their administrative apparatuses serving in foreign countries.

Trade representatives and their offices are part of the structure of the **Ministry of Economy** - they are appointed and dismissed by the Minister of Economy, subject to agreement with the **President of Azerbaijan**. Their primary objective is to expand Azerbaijan's economic and trade relations, protect its economic interests, increase exports of domestic goods and services, and promote the country's investment climate.

Trade representatives operate within Azerbaijan's embassies or consulates where they exist. If there is no diplomatic mission in a country, the trade representative operates independently. Trade representatives are granted the diplomatic rank of "Envoy Extraordinary and Plenipotentiary of the Second Class" and are provided with diplomatic passports.

The trade representative is responsible for several key economic tasks. These include:

- 1) Analysing the trade environment in the host country and providing information to Azerbaijani government agencies and businesses regarding market demand, import/export requirements, and public procurement opportunities.
- 2) Facilitating connections between Azerbaijani and foreign businesses and helping resolve problems faced by Azerbaijani businesses in the host country.
- 3) Assisting intergovernmental commissions and participating in the negotiation and implementation of international trade agreements.
- 4) Identifying and proposing measures to eliminate obstacles hindering the export of Azerbaijani products.

To fulfil their duties, among other rights, the trade representatives have the right to organize and participate in international trade events, working groups, and projects.

Currently, Azerbaijan has six Trade Representatives: one each in China, Russia, Türkiye, and the United Arab Emirates, one for Central European countries, and one for Central Asian countries³⁶.

The Central European Trade Representative covers Germany, Austria, Switzerland, Liechtenstein, Poland, the Czech Republic, Slovakia, Hungary, Croatia, and Slovenia and is based in the Embassy of the Republic of Azerbaijan in the Republic of Poland.

4.3 TRADE HOUSES AND TRADE DEPARTMENTS

Trade Houses function as key platforms for Azerbaijani businesses to showcase their products and engage with prospective buyers, operating across both traditional and emerging markets. By October 2024 Azerbaijan had Trade Houses in 12 locations - six in China and others in Belarus, Kazakhstan, Latvia, Poland, Qatar, and the UAE.

To further diversify exports, Azerbaijan has also introduced specialized wine houses and "trading departments," particularly within the Chinese market.

4.4 AZEXPORT - EXPORT SUPPORT SYSTEMS OF THE CENTRE FOR ANALYSIS OF ECONOMIC REFORMS AND COMMUNICATION

The portal Azexport.az was established in 2016, by Decree of the President of the Republic of Azerbaijan. It is managed by the Center for Analysis of Economic Reforms and Communication.

The primary purpose of Azexport is to provide a unique and accessible platform that facilitates the sale of Azerbaijani products in both domestic and foreign markets. It also serves as a comprehensive database for goods produced in Azerbaijan.

Objectives of the Azexport include stimulating exports by creating opportunities for local products to enter international markets; promoting "Made in Azerbaijan" by elevating the visibility and prestige of the national brand globally; simplifying procedures by reducing the technical and administrative barriers for entrepreneurs during the export process and providing a unified database by offering a centralized resource for information on manufacturers, product varieties, and market participants for potential international buyers.

36. <https://economy.gov.az/en/page/beynelxalq-elaqeler/ticaret-numayendeleri>

To achieve its objectives, Azexport engages in several strategic activities to support local businesses.

- **Integration with Global Platforms**

The portal is integrated with major international trading platforms such as Amazon, Alibaba, go4WorldBusiness, and IndiaMART, allowing Azerbaijani products to reach a worldwide audience.

- **Free Sales Certificate**

It issues Free Sales Certificates, which are essential for exporting products like food, cosmetics, and textiles to over 100 countries. Azerbaijan is the third CIS country to offer this type of certificate.

- **Online Single Export Application**

This service allows exporters to obtain all necessary documents—including phytosanitary, veterinary, and origin certificates—through a single electronic application.

- **Digital Trade Hub**

Azexport includes a public-private partnership platform that facilitates e-document exchange, online registration of legal entities, and transboundary electronic signatures.

- **Training and Outreach**

The portal organizes specialized trainings on topics like "Make Money on Amazon" and e-commerce procedures, as well as countrywide tours to educate regional entrepreneurs about export opportunities.

Since its inception, Azexport has received orders from **111 countries** worldwide. Leading export orders through the portal include items such as cotton, wine, hazelnuts, apples, tomatoes, and pomegranate juice.

4.5. EXPORT SUPPORTING SYSTEMS AND PROGRAMS OF THE CUSTOM COMMITTEE

4.5.1. “The Single Window” (“Bir Pəncərə”) system of the Customs Committee

The application of the “Single Window” system in the customs sector in Azerbaijan began with the Presidential Decree dated November 11, 2008. The system gives the State Customs Committee various state control functions over goods and vehicles transported across the state border³⁷. Within this framework of the Single Window, Customs Committee was identified as the main state institution coordinating veterinary, phytosanitary, sanitary and other state control procedures. This approach subsequently created the main institutional basis for the development of electronic customs services and digital information exchange. In subsequent years, the Single Window concept was expanded and integrated with tens of services³⁸. Thus, Single Window in Azerbaijan has transformed from a border coordination mechanism into the main platform for customs digitalisation.

³⁷. <https://customs.gov.az/en/faydali/innovativ-layiheler/bir-pencere>

³⁸. <https://customs.gov.az/en/e-xidmetler/>

4.5.2. Green Corridor clearance system

Along with the Single Window system, Azerbaijan also accelerated the transition to risk-based customs management. To this end, the Presidential Decree of March 4, 2016, set out the main directions for continuing reforms in the customs system. The decree reflected the expansion of electronic services, simplification of customs procedures, reduction of the number of documents, and the creation of Green Corridor and other clearance systems³⁹. Green Corridor is based on the classic **Trusted Trader** concept. The system provides advantages in customs procedures to entrepreneurs who consistently comply with the legislation and are considered low-risk⁴⁰.

The following benefits apply to companies that have obtained the right to permanent use of the Green Corridor:

- priority border crossing;
- minimum physical checks;
- priority customs examination;
- after-hours clearance;
- priority use of customs services;
- direct delivery of imported goods to the warehouse;
- direct export of exported goods from the warehouse without bringing them to the customs point;
- participation in foreign trade training courses.

Green Corridor has played an important role, in particular, in the export of fruits, vegetables and other perishable agricultural products. The reduction of physical checks and the acceleration of border crossing have reduced product quality losses and shortened the time spent for logistics.

4.5.3. Authorised Economic Operator (AEO) system

The Authorised Economic Operator (AEO) model is based on the principles of partnership between customs and business, supply chain security, risk-based control, and granting privileges to reliable trade participants. This model is currently applied in the European Union, the USA, Japan, China and many other countries.

In recent years, the State Customs Committee has gradually begun to transform the Green Corridor model into a full-fledged AEO system. In the new approach, in accordance with international World Customs Organization standards, companies are assessed on criteria such as history of compliance with customs legislation, reliable accounting and record-keeping system, financial stability, security standards, internal control mechanisms, and companies that meet the criteria are granted AEO status⁴¹.

39. <https://economy.gov.az/en/page/iqtisadiyyat/investisiya/investisiya-muhiti>

40. <https://customs.gov.az/az/sahibkarlar-ucun/green-corridor>

41. <https://ereforms.gov.az/en/media/xeberler/prezident-ilham-eliyev-etibarli-terefdas-konsepsiasi-ni-tesdiq-edib-2046>

Operators who have obtained AEO status are provided with the following:

- fewer physical checks;
- simplified customs procedures;
- priority border crossing;
- faster customs clearance;
- lower risk category in the risk-based control system.

4.5.4. Reliable Partnership Concept

In December 2025, the "Reliable Partnership Concept" was approved by the President of the Republic of Azerbaijan⁴². One of the main directions of the concept is the coverage of the "Green Corridor" system with the status of AEO and the expansion of the AEO program in Azerbaijan. In addition, the document identifies priorities such as simplifying customs procedures, strengthening reliable business-customs partnerships, increasing security in the supply chain, implementing international standards and digitizing customs services.

4.6. TRADE FINANCING FROM INTERNATIONAL FINANCING INSTITUTIONS

International financial institutions such as European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IsDB), Black Sea Trade and Development Bank (BSTDB), World Bank (though International Finance Corporation) and Asian Development Bank (ADB) also play an active role in strengthening Azerbaijan's trade finance ecosystem.

The Trade Facilitation Programme (TFP) of the **European Bank for Reconstruction and Development (EBRD)** is one of the main mechanisms supporting the financing of international trade transactions of Azerbaijani companies⁴³. Under the TFP, the EBRD supports international trade transactions through local partner banks. The program provides short-term credit lines to international partner banks to finance the import and export transactions of their clients. Support is provided through partner banks, not directly to entrepreneurs. In Azerbaijan, AccessBank, ABB Bank, Unibank and Bank Respublika are among the partner banks participating in the EBRD TFP program. Through these banks, entrepreneurs are provided with instruments such as letters of credit, bank guarantees and short-term trade financing for import-export transactions. The products and financing terms available to clients are determined depending on the product portfolio of each bank and the characteristics of a specific trade transaction.

The EBRD TFP program can contribute to the development of Azerbaijan's international trade relations, the expansion of financial relations with foreign markets and the safer and more reliable implementation of international trade transactions by local companies.

⁴². <https://e-qanun.az/framework/60962>

⁴³. More information about the TFP and Supply Chain Financing programs is available at <https://www.ebrd.com/home/work-with-us/trade-facilitation-programme.html> and <https://www.ebrd.com/home/what-we-do/products-and-services/support-for-start-ups-and-msmes/access-finance/sustainable-supply-chain-solutions.html>

The European Bank for Reconstruction and Development (EBRD) Supply Chain Solutions program aims to optimize cash flows between buyers and suppliers through the Supply Chain Finance (SCF) mechanism. The program enables suppliers to receive payment before the agreed payment deadline, while enabling buyers to manage their working capital more efficiently by respecting payment deadlines.

The EBRD's Supply Chain Solutions program is currently not implemented in Azerbaijan and there are no active operations under this mechanism in the country. However, the EBRD is assessing the potential for implementing supply chain finance operations in the Azerbaijani market and discussions are underway to introduce the program in the country in the future. The implementation of this initiative could expand Azerbaijani enterprises' access to working capital and support the integration of small and medium-sized enterprises, in particular, into international supply chains.

Islamic Development Bank, through its **Islamic Trade Finance Corporation**, also provides trade financing (for example, to Turan Bank and Rabita Bank), which are aimed at supporting the trade operations of small and medium-sized enterprises (SMEs) operating in the country, and financing import and export processes⁴⁴. What makes IsDB unique is that it provides Sharia-compliant trade finance solutions, which offers an government-guaranteed interest-based financing through Islamic financial instruments. ITFC may also provide largescale, governmentguaranteed trade finance programs⁴⁵.

Black Sea Trade and Development Bank (BSTDB) provides direct trade finance revolving lines, guarantees, and pre-export financing facilities to major Azerbaijani commercial banks (such as Unibank, Bank Respublika, Azer-Turk Bank) to support cross-border trade in the Black Sea region. Through its **Global Trade Finance Program (GTFP)**, the IFC of the World Bank provides risk-sharing guarantees and trade credit lines to participating issuing banks in Azerbaijan, which allow importers and exporters to access international letters of credit and trade loans under lower risk conditions. Through its **Trade and Supply Chain Finance Program (TSCFP)**, ADB collaborates with commercial banks in Azerbaijan (such as TuranBank) by providing trade guarantees and credit facilities to expand local companies' access to global trade corridors.



⁴⁴. See more at <https://www.itfc-idb.org/our-impact/projects>

⁴⁵. Source: <https://report.az/en/finance/itfc-provided-103m-in-financing-in-azerbaijan-to-date>

SECTION 5. TRADE AND INVESTMENT SUPPORT INFRASTRUCTURE AND POLICIES IN AZERBAIJAN

This section provides information about the physical transport and logistics infrastructure in Azerbaijan, such as Free Trade Zones, Industrial Zones, ports and airports. Structured information about the characteristics of the Investment Promotion Document is also provided.

5.1. ALAT FREE ECONOMIC ZONE (AFEZ)

The initial plans for the establishment of the Alat Free Economic Zone (AFEZ) were formally announced in 2016, when the President of the Republic of Azerbaijan issued a Decree on measures regarding the creation of a special economic zone of the free trade zone that includes the territory of the new Baku International Sea Trade Port in the Alat settlement of the Garadagh district of Baku city, which is 65 km from Baku city centre.

The zone was planned as a strategic hub to diversify Azerbaijan's economy away from oil, leveraging its location next to the Baku International Sea Trade Port and at the intersection of major international transport corridors (North-South and East-West).

In 2018 the Parliament of Azerbaijan adopted the Law on the Alat Free Economic Zone, and in 2020 a presidential decree was signed to officially establish the AFEZ and its governing Authority, transitioning from a temporary administration to a permanent regulatory body. In 2021 the President laid the foundation stone for the zone, which started the infrastructure development for Phase 1. In June 2023, the first stage of the AFEZ was officially inaugurated.

5.1.1. AFEZ Law

The **Law on the Alat Free Economic Zone (AFEZ)** establishes a comprehensive legal framework for a special economic zone in Azerbaijan designed to attract investment and foster a transparent, international-standard business environment. The law creates an autonomous regulatory ecosystem where the Free Zone Authority holds broad powers to manage the zone and issue its own Internal Regulations. The Law came into force in June 2018.

The law provides significant fiscal and operational incentives for Free Zone Legal Entities and Administrative Entities:

- **Tax Exemptions:**

Entities operating in the Free Zone are generally **exempt from all taxes** related to their activities within the zone, as specified by Internal Regulations.

- **Customs Advantages:**

No customs duties or taxes are payable on goods and vehicles imported into the zone, except for standard customs clearance fees.

Financial Freedom:

There are no limitations on the freedom to transact in any foreign currency or to transfer money earned abroad.

Ownership and Investment:

Foreign individuals or legal entities can own 100% of the capital of a Free Zone Legal Entity without restriction.

Investor Protection:

Private ownership is protected against nationalization or expropriation, except in specific cases defined by Internal Regulations.

5.1.2. AFEZ's Relationship with Base Economy Law

The AFEZ operates under a principle of legal supremacy over the "Base Economy Law". Base Economy Law refers to the general jurisdiction of the Republic of Azerbaijan, excluding the territory of the Alat Free Economic Zone (AFEZ). In the event of a conflict between Free Zone Legislation and Base Economy Law, the Free Zone Legislation prevails. However, two specific areas of Base Economy law apply unconditionally within the zone: Criminal law, and Legislation regarding the fight against money laundering and the financing of terrorism.

Photo 4. Map of the Alat Free Economic Zone (FEZ) in Azerbaijan, showing existing and future development areas, transport links, and key infrastructure⁴⁶.



Photo: Courtesy of Alat Free Economic Zone

⁴⁶. https://api.afez.az/uploads/content_attachment/1733210342/AFEZ_Brochure-2025.pdf

5.1.3 Export Orientation and Loss of AFEZ Privileges

The companies operating in AFEZ are expected to engage in high value-added and export-oriented manufacturing and internationally traded services by using innovative technologies and approaches⁴⁷. In this context, export-oriented term means that, at least 75% of goods produced in AFEZ by companies must be exported outside of the Republic of Azerbaijan⁴⁸. This is because, if enterprises using the advantages and concessions in AFEZ export their products to the Azerbaijani market at a lower price, then the local enterprises in Azerbaijan will struggle to compete. If a company exports less than 75 percent of its production abroad, then company may continue its activities at AFEZ, but lose its eligibility for the AFEZ-related incentives and concessions. Hence, the enterprise will automatically become an Azerbaijani enterprise and pay all taxes and duties while remaining based in AFEZ⁴⁹.

Photo 5. Once Phase 1 and Phase 2 of the AFEZ are fully completed



Source: Photo courtesy of AZPROMO (<http://www.invest.gov.az/en/page/investment-opportunities/afez>)

5.2. AFEZ AIRPORT

The Alat International Airport, commonly known as AFEZ airport, is a major infrastructure project within the Alat Free Economic Zone (AFEZ) in Azerbaijan. It is designed not only as a cargo hub but also to provide passenger and business aviation services, forming a key node in Azerbaijan's expanding multimodal logistics network.

Construction works have already begun and are progressing rapidly. The airport is targeted to be operational by the first quarter of 2027, aligning with broader AFEZ development goals⁵⁰. The airport will be operated by Silk Way AFEZCO, a subsidiary of Silk Way Group of Azerbaijan.

47. https://api.afez.az/uploads/content_attachment/1733210342/AFEZ_Brochure-2025.pdf

48. See more at <http://www.invest.gov.az/en/page/investment-opportunities/afez>

49. Source: <https://apa.az/sahibkarliq/valeh-elesgerov-elet-azad-iqtisadi-zonasinda-istehsal-olunan-mehsulun-75-i-xarice-ixrac-olunmalidir-792892>

50. Sources: <https://erp.alba.az/en/news/184203/airport-project-on-alat-fez-area-to-finish-by-end-of-2026> and <https://afez.az/about/faq>

The airport will be located within AFEZ, adjacent to the Baku International Sea Trade Port, and connected to major transport corridors by rail and road, making it a multimodal logistics hub linking air, sea, and land routes. Its development is aligned with Azerbaijan's strategy to transform the country into a regional logistics and trade centre along the Middle Corridor, spanning Europe to Asia.

According to official AFEZ materials, the airport footprint is planned to exceed 750 hectares. This size enables comprehensive aviation infrastructure — including runways, terminals, cargo areas, taxiways, support facilities, and space for future expansion.

In the first stage, the airport's cargo capacity is targeted at about 500,000 tonnes per year. In subsequent phases, capacity is expected to grow to around 1.5 million tonnes annually, positioning the airport as a major cargo hub in the region. This capacity supports logistics flows between Europe and Asia and is critical for export-oriented businesses in AFEZ and Azerbaijan at large.

Infrastructure Partnerships for the AFEZ Airport: In October 2025, Silk Way AFEZCO partnered with ExecuJet to develop a fixed-base operation (FBO) at the under-construction Alat International Airport. ExecuJet is a part of Luxaviation Group of **Luxembourg**. The two companies have signed an MoU to create a joint venture (JV) within the Alat Free Economic Zone⁵¹.

Additionally, INDRA Systems company of **Spain**, a global leader in air traffic management systems, is partnering with Azerbaijan Airlines to equip the airport with advanced air navigation technology⁵².

Global aviation services company dnata (United Arab Emirates) and Silk Way Group signed a joint venture deal to establish ground handling, cargo services, and broader aviation services at the airport⁵³.

5.3. BAKU INTERNATIONAL SEA TRADE PORT (ALAT PORT)

The project to build a new international sea trade port in Alat was launched with the foundation stone laid on 3 November 2010 by President Ilham Aliyev. The ferry terminal, as part of the first stage, became operational early in the project, and by mid2018 the port complex as a whole was commissioned and fully operational in the Alat settlement, roughly 65 km south of Baku.

The Port of Baku (Alat) functions as a multimodal hub connecting major Eurasian transport corridors — notably the Middle Corridor (TransCaspian International Transport Route) — linking Europe and Asia by sea and rail.

It includes facilities for railferry operations, ro-ro cargo, container terminals, and general freight handling, supported by integrated road and rail links to national and international networks.

51. Source: https://www.airport-technology.com/news/silk-way-afezco-fbo-execujet-alat-airport/?utm_source=chatgpt.com

52. Source: https://airport.az/en/press-release/indra-to-equip-the-future-logistics-hub-in-alat-with-advanced-air-navigation-systems/?utm_source=chatgpt.com

53. Source: https://1news.az/news/20251022022241239-Silk-Way-Group-and-dnata-launch-landmark-joint-venture-to-create-aviation-services-hub-in-Azerbaijan?utm_source=chatgpt.com

The port's construction was planned in three major stages, each expanding its freight and container handling capabilities:

First Stage

- Originally planned to handle around 10 million tons of cargo and 40–50 thousand TEU containers annually.
- Afterwards, the first phase's infrastructure and terminals were completed and brought into full operation by 2018, increasing capacity to 15 million tons of cargo and up to 100 000 TEU containers per year.

Second Stage (Under Preparation)

- Plans call for expanding handling capacity to about 25 million tons of cargo annually and up to 500 000 TEU containers.
- As of late 2025, the preparatory work and master planning for this second phase is continuing.⁵⁴

Third/Final Stage (Will start after the completion of the Second Stage)

- The full realized capacity in the final stage is targeted at above 25 million tons of cargo per year and 1 500 000 TEU containers.

Since its opening, the port has shown steady growth in cargo throughput. In 2018, the port handled approximately 3.787 million tons of cargo. By 2025, this number rose to 8.19 million tons — the highest annual throughput in the port's modern history⁵⁵. This reflects an 8.1% increase compared to 2024.

Container handling has also grown significantly. Between 2020 and 2025, annual container throughput increased from around 40 395 TEU to 107 200 TEU, reflecting strong growth in container flows and logistics performance^{56 57}.

However, exceeding the port's normal capacity also poses serious challenges. When the port's processing capacity is less than the incoming cargo flow, the waiting time of ships at the roadstead and trains at the sorting stations increases. In addition, the critical threshold of the yard congestion ratio (usually above 70-80%) makes container relocation and internal transfer operations difficult. All these lead to delays and increases the total transit time on the Middle Corridor.

⁵⁴. <https://www.trend.az/business/4131566.html>

⁵⁵. Source: <https://report.az/en/infrastructure/over-8m-tons-of-cargo-were-handled-at-port-of-baku-in-2025>

⁵⁶. <https://corp.ady.az/en/2/news/news/record-turnover-at-port-of-baku-annual-container-throughput-reaches-100000-teu>

⁵⁷. <https://apa.az/infrastruktur/baki-limaninin-emeliyyat-gostericileri-aciqilanib-947543>

Photo 6: Container handling operations at Port of Baku

Source: Photo courtesy of Port of Baku <https://portofbaku.com/az/page/biznes/tarifler>



Azerbaijan has already started preparations for the implementation of the second phase of the Port Baku. Government is also in talks with the development partners, such as the World Bank for implementation⁵⁸. During her visit to Baku in July 2026, European Commission President Ursula von der Leyen announced up to €200 million in grant funding under the Global Gateway Investment Programme for regional connectivity, where **Port of Baku** and the Nakhchivan were mentioned as potential beneficiary projects⁵⁹.

5.4. INVESTMENT PROMOTION DOCUMENT

The Investment Promotion Document (IPD) is an official state-issued incentive certificate granted to investors in Azerbaijan. It confirms that a specific investment project meets the government's priority criteria and therefore qualifies for tax and customs incentives⁶⁰.

The IPD mechanism was introduced in 2016 as part of Azerbaijan's broader economic reform agenda following the adoption of the Strategic Road Maps for the National Economy and Key Sectors⁶¹. The legal

⁵⁸. <https://www.trend.az/azerbaijan/business/4205426.html>

⁵⁹. https://ec.europa.eu/commission/presscorner/detail/nl/statement_26_1503

⁶⁰. An example of Investment Promotion Document is available at

<https://elplastik.az/shirket-xeberleri/64-el-plastik-mmc-ye-investisiya-teshviqi-senedi-teqdim-edilmishdir/>

⁶¹. <https://e-qanun.az/framework/56264>

basis was formed through amendments to the Tax Code and Customs legislation and Cabinet of Ministers' decisions regulating eligibility, issuance, and monitoring.

The system has since been updated several times, including differentiated incentives depending on region and sector. Benefits of the Document apply only to the approved investment project and within defined parameters, such as location, sector, capital volume.

The Investment Promotion Document is designed to encourage **non-oil sector investment**, support industrialization **and export capacity**, promote regional development and attract foreign direct investment (FDI) and large domestic investments.

Key Benefits of the Investment Promotion Document

Once an entrepreneur receives the IPD, they are entitled to the following incentives for **7 years** from the date of issuance:

Income/Profit Tax:

- A 50% discount on income tax (for individuals) or corporate profit tax (for legal entities).

Property Tax

- Full 100% exemption on property used for the promoted project.

Land Tax

- Full 100% exemption on the land plots involved in the project.

VAT Exemption

- 0% VAT on the import of machinery, technological equipment, and installations.

Customs Duties

- 0% customs duties on the import of machinery and technological equipment (provided they are used for the specific project).

To obtain the IPD, an investment must meet these criteria:

Sectors

- It primarily covers **industry** and **tourism**. Recently, this has expanded to include strategic areas like renewable energy, waste management, and seawater desalination.

Geography

- Benefits often vary depending on the region. The government incentivizes projects outside the capital (Baku) to promote regional development.

Investment Threshold

- There are minimum capital requirements, typically ranging from 100,000 AZN to 500,000 AZN, depending on the sector and location.

Status

- The applicant must be a registered taxpayer and must have already invested at least 10% of the project's initial value.

5.5. INDUSTRIAL PARKS

Industrial parks in Azerbaijan are specialized territories equipped with necessary infrastructure and management bodies designed to foster competitive production and services through modern technology⁶². These zones aim to support **sustainable growth in the non-oil sector**, attract foreign and local investment, and boost employment. Most of these parks, as well as agroparks and industrial districts, are managed by the Economic Zones Development Agency⁶³, which was established by a Presidential Decree in January 2021.

Azerbaijan has established several key parks with specific industrial focuses. The Sumgait Chemical Industrial Park, created in 2011, is the country's largest zone. It covers 613 hectares and hosts 38 residents focused on petrochemicals. The Balakhany Industrial Park, located in Baku, focuses on recycling under the management of "Tamiz Shahr" JSC. The Garadagh Industrial Park is centered around the Baku Shipyard. Other specialized zones include the Mingachevir Industrial Park and the Pirallahi Industrial Park, the latter of which was specifically established to develop the pharmaceutical industry.

Recent expansions include the Agdam Industrial Park and the Araz Valley Economic Zone in liberated territories, which were both established in 2021 to revitalize the region's industrial potential. Newer additions to the network include the Hajigabul Industrial Park, created in June 2024, and the Nakhchivan Industrial Park, established in December 2024. In January 2026, the President of the Republic signed a decree on the establishment of the Western (Qərb) Industrial Park, which will be established in the territory of Ganja city and Shamkir region.

Across the major parks, there are currently 138 registered residents and 12 non-residents, with 82 of these enterprises already operational.

⁶². Source: <https://economy.gov.az/az/page/senaye-zonalari/senaye-mehelleleri>

⁶³. Website of the Agency: <https://economiczones.gov.az/en>

To encourage entrepreneurship, the government of Azerbaijan provides significant state support and stimulating measures to residents of industrial parks. These incentives include:

Tax Exemptions

- Residents are exempt from property tax, land tax, and income or profit tax for a period of 10 years starting from the date of their registration⁶⁴.

Import Incentives

- For 10 years, residents are exempt from Value Added Tax (VAT) and customs duties on the import of machinery, technological equipment, and facilities intended for production purposes.

Infrastructure and Costs

- The state ensures the provision of necessary infrastructure for the industrial parks and sets the lease rates for land plots at a low minimum level.

Operational Support

- Administrative procedures are simplified, and various services are organized to help residents conduct their business activities efficiently.

For entrepreneurs operating specifically within **territories liberated from occupation**, additional stimulating measures are provided:

Financial Support

- Access to specialized preferential bank loans, which include state guarantees for up to 90% of the amount and a 10% interest subsidy.

Utility Discounts

- A 20% cashback is applied to utility payments.

Labor and Profit Benefits

- State subsidies are provided for social insurance payments, and dividend income is exempt from taxation.

Capital and Raw Materials:

- There is a full tax exemption on the repatriation of profits and capital, as well as VAT and customs exemptions for the import of raw materials based on a list approved by the Cabinet of Ministers.

⁶⁴. Previously, the duration for this specific exemption was limited to 7 years. According to the December 30, 2022, amendment to the Law "On Customs Tariff," the exemption period for customs duties was increased to 10 years. This new 10-year term officially came into effect on January 1, 2023.

5.6. INDUSTRIAL DISTRICTS

Industrial districts (also known as industrial neighbourhoods) in Azerbaijan are specialized economic zones established to create a fertile environment for small and medium-sized enterprises (SMEs). Defined as areas with ready-to-use infrastructure, these districts are designed to help entrepreneurs minimize initial capital expenditures and operational costs by providing state-funded facilities. The primary goals behind their creation include accelerating regional development, strengthening cooperation between different production sectors, and increasing local employment in the production and service industries.

To ensure the success of these businesses, the state provides several specific stimulating measures:

Lowered Costs

- Lease rates for both land and production buildings are set at the minimum legal limits to reduce the financial burden on SMEs.

Financial and Administrative Ease

- Entrepreneurs can access preferential loans and benefit from significantly simplified administrative and bureaucratic procedures.

Investment Promotion

- By obtaining an "Investment Promotion" document from the Ministry of Economy, business participants can unlock additional tax and customs exemptions.

Infrastructure Support

- The state ensures that all necessary utilities—such as electricity, gas, water, heating, and communication lines—are fully operational and available for immediate use.

At the moment, there are 4 Industrial Districts (Neftchala, Masalli, Sabirabad and Sharur). The network of industrial districts is strategically spread across the country to support regional economies. For example, the Neftchala Industrial District, which opened in 2017, focuses on diverse sectors including automobile manufacturing, fish feed production, and organic fertilizers, creating nearly 100 jobs. The Masalli Industrial District also serves as a hub for regional support, hosting the first "KOB Dostu" (SME Friend) service to protect entrepreneurs' rights and foster sustainable growth. Meanwhile, the Sabirabad Industrial District has already integrated 8 operational enterprises and is accelerating its activities, and the Sharur Industrial District is currently being developed in Nakhchivan region.

On a national scale, these industrial zones (including both parks and districts) have contributed significantly to Azerbaijan's economy. Ministry of Economy of Azerbaijan reports that the total private investment to industrial parks and districts has reached 6.9 billion AZN, resulting in the creation of over 10,800 jobs to date.

These zones are also **major contributors to trade**: of the 18.3 billion AZN worth of goods produced so far, approximately 5.88 billion AZN has been exported to international markets (as of 2025). In the first nine months of 2025 alone, production reached 2.89 billion AZN, with nearly a billion AZN in exports.

Table 13: Summary of the tax benefits available in both industrial parks

Feature	Industrial Parks	Industrial Districts (Neighborhoods)
Primary Goal	Creating competitive, high-tech production and services to support the non-oil sector	Supporting small and medium-sized enterprises (SMEs) and lowering their infrastructure costs.
Profit/Income Tax	10-year exemption from the date of registration.	Benefits available via "Investment Promotion" document.
Property & Land Tax	10-year exemption from the date of registration.	Benefits available via "Investment Promotion" document.
Import of Equipment	10-year exemption from VAT and customs duties on machinery and technology.	Benefits available via "Investment Promotion" document.
Infrastructure	Provision of necessary infrastructure.	State-funded ready-to-use land and buildings.
Lease Rates	Set at the low minimum level for land.	Set at the low minimum level for land and buildings.
Financing	Access to various support and services.	Provision of preferential loans.
Management	Economic Zones Development Agency (except Balakhany).	Economic Zones Development Agency. Regulated by the "Model Regulations on Industrial Districts"



SECTION 6. POLICY RECOMMENDATIONS

This section provides policy recommendations based on the key findings of the report and information presented throughout it. Successful implementation of these recommendations would help to further develop Azerbaijan's international trade sector, diversify its non-oil goods exports, expand trade in services, maximize the economic benefits generated by the Middle Corridor, thereby contributing to Azerbaijan's long-term economic growth.

Diversifying Non-Oil Exports and Expanding Access to New Markets

The report shows that non-oil exports have increased in recent years. However, non-oil exports remain concentrated in a limited number of product groups and markets. Therefore, it would be beneficial to implement policies that aim not only at increasing export volumes, but also at expanding product diversification, increasing the number of high-value-added products and entering new markets.

The report also shows that exporters face various challenges related to accessing foreign markets, obtaining market information, and establishing business connections. In contrast, the results show that in 2023, Azerbaijan exported products to 121 countries, which represents about 60% of the countries in the world. To this end, it would be beneficial to establish an “Export Mentorship Network” or “Export Mentors brings” that brings together exporters with successful experience in non-traditional markets (such as Southeast Asia, the Gulf countries, Africa, and Latin America). Furthermore, the introduction of targeted tax incentives and other supportive measures for companies exporting to new markets or introducing new products to international markets could be considered.

Establishment of National Trade Portal

Exporters obtain the necessary information about export requirements separately from the internet resources of various government institutions, regulatory legal acts databases, and foreign sources, which leads to additional loss of time and resources. The fragmented presentation of available information, changes in requirements, and their placement across different sources make it particularly difficult for small and medium-sized enterprises to access foreign markets.

In order to address the aforementioned problem, it would be appropriate to establish a “National Trade Portal” that would act as a unified information space by bringing together legislative requirements for exporters, trade procedures, certification rules and import conditions of foreign markets, market research, challenges faced by exporters, analytical modules for increasing exporters' potential, and artificial intelligence-based advisory services.

Simplification and Harmonization of Certification and Conformity Assessment Requirements

The biggest domestic regulatory barrier faced by exporters is certification requirements. Conformity assessment also remains a burden in the agricultural and processing industries. In this regard, further simplification of certification and conformity assessment processes and their organization based on the single-window principle, reduction of duplicative certification requirements, and alignment of certification with international standards could reduce the administrative burden and costs of exporters.

Increasing exporters' awareness of certification requirements and conformity procedures and expanding practical training and information mechanisms would also be beneficial. Expanding practical training, advisory services, and information mechanisms in this area could also support businesses in adapting to the requirements of developed markets, such as the EU countries.

In addition, growing consumer demand for organic and sustainable products in the European Union and other developed markets creates significant opportunities for Azerbaijan to access non-traditional export markets. Supporting the acquisition of organic certificates that comply with the requirements of these markets could contribute to Azerbaijan's export diversification.

Leveraging SOCAR's Investment Capacity to Expand Non-Oil Export-Oriented Industries

The report shows that SOCAR Carbamide Plant, SOCAR Methanol, and SOCAR Polymer have made significant contributions to the growth of non-oil exports. These enterprises have enabled the production of higher value-added products instead of the direct export of natural gas.

Building on this momentum, SOCAR could use its financial resources to invest in export-oriented non-oil industries that extend beyond petrochemicals. At the initial stage, this could include, for example, the production of finished polymer-based products (such as packaging, plastic pipes, construction materials, technical plastics, etc.). Subsequently, synthetic fibres for textiles and technical textiles at a higher stage of processing from polymer feedstock; fertilizers and agrochemical products; synthetic rubber and elastomer products used in the automotive, construction, and industrial sectors; and high-tech industrial materials such as carbon fibres and composite materials could be added.

Such investments would help transform SOCAR's activities from a raw materials and energy sector focus into a broader industrial and export ecosystem. In this regard, the experience of national oil companies in Kazakhstan (KazMunayGas), the United Arab Emirates (ADNOC), Saudi Arabia (Saudi Aramco), and Malaysia (PETRONAS) in transitioning from oil and gas feedstock to broader industrial and export ecosystems could serve as a direct successful example for SOCAR.

Strengthening Trade Facilitation Performance

The report shows that Azerbaijan still has potential for improvement in certain areas of the OECD Trade Facilitation Indicators, particularly in areas such as coordination among border agencies, the simplification of procedures, and international cooperation.

In order to strengthen trade facilitation performance, a separate action plan could be developed and measures could be taken to address identified shortcomings. In this regard, specific performance indicators (KPIs) could be established for government institutions, and annual comparative reports could be prepared comparing Azerbaijan's performance with OECD and regional countries to identify and highlight remaining shortcomings.

Accelerating WTO accession process

The emergence of new momentum in Azerbaijan's negotiations on WTO accession is commendable. Nevertheless, there is still a long road ahead. In the framework of bilateral negotiations, negotiations have been completed with only 9 of the 166 WTO members. In this regard, alongside the harmonization of legislation with international trade rules, accelerating bilateral negotiations with the remaining members could contribute to the faster completion of Azerbaijan's WTO accession process.

WTO membership creates conditions for a more transparent and predictable trade regime, expanded market access, liberalization in the services sector, and the attraction of foreign investment. This, in turn, contributes to increased trade and investment flows, the expansion of economic activity, and economic diversification.

For example, the experience of neighboring Kazakhstan demonstrates this. Kazakhstan's accession to the WTO in 2015, together with the investment promotion policies it pursued in parallel, contributed to increased FDI flows into non-resource sectors, which resulted in significant job creation. In particular, foreign investment in the ICT sector increased significantly. In Kazakhstan's experience, it is also noted that trade volumes increased substantially following accession and that the economy underwent a certain degree of diversification toward sectors beyond oil and gas⁶⁵. By pursuing liberalization within the framework of WTO accession, together with accompanying investment promotion policies, Azerbaijan could support the redirection of FDI from resource sectors toward areas generating higher value added and promote economic diversification.

Strengthening Preferential Market Access for Export Diversification

Although the dominance of oil products in exports to the EU continues, a gradual trend toward the expansion and diversification is observed in the export of non-oil products. European markets also play an important role in trade in services: 57% of ICT companies provide services to clients in European countries, while 42% work exclusively with clients located in the EU. This indicates significant potential for the integration of Azerbaijan's services exports, particularly in the ICT sector, into EU markets.

65. https://www.wto.org/english/news_e/spno_e/spno48_e.htm

In this regard, the continuation of negotiations on the New Comprehensive Partnership Agreement between the EU and Azerbaijan is a positive step. Against the backdrop of the increase in Azerbaijan's preferential trade agreements in recent years, opportunities for preferential access to the EU market could also be explored. The preferential access achieved by Georgia and Ukraine under the DCFTA with the EU, as well as the benefits they have derived from it, could serve as useful comparative examples for Azerbaijan in this regard.

At the same time, Azerbaijan **should broaden this approach** by identifying other countries with which there is potential to deepen economic ties through preferential trade agreements. In particular, the Gulf and wider Middle East region could offer promising opportunities to diversify Azerbaijan's non-oil exports, both in terms of destination markets and product composition.

Transforming the Middle Corridor into an Integrated Economic Corridor

Against the backdrop of changes in global supply chains and geopolitical tensions in recent years, the importance of the Middle Corridor has increased significantly, while the volume of cargo transportation along the corridor has risen considerably. Azerbaijan has implemented a number of important measures to expand the access of the Middle Corridor to the country's transport and logistics capabilities.

To maximize the benefits of the Middle Corridor, forward-looking policies are needed to transform it from a "route through which cargo passes through the country" into an "economic ecosystem where cargo, capital, technology, and production generate value within the country." This transformation would turn the corridor from serving merely a transit function into a large-scale economic corridor.

This is because revenues derived solely from transit mainly consist of revenues from railway, port, road, and logistics services. The economic corridor model, by contrast, generates greater added value through additional activities, such as manufacturing, packaging and sorting, re-export, warehousing and distribution, financial and insurance services, R&D and technology services, and repair and maintenance services.

Azerbaijan's Alat Free Economic Zone (Alat FEZ), industrial parks, industrial districts, agroparks, logistics infrastructure, and investment promotion mechanisms already provide an important foundation for this transformation. In the next stage, the main focus should be on integrating these opportunities into a unified economic system, developing complementary production and service sectors among economic centres, and establishing regional value chains. If these policies are implemented successfully, the Middle Corridor could become not merely a means of increasing Azerbaijan's transit revenues, but one of the key drivers of the non-oil industry, exports, and foreign investment attraction.

Addressing Skilled Labor Shortages through Skills-to-Jobs Training

According to the survey referenced in the report, the biggest challenge in the ICT and services sectors is the shortage of qualified manpower (skilled labor).

The key to addressing this challenge is to bridge the gap between education and labor market needs. This can be done by aligning the knowledge and skills provided by educational institutions with the actual requirements of employers, and by strengthening collaboration between businesses and educational institutions.

To this end, a “Skills-to-Jobs”-based, results-oriented workforce development system could be established to ensure that personnel are equipped with the skills required by companies. Within this framework, companies could be involved in the development of curricula and educational programs together with universities and vocational education institutions and provide students with internship opportunities through projects in real work environments. This would result in the creation of a skilled workforce and its successful integration into the labour market.

Enhancing Accessibility and Connectivity of AFEZ

The establishment of AFEZ is a positive and strategic step for Azerbaijan's economic development, attracting investment, and creating new business opportunities. At the same time, it is important to take into account a number of key factors to fully realize AFEZ's potential and ensure its long-term competitiveness. One of these factors is ensuring the accessibility of the zone for investors, workers, and businesses.

International experience shows that, alongside a favourable geographical location, effective connectivity with major urban centres and transport hubs plays an important role in shaping the competitiveness of special economic zones. Alat is located approximately 65 km from the city centre and currently has no direct metro, ferry or suburban passenger rail connection with central Baku. However, the successful operation and long-term development of AFEZ also depend significantly on ensuring the accessibility of the zone for investors, workers, and businesses. To this end, establishing a **connection with Absheron Railway Station**, which is only 7 km from Baku Central Railway Station, and then developing the existing railway connection from Heybat to Alat for passenger transportation could significantly improve Alat's accessibility.

Improving Air Cargo Connectivity and Reducing Aviation Costs

The report shows that one of the main challenges faced by exporters of goods and services is the high cost of air freight. High air freight tariffs reduce Azerbaijan's competitiveness, particularly for high-value, perishable agricultural products. The accessibility of air transport is also important for the development of logistics and services exports. In addition, although the volume of transportation by other modes of transport increased between 2021-2025, the volume of air cargo transportation decreased.

In this regard, it would be beneficial to introduce an “Open Skies” regime, facilitate access to cargo-hub operations at airports under simplified conditions by providing incentives to foreign logistics and cargo airlines, and provide subsidies and other forms of support to exporters for air freight routes.

Improving Access to Trade Finance for Exporters

According to the findings of the study, a significant proportion of both goods and services exporters suffer from the limited availability or inaccessibility of trade finance services. Yet, the report shows that financial institutions such as the European Bank for Reconstruction and Development, Islamic Development Bank, World Bank, Asian Development Bank, and Black Sea Trade and Development Bank provide trade finance instruments to Azerbaijani exporters.

Since trade-finance resources allocated by international financial institutions are administered through commercial banks, there is a possibility that these funds may be diverted to purposes other than export financing. To this end, strengthening monitoring of the appropriate use of trade finance funds and organizing awareness-raising programs for exporters in this area would be beneficial.

In the context of the transformation of KOBİA and AZPROMO, it would be beneficial to establish a financial instrument in the form of an Azerbaijan Export Credit Insurance and Factoring Fund or an ExImBank. This fund could provide export contract insurance, pre-export financing, and factoring services at low interest rates to SMEs exporting non-oil products and services.

Improving Access to International Payment Mechanisms

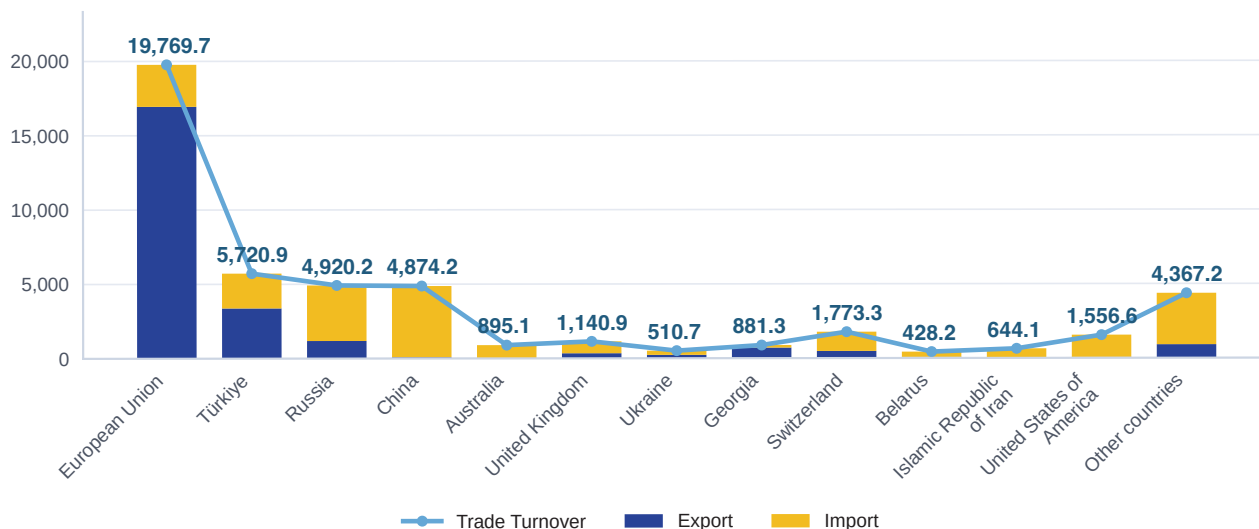
Limited access to international payment mechanisms creates additional challenges, particularly for digital services exporters, in expanding their operations in foreign markets, receiving payments from foreign clients in a timely manner, and fulfilling international contracts. These restrictions both increase companies' operating costs and prevent them from fully realizing their export potential. In Azerbaijan, 50% of ICT sector exporters identified restrictions on international transfers and payment mechanisms as the **main regulatory barrier** affecting their activities.

In this area, optimizing regulatory procedures, expanding integration with international payment infrastructure (including PayPal and other widely used platforms) and establishing dedicated support mechanisms for digital services exporters could contribute to enhancing the sector's competitiveness.

ANNEX. Trade Dynamics in 2025

In 2025, Azerbaijan's **foreign trade** reached USD 49.42 billion, up 3.8% year on year, with **exports** declining 5.7% to USD 25.04 billion and **imports** rising 15.8% to USD 24.38 billion, resulting in a sharply reduced (8.3 times) **trade surplus** of USD 663 million⁶⁶. Italy, Türkiye, and Russia remained the largest partners, with Italy leading total trade turnover. Figure 30 below illustrates Azerbaijan's foreign trade with key partners from January to December 2025.

FIGURE 30: Trade turnover by main trade partners, 2025 (USD million)



Overview of import composition

During January-December 2025, **imports** rose by USD 3.32 billion mainly due to a sharp increase in non-monetary gold imports totalling USD 6.32 billion. China has maintained its leadership as the largest source of imports, accounting for 19.7% (USD 4.79 billion) and Russia is right behind with 15.3% (USD 3.74 billion) of total imports. Imports were primarily composed of precious and semi-precious metals and related products (25.9% of total imports), food, beverages, and tobacco (12.8%), transport vehicles (11.2%), nuclear reactors, boilers, equipment and mechanical devices; their parts (8.3%), mineral and chemical products (10.1%), machinery and electrotechnical equipment (6.9%), ferrous metals and products made from them (4.6%), plastics (2.4%), and pharmaceutical products (2.2%).

⁶⁶. The information included in the Annex was kindly provided by the EU-funded Azerbaijan Technical Assistance Facility (ATAF) project.

Trends in Azerbaijan's Exports

During 2025, Azerbaijan's **total exports** showed a decrease by USD 1.51 billion, primarily due to a hydrocarbon products exports decline by USD 1.78 billion. The share of hydrocarbon products in total exports accounted for 85.5% while non-hydrocarbon products stood at 14.5%. Azerbaijan exported 23.38 million tons of **crude oil and oil products**, generating USD 12.09 billion, **marking a 16.2% year-on-year decline**.⁶⁷ The consortium exported 20 million tons of oil, which is 1 million tons or 4.8% less than in 2024. Last year, the State Oil Company of Azerbaijan (SOCAR) exported 2.5 million tons of oil, representing a decrease of 0.3 million tons or 10.7% yoy. Of Azerbaijan's total oil exports in 2025, 0.6 million tons came from the Absheron field, unchanged from the previous year.

Average export price of Azerbaijani oil topped USD 71.1 per barrel in 2025, decreased by about 14% compared to the previous year.⁶⁸ Recall that in the state budget for last year, Azerbaijan calculated the average annual export price of oil at USD 70 per barrel. For the current year, the average annual export price of crude oil has been set at USD 65 per barrel.

In January-December 2025, the volume of **exported gas** amounted to 25.19 bcm (2.3% decrease yoy), totalling USD 8.82 billion (4.9% increase yoy). It constitutes 35.2% of total export.

Azerbaijan supplied 12.8 bcm of gas to Europe, a decrease of 0.1 bcm, or 0.8%, compared to the 2024 figure. Gas supplies to Türkiye reached 9.6 bcm (a decrease of 0.3 bcm, or 3%), and to Georgia, 2.3 bcm (a decrease of 0.1 bcm, or 4.2%). Azerbaijan exported 0.5 bcm of natural gas to Syria.

In 2025, Azerbaijan's **non-hydrocarbon exports** grew by **8.1% yoy**, reaching **USD 3.63 billion**, driven primarily by agricultural and agro-industrial products, which accounted for USD 1.30 billion (36.1% of total non-oil exports, up 18.9% yoy). Significant increases were also recorded in chemical products (USD 316.48 million, +7.8%) and precious metals (USD 329.25 million, +1.5-fold yoy). Electricity exports contributed to non-hydrocarbon performance, totalling 1.23 billion kWh valued at USD 70.08 million, despite a 29.8% decrease in volume and 25.6% decline in value yoy.

Other key non-oil exports included plastics and plastic products (USD 361.27 million, -2.1%), aluminium and aluminium products (USD 244.91 million, +24.2%), cotton fibre (USD 161.90 million, -9.1%), and ferrous metals and related products (USD 90.88 million, -0.9%).

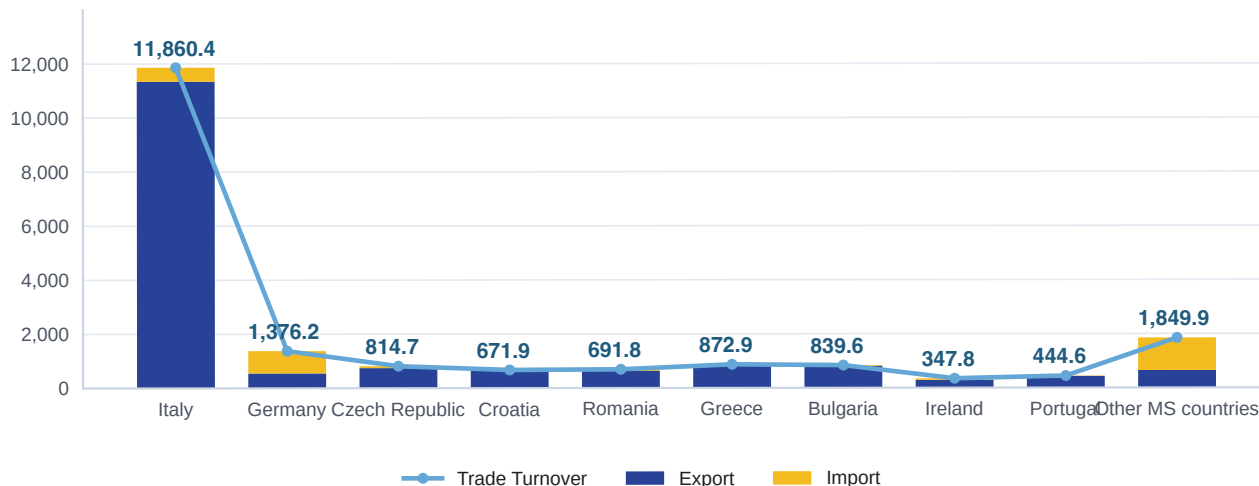
67. <https://report.az/en/energy/azerbaijan-reduces-oil-exports-by-over-5>

68. <https://en.apa.az/energy-and-industry/average-export-price-of-azerbaijani-oil-topped-71-per-barrel-in-2025-488099#:~:text=Average%20export%20price%20of%20Azerbaijani%20oil%20topped%20%2471%20per%20barrel%20in%202025,-05%20January%202026&text=Translation%3A,in%202025%20has%20been%20announced.>

Azerbaijan–EU Trade Relations and Export Diversification

The **EU retained its position as Azerbaijan's largest trading partner** in 2025, accounting for 40.0% of the country's total trade turnover with bilateral trade reaching USD 19.77 billion which reflects a 0.9% increase yoy. Azerbaijan's **imports from the EU** reached USD 2.83 billion (11.6% of total imports), reflecting a 1.6% increase yoy. Germany, the largest importer from the EU with a share of 3.4% of total imports, is followed by Italy, France, Spain, and Poland with shares of 2.1%, 1.1%, 0.8%, and 0.6%, respectively (Figure 31).

Figure 31: Azerbaijan-EU trade by main MS countries, 2025 (USD million)



Despite a modest decline in total exports, **exports to the EU** increased by 0.8% yoy to USD 16.94 billion, accounting for 67.7% of the total export. This growth was primarily driven by an expansion in crude oil and natural gas export. Italy benefited from the largest share, 55.6% of total oil export followed by the Czech Republic at 6.1% and Croatia at 5.5%. **Eight EU Member State countries were among top ten crude oil and oil product exporters.**

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ADNOC	Abu Dhabi National Oil Company
AEO	Authorized Economic Operator
AFEZ	Alat Free Economic Zone
AFEZCO	Alat Free Economic Zone Company
AI	Artificial Intelligence
ATAF	Azerbaijan Technical Assistance Facility
AZN	Azerbaijani Manat
AZPROMO	Azerbaijan Export and Investment Promotion Agency
BaTiS	Balanced Trade in Services
bcm	Billion cubic meters
BSTDB	Black Sea Trade and Development Bank
BTK	Baku-Tbilisi-Kars
CEPA	Comprehensive Economic Partnership Agreement
CIS	Commonwealth of Independent States
COMTRADE	Commodity Trade (UN database)
COVID	Coronavirus Disease
DCFTA	Deep and Comprehensive Free Trade Area
EBRD	European Bank for Reconstruction and Development
EU	European Union
ExImBank	Export-Import Bank
FBO	Fixed-base operation
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GTFP	Global Trade Finance Program
ha	Hectare(s)
HDPE	High-density polyethylene
ICT	Information and Communication Technologies
IFC	International Finance Corporation
IFIs	International Financial Institutions
IPD	Investment Promotion Document
IsDB	Islamic Development Bank
IT	Information Technology

LIST OF ABBREVIATIONS

ITC	International Trade Centre
ITFC	Islamic Trade Finance Corporation
JSC	Joint Stock Company
JV	Joint venture
KOB	Small and Medium Business
KOBİA	Small and Medium Business Development Agency
KPIs	Key Performance Indicators
kWh	Kilowatt-hour
mln	Million
MoU	Memorandum of Understanding
MS	Member State(s)
n.i.e	Not included elsewhere
OECD	Organization for Economic Co-operation and Development
PETRONAS	Malaysian National Oil Company
PTA	Preferential Trade Agreement
PU	Public Union
R&D	Research and Development
SCF	Supply Chain Finance
SME	Small and Medium-sized Enterprises
SOCAR	State Oil Company of Azerbaijan
TCTC	Trans-Caspian Transport Corridor
TEU	Twenty-foot Equivalent Unit
TFA	Trade Facilitation Agreement
TFI	Trade Facilitation Indicators
TFP	Trade Facilitation Programme
TiSMoS	Trade in Services by Mode of Supply
TSCFP	Trade and Supply Chain Finance Program
UAE	United Arab Emirates
UN	United Nations
USA	United States of America
USD	US Dollars
VAT	Value Added Tax
WTO	World Trade Organization
yoy	Year on year



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