

Azerbaijan

Definitions and sources of data

Data on foreign direct investment (FDI) in Azerbaijan are reported by the National Bank of Azerbaijan. The Bank does not report FDI data by component (equity, reinvested earnings and intra-company loans). FDI flows data are available by geographical origin and by industrial sector breakdown. Data on FDI are derived from reports submitted by enterprises of the Azerbaijan International Operating Company and other international oil consortia and supplemented with the survey results of joint ventures conducted by the State Statistical Committee. Estimates of direct investment abroad on aggregated basis are based on the data received from the International Transactions Recording System. No information is available on inward flows prior to 1995.

The Law on Protection of Foreign Investment (adopted on 15 January 1992) and the Law on Investment Activity (adopted on 13 January 1995) provide the legal framework for foreign investment in Azerbaijan. Under the 1993 Privatization Law, foreign participation in the privatization process is authorized. It provides the legal basis for the sale and auction of state-owned enterprises and the creation of joint-stock companies. Both the 1992 and 1995 investment laws guarantee investors against expropriation or nationalization. In the event of expropriation, investors would be compensated. The investment framework also guarantees repatriation of profits and earnings and protection against changes in the law, that could impact investment, for a period of 10 years. Foreign investment are permitted in most economic sectors except those prohibited by law due to reasons of safeguarding national security and in the area of defense. However, there are restrictions in terms of equity ownership in important industries such as oil (including oil service industries), energy and mobile telephone industries. Joint ventures are encouraged in these industries. Through a series of presidential decrees announced in September 2002, the Government reaffirmed its commitments to promoting foreign investment and private sector development in the country.

The International Monetary Fund reports data on inward and outward FDI flows for Azerbaijan only under equity investment. Between 1995-1998, the Fund reported inward FDI flows data on equity and other capital component.

Statistics on FDI and the operations of TNCs

Table 1. Summary of FDI flows

(Millions of dollars)

| Variable | Inward | Outward |
|--|---------------|--------------------|
| 1. FDI flows, 1999-2002 (annual average) | 564.8 | 325.6 ^a |
| 2. FDI flows as a percentage of GFCF, 1998-2001 (annual average) | 32.9 | .. |
| 3. FDI stocks, 2002 | 5 354.3 | .. |
| 4. FDI stocks as a percentage of GDP, 2002 | 86.4 | .. |

Sources: Based on tables 3a, 4 and FDI/TNC database.

^a Data refer to the year 2002 only.

Table 3a. FDI flows, by type of investment, 1995-2002

(Millions of dollars)

| Year | Inward investment | | | | Outward investment | | | |
|------|-------------------|---------------------|-------|---------|--------------------|---------------------|-------|-------|
| | Equity | Reinvested earnings | Other | Total | Equity | Reinvested earnings | Other | Total |
| 1995 | .. | .. | .. | 330.1 | .. | .. | .. | .. |
| 1996 | .. | .. | .. | 627.3 | .. | .. | .. | .. |
| 1997 | .. | .. | .. | 1 114.8 | .. | .. | .. | .. |
| 1998 | .. | .. | .. | 1 023.0 | .. | .. | .. | .. |
| 1999 | .. | .. | .. | 510.3 | .. | .. | .. | .. |
| 2000 | .. | .. | .. | 129.9 | .. | .. | .. | .. |
| 2001 | .. | .. | .. | 226.5 | .. | .. | .. | .. |
| 2002 | .. | .. | .. | 1 392.4 | .. | .. | .. | 325.6 |

Source : National Bank of Azerbaijan, Statistics Department, Balance of Payments Division.

Note: No data are available prior to 1995.

Table 3b. FDI flows, by type of investment, 1995-2002

(Millions of dollars)

| Year | Inward investment | | | | Outward investment | | | |
|------|-------------------|---------------------|-------|---------|--------------------|---------------------|-------|-------|
| | Equity | Reinvested earnings | Other | Total | Equity | Reinvested earnings | Other | Total |
| 1995 | 148.9 | .. | 181.2 | 330.1 | .. | .. | .. | .. |
| 1996 | 447.4 | .. | 179.9 | 627.3 | .. | .. | .. | .. |
| 1997 | 824.7 | .. | 290.2 | 1 114.8 | .. | .. | .. | .. |
| 1998 | 850.7 | .. | 172.2 | 1 023.0 | 0.02 | .. | .. | 0.02 |
| 1999 | 510.3 | .. | .. | 510.3 | .. | .. | .. | .. |
| 2000 | 129.9 | .. | .. | 129.9 | .. | .. | .. | 0.8 |
| 2001 | 226.5 | .. | .. | 226.5 | .. | .. | .. | .. |
| 2002 | 1 392.4 | .. | .. | 1 392.4 | 325.6 | .. | .. | 325.6 |

Source : International Monetary Fund, August 2003 Balance of Payments CD ROM.

Table 4. FDI stocks, by type of investment, 1995-2002

(Millions of dollars)

| Year | Inward investment | | | | Outward investment | | | |
|------|-------------------|---------------------|-------|---------|--------------------|---------------------|-------|-------|
| | Equity | Reinvested earnings | Other | Total | Equity | Reinvested earnings | Other | Total |
| 1995 | .. | .. | .. | 330.1 | .. | .. | .. | .. |
| 1996 | .. | .. | .. | 957.4 | .. | .. | .. | .. |
| 1997 | .. | .. | .. | 2 072.2 | .. | .. | .. | .. |
| 1998 | .. | .. | .. | 3 095.2 | .. | .. | .. | .. |
| 1999 | .. | .. | .. | 3 605.5 | .. | .. | .. | .. |
| 2000 | .. | .. | .. | 3 735.4 | .. | .. | .. | .. |
| 2001 | .. | .. | .. | 3 961.9 | .. | .. | .. | .. |
| 2002 | .. | .. | .. | 5 354.3 | .. | .. | .. | .. |

Source : National Bank of Azerbaijan, Statistics Department, Balance of Payments Division.

Notes: Stock figures are cumulative flows from 1995. No data are available prior to 1995.

Table 5. FDI flows in the host economy, by industry, 1995-2002

(Millions of dollars)

| Sector/industry | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total | 330.1 | 627.3 | 1 114.8 | 1 023.0 | 510.3 | 129.9 | 226.5 | 1 392.4 |
| Primary | 301.4 | 452.8 | 828.3 | 831.6 | 349.2 | - 5.7 | 125.4 | 993.8 |
| Mining, quarrying and petroleum | 301.4 | 452.8 | 828.3 | 831.6 | 349.2 | - 5.7 | 125.4 | 993.8 |
| Petroleum | 301.4 | 452.8 | 828.3 | 831.6 | 349.2 | - 5.7 | 125.4 | 993.8 |
| Unspecified | 28.7 | 174.5 | 286.5 | 191.4 | 161.1 | 135.6 | 101.1 | 398.6 |

Source : National Bank of Azerbaijan, Statistics Department, Balance of Payments Division.

Notes: Petroleum refers to the oil sector, while unspecified refers to the non-oil sector.

Table 6. FDI flows in the host economy, by geographical origin, 1990-2002

(Millions of dollars)

| Region/economy | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-----------------------------------|-------|-------|---------|---------|-------|--------|--------|---------|
| Total world | 330.1 | 627.3 | 1 114.8 | 1 023.0 | 510.3 | 129.9 | 226.5 | 1 392.4 |
| Developed countries | 265.0 | 466.0 | 807.0 | 705.4 | 381.2 | 102.7 | 219.6 | 1 032.0 |
| Western Europe | 136.0 | 188.0 | 373.0 | 463.5 | 261.3 | 32.4 | 106.4 | 596.2 |
| European Union | 105.0 | 136.0 | 284.0 | 340.3 | 179.6 | 28.3 | 80.9 | 467.5 |
| France | - | 4.0 | 22.0 | 42.0 | 48.0 | 69.0 | 54.0 | 29.0 |
| Germany | 1.0 | 9.0 | 25.0 | 7.0 | 7.0 | 8.0 | 14.0 | 4.0 |
| Italy | - | 2.0 | 40.0 | 34.0 | 36.0 | 21.0 | 5.0 | 29.0 |
| Netherlands | - | 2.0 | 9.0 | - | - | 2.0 | 43.0 | 7.0 |
| United Kingdom | 104.0 | 119.0 | 188.0 | 257.3 | 88.6 | - 71.7 | - 35.1 | 398.5 |
| Other Western Europe | 31.0 | 52.0 | 89.0 | 123.2 | 81.7 | 4.1 | 25.5 | 128.7 |
| Iceland | - | - | - | 5.0 | - | - | - | - |
| Norway | 29.0 | 47.0 | 75.0 | 116.8 | 56.7 | 0.1 | 2.5 | 126.7 |
| Switzerland | - | 5.0 | 13.0 | - 2.6 | 12.0 | 2.0 | 20.0 | 2.0 |
| Unspecified Other Western Europe | 2.0 | - | 1.0 | 4.0 | 13.0 | 2.0 | 3.0 | - |
| North America | 115.0 | 259.0 | 394.0 | 209.4 | 91.3 | 68.7 | 118.6 | 310.0 |
| United States | 115.0 | 259.0 | 394.0 | 209.4 | 91.3 | 68.7 | 118.6 | 310.0 |
| Other developed countries | 14.0 | 19.0 | 40.0 | 32.5 | 28.6 | 1.6 | - 5.4 | 125.8 |
| Japan | 14.0 | 19.0 | 40.0 | 32.5 | 28.6 | 1.6 | - 5.4 | 125.8 |
| Developing economies | 31.0 | 110.0 | 196.0 | 206.9 | 120.7 | 47.2 | 31.4 | - 36.2 |
| Asia | 31.0 | 110.0 | 196.0 | 206.9 | 120.7 | 47.2 | 31.4 | - 36.2 |
| West Asia | 31.0 | 108.0 | 191.0 | 199.9 | 120.7 | 47.2 | 31.4 | - 36.2 |
| Iran, Islamic Republic of | - | 5.0 | 10.0 | 30.0 | 20.0 | 19.0 | 15.0 | 21.0 |
| Kuwait | - | - | 1.0 | - | - | - | 1.0 | 1.0 |
| Lebanon | - | - | - | - | - | - | 2.0 | - |
| Saudi Arabia | 5.0 | 7.0 | 15.0 | 15.8 | 3.0 | - 3.4 | - 6.5 | 23.8 |
| Turkey | 26.0 | 92.0 | 156.0 | 132.1 | 83.7 | 29.6 | 18.9 | - 99.0 |
| United Arab Emirates | - | 4.0 | 9.0 | 22.0 | 12.0 | 1.0 | 1.0 | 17.0 |
| Unspecified West Asia | - | - | - | - | 2.0 | 1.0 | - | - |
| South, East and South-East Asia | - | 2.0 | 5.0 | 7.0 | - | - | - | - |
| Singapore | - | 2.0 | 5.0 | 7.0 | - | - | - | - |
| Central and Eastern Europe | 34.0 | 51.0 | 100.0 | 110.5 | 8.4 | - 22.0 | - 24.0 | 65.4 |
| Bulgaria | - | - | 1.0 | - | - | - | - | 1.0 |
| Russian Federation | 34.0 | 51.0 | 99.0 | 110.5 | 8.4 | - 22.0 | - 24.0 | 64.4 |
| Unspecified | 0.1 | 0.3 | 11.8 | 0.2 | - | 2.0 | - 0.5 | 331.2 |

Source : National Bank of Azerbaijan, Statistics Department, Balance of Payments Division.

Table 12. FDI stocks in the host economy, by geographical origin, 1995-2002

(Millions of dollars)

| Region/economy | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------------------|-------|-------|---------|---------|---------|---------|---------|---------|
| Total world | 330.1 | 957.4 | 2 072.2 | 3 095.2 | 3 605.5 | 3 735.4 | 3 961.9 | 5 354.3 |
| Developed countries | 265.0 | 731.0 | 1 538.0 | 2 243.4 | 2 624.6 | 2 727.3 | 2 946.9 | 3 978.9 |
| Western Europe | 136.0 | 324.0 | 697.0 | 1 160.5 | 1 421.8 | 1 454.2 | 1 560.6 | 2 156.8 |
| European Union | 105.0 | 241.0 | 525.0 | 865.3 | 1 044.9 | 1 073.2 | 1 154.1 | 1 621.6 |
| France | - | 4.0 | 26.0 | 68.0 | 116.0 | 185.0 | 239.0 | 268.0 |
| Germany | 1.0 | 10.0 | 35.0 | 42.0 | 49.0 | 57.0 | 71.0 | 75.0 |
| Italy | - | 2.0 | 42.0 | 76.0 | 112.0 | 133.0 | 138.0 | 167.0 |
| Netherlands | - | 2.0 | 11.0 | 11.0 | 11.0 | 13.0 | 56.0 | 63.0 |
| United Kingdom | 104.0 | 223.0 | 411.0 | 668.3 | 756.9 | 685.2 | 650.1 | 1 048.6 |
| Other Western Europe | 31.0 | 83.0 | 172.0 | 295.2 | 376.9 | 381.0 | 406.5 | 535.2 |
| Iceland | - | - | - | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Norway | 29.0 | 76.0 | 151.0 | 267.8 | 324.5 | 324.6 | 327.1 | 453.8 |
| Switzerland | - | 5.0 | 18.0 | 15.4 | 27.4 | 29.4 | 49.4 | 51.4 |
| Unspecified Other Western Europe | 2.0 | 2.0 | 3.0 | 7.0 | 20.0 | 22.0 | 25.0 | 25.0 |
| North America | 115.0 | 374.0 | 768.0 | 977.4 | 1 068.7 | 1 137.4 | 1 256.0 | 1 566.0 |
| United States | 115.0 | 374.0 | 768.0 | 977.4 | 1 068.7 | 1 137.4 | 1 256.0 | 1 566.0 |
| Other developed countries | 14.0 | 33.0 | 73.0 | 105.5 | 134.1 | 135.7 | 130.3 | 256.1 |
| Japan | 14.0 | 33.0 | 73.0 | 105.5 | 134.1 | 135.7 | 130.3 | 256.1 |
| Developing economies | 31.0 | 141.0 | 337.0 | 543.9 | 664.6 | 711.8 | 743.2 | 707.0 |
| Asia | 31.0 | 141.0 | 337.0 | 543.9 | 664.6 | 711.8 | 743.2 | 707.0 |
| West Asia | 31.0 | 139.0 | 330.0 | 529.9 | 650.6 | 697.8 | 729.2 | 693.0 |
| Iran, Islamic Republic of | - | 5.0 | 15.0 | 45.0 | 65.0 | 84.0 | 99.0 | 120.0 |
| Kuwait | - | - | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 3.0 |
| Lebanon | - | - | - | - | - | - | 2.0 | 2.0 |
| Saudi Arabia | 5.0 | 12.0 | 27.0 | 42.8 | 45.8 | 42.4 | 35.9 | 59.7 |
| Turkey | 26.0 | 118.0 | 274.0 | 406.1 | 489.8 | 519.4 | 538.3 | 439.3 |
| United Arab Emirates | - | 4.0 | 13.0 | 35.0 | 47.0 | 48.0 | 49.0 | 66.0 |
| Unspecified West Asia | - | - | - | - | 2.0 | 3.0 | 3.0 | 3.0 |
| South, East and South-East Asia | - | 2.0 | 7.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 |
| Singapore | - | 2.0 | 7.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 |
| Central and Eastern Europe | 34.0 | 85.0 | 185.0 | 295.5 | 303.9 | 281.9 | 257.9 | 323.3 |
| Bulgaria | - | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 |
| Russian Federation | 34.0 | 85.0 | 184.0 | 294.5 | 302.9 | 280.9 | 256.9 | 321.3 |
| Unspecified | 0.1 | 0.4 | 12.2 | 12.4 | 12.4 | 14.4 | 13.9 | 345.1 |

Source : National Bank of Azerbaijan, Statistics Department, Balance of Payments Division.

Notes: Stock figures are cumulative flows from 1995. No data are available prior to 1995.

Table 86. Largest home-based TNCs, 2002

(Millions of dollars and number)

| Company | Industry | Sales | Employees |
|----------------------------------|-----------------------|---------------|--------------------|
| A. Industrial | | | |
| .. | .. | .. | .. |
| B. Tertiary | | | |
| .. | .. | .. | .. |
| C. Finance and insurance | | Assets | Employees |
| International Bank of Azerbaijan | Finance and insurance | 427 | 1 046 ^a |

Sources: *The Banker's Almanac, 2003* (London, Reed Information Services, 2003); *Thomson Analytics* (<http://analytics.thomsonib.com/>); *Who Owns Whom, 2003* (London, Dun and Bradstreet, 2003).

a December 2001.

Table 88. Largest affiliates of foreign TNCs in the host economy, 2002

(Millions of dollars and number)

| Company | Home economy | Industry | Sales | Employees |
|------------------------------------|--------------------|---------------------------|---------------|------------------|
| A. Industrial | | | | |
| Amoco Caspian Sea Petroleum | United Kingdom | Petroleum | .. | .. |
| Lukoil Azerbaycan | Russian Federation | Petroleum | .. | .. |
| B. Tertiary | | | | |
| A & D Company Azerbaijan | Germany | Construction | .. | 104 |
| Daewoo Azerbaijan Company | Republic of Korea | Trade | .. | 10 |
| Wuerth Aztur | Germany | Trade | .. | .. |
| The Caspian Region Azerbaijan | United States | Other business activities | .. | .. |
| KIs Holding | Switzerland | Other business activities | .. | .. |
| Sgs Azeri | Switzerland | Other business activities | .. | .. |
| Garadagh Cement | Switzerland | Other business activities | .. | .. |
| M & M Miltzer Muench Aserbaisschan | Switzerland | Other business activities | .. | .. |
| Park Hyatt Baku | Cayman Islands | Other business activities | .. | .. |
| C. Financial and insurance | | | Assets | Employees |
| Azerbaijan-Turkish Commercial Bank | Turkey | Finance and insurance | 5 | 32 ^a |
| HSBC Bank Middle East | United Kingdom | Finance and insurance | .. | .. |

Sources: *The Banker's Almanac, 2003* (London, Reed Information Services, 2003); *Thomson Analytics* (<http://analytics.thomsonib.com/>); *Who Owns Whom, 2003* (London, Dun and Bradstreet, 2003).

a December 2002.

Azerbaijan

Sources of information

Official

National Bank of Azerbaijan (<http://www.nba.az>).
State Statistical Committee (<http://www.statcom.baku-az.com>,
<http://www.azeri.com/goscomstat>).
Ministry of Economic Development (<http://economy.gov.az>).

Secondary

1. Baker and McKenzie, "Doing Business in Azerbaijan: foreign investment in Azerbaijan", American Chamber of Commerce in Azerbaijan (http://www.amchamaz.org/htm/dbbm_chapter2.htm).
2. Economist Intelligence Unit (EIU), *Country Profile 2003: Azerbaijan* (EIU: London, 2003).
3. Ernst and Young, "Azerbaijan: a business and investment guide, March 2001" (<http://www.bisnis.doc.gov/bisnis/country/010301lazbusguide.htm>).
4. European Bank for Reconstruction and Development (EBRD), *Azerbaijan: Investment Profile 2001* (EBRD: London, 2001).
5. International Conference on Investing in Azerbaijan, "Gateway to the newly independent states", 7-9 May 2003, Baku, Azerbaijan (<http://www.invest-in-azerbaijan.com>).
6. International Conference on Investing in Azerbaijan, *Investors' Handbook*, A publication prepared on the occasion of the International Investment Conference (<http://economy.gov.az>).
7. International Monetary Fund, *Azerbaijan Republic: Selected Issues and Statistical Appendix* (IMF: Washington, D.C., 2002).
8. International Monetary Fund, *Balance of Payments Statistics Yearbook, 2002* (IMF: Washington, D.C., 2002).
9. OECD, "Foreign direct investment in Azerbaijan: investment climate and prospects in Azerbaijan", *OECD Global Forum on International Investment, New Horizons and Policy Challenges for Foreign Direct Investment in the 21st Century, 26-27 November 2001, Mexico City, Mexico*.
10. UN-ESCAP, "Foreign direct investment in Central Asian and Caucasian economies: policies and issues", Studies in Trade and Investment No. 50, 2003 (ESCAP: Bangkok).