

РАЗДЕЛ 3. ФИНАНСОВО-КРЕДИТНЫЕ ОТНОШЕНИЯ И БУХГАЛТЕРСКИЙ УЧЕТ

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ЭКОНОМИЧЕСКОЕ СОТРУДНИЧЕСТВО АЗЕРБАЙДЖАНА С ЕАЭС: ТЕНДЕНЦИИ И ПЕРСПЕКТИВЫ

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Аннотация. *Введение.* Целью данной статьи является выявление тенденций, закономерностей и перспектив развития экономического сотрудничества в среднесрочной перспективе Азербайджана со странами ЕАЭС. В ходе исследования было поставлено несколько основных задач: анализ динамики и структурных аспектов торгово-экономического сотрудничества Азербайджана с государствами Евразийского экономического союза (ЕАЭС); изучение специфики сотрудничества Азербайджана с этими странами в области транспортных коридоров, а также в сфере транспортных услуг и инфраструктуры; выявление перспективных направлений совместной деятельности Азербайджана с государствами ЕАЭС, касающихся учредительных проектов и организации совместного производства. *Материалы и методы.* Источниками информации являются данные Евразийской экономической комиссии и национальной статистики Азербайджана и России по торгово-экономическим связям. Авторами применены аналитические и статистические методы исследования. Азербайджан развивает торговые отношения со странами ЕАЭС. Доля стран ЕАЭС в товарообороте Азербайджана имеет тенденцию к росту. *Результаты исследования.* По экспертным оценкам, увеличение инвестиций в инфраструктуру на 1 % ВВП дает дополнительный прирост производства на 2-5 %. Инвестиции из стран ЕАЭС в Азербайджан способствовали открытию ряда высокотехнологичных производств, реализуются новые проекты. Развивается сотрудничество в фармацевтической, автомобильной, химической, нефтяной, транспортной сферах. *Обсуждение и заключение.* Укрепление экономических связей между Азербайджаном и государствами Евразийского экономического союза (ЕАЭС) способствует динамичному развитию экономики Каспийского региона, куда также входят Иран и Туркменистан, не входящие в указанный союз. Такое экономическое взаимодействие на данном географическом пространстве создает основу для расширения торговых отношений, а также создания и модернизации производств со значительной инновационной составляющей в различных секторах экономики. Кроме того, это сотрудничество открывает возможности для реализации совместных проектов в сфере развития транспортной и социальной инфраструктуры, что также важно для устойчивого роста региона в целом.

Ключевые слова: Евразийский экономический союз (ЕАЭС), Азербайджан, экономическое сотрудничество, международные отношения, Российская Федерация, торговля, экспорт, импорт, инвестиции.

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Research article

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**AZERBAIJAN'S ECONOMIC COOPERATION WITH THE EAEU:
TRENDS AND PROSPECTS****Guseinov T.¹, Andronova I.¹, Ryazantsev S.^{2*}**¹ Peoples' Friendship University of Russia,
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Abstract. *Introduction.* The purpose of this article is to identify trends, regularities and prospects for the development of economic cooperation in the medium term of Azerbaijan with the EAEU countries. Several key objectives were set in the course of the study. The first of these is to analyze the dynamics and structural aspects of trade and economic cooperation between Azerbaijan and the states of the Eurasian Economic Union (EAEU). The second objective is to study the specifics of cooperation between Azerbaijan and these countries in the field of transport corridors, as well as in the sphere of transport services and infrastructure. The third objective involves identifying promising areas of joint activity between Azerbaijan and the states of the EAEU, concerning founding projects and the organization of joint production. *Materials and Methods.* The sources of information are the data of the Eurasian Economic Commission and national statistics of Azerbaijan and the Russian Federation on trade and economic relations. The authors applied analytical and statistical methods of research. Azerbaijan is developing trade relations with the EAEU countries. The share of EAEU countries in Azerbaijan's trade turnover tended to grow. *Research results.* According to expert estimates, an increase in investment in infrastructure by 1% of GDP gives an additional 2%–5% increase in production. Investments from EAEU countries in Azerbaijan have facilitated the opening of several high-tech industries; some new projects are being implemented. Cooperation is developing in the pharmaceutical, automotive, chemical, oil, and transport sectors. *Discussion and conclusion.* Strengthening economic relations between Azerbaijan and the states of the Eurasian Economic Union (EAEU) contributes to the dynamic development of the economy of the Caspian region, which also includes Iran and Turkmenistan, which are not members of the said union. Such economic interaction in this geographic space creates the basis for expanding trade relations, as well as the creation and modernization of industries with a significant innovative component in various sectors of the economy. In addition, this cooperation opens up opportunities for the implementation of joint projects in the field of development of transport and social infrastructure, which is also important for the sustainable growth of the region as a whole.

Keywords: Eurasian Economic Union (EAEU), Azerbaijan, economic cooperation, international relations, Russian Federation, trade, export, import, investments.

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Introduction

Since Azerbaijan's independence, relations with neighbouring countries, including the Russian Federation, have developed quite dynamically and in different spheres. After the collapse of the Soviet Union, about 80 interstate and intergovernmental agreements and treaties were concluded between Azerbaijan and the Russian Federation. First of all, on 4 April 1992 a Protocol on the establishment of diplomatic relations was signed. Then, on 3 July 1997, the Treaty on Friendship, «Cooperation and Mutual Security between the Russian Federation and the Republic of Azerbaijan was signed. On 22 February 2022, the Declaration on Allied Cooperation between the Russian Federation and the Republic of Azerbaijan was signed, which contains the idea of developing trade and economic relations in the new geopolitical conditions. This document defines that “the Russian Federation and the Republic of Azerbaijan shall build their relations based on mutual benefit... The parties, attaching great importance to the sustainable development and effective use of the economic potential of both states, will cooperate in implementing economic reforms and contribute to the implementation of the Action Plan signed on September 1, 2018”» [1]. The Action Plan includes six roadmaps for cooperation in trade, transport, creating joint industries in Azerbaijan, digitalization of the fiscal sphere, increasing mutual visits and humanitarian contacts, and cooperation in innovative development and the digital economy.

Materials and methods

The main purpose of the Eurasian Economic Union (EAEU) is the facilitation of mutual trade for key business sectors. The EAEU countries are exempt from customs duties, do not apply non-tariff regulation measures, etc. The functioning of the EAEU is a common trade policy in relation to other countries and applies common customs regulations with third countries [2].

During the COVID-19 pandemic, restrictive measures were introduced at the borders, negatively affecting the volume of

trade between EAEU countries. At the beginning of 2020, the growth rate of trade significantly decreased. However, countries managed to adapt to the new situation and gradually recover trade [4].

The research aims to identify trends, features, and prospects of economic cooperation between Azerbaijan and EAEU countries.

The purpose of the article is to analyze the unique characteristics, as well as the dynamic processes and structural aspects of trade and economic cooperation between Azerbaijan and the states of the Eurasian Economic Union. An important task is to identify the main areas of cooperation in the transport sector between Azerbaijan and these countries. In addition, the study is aimed at studying joint production initiatives carried out in Russia and other EAEU countries, as well as assessing the potential for the integration of Azerbaijan into the Eurasian Economic Union, which will determine possible paths and strategic guidelines for further cooperation.

The information sources are data from the Eurasian Economic Commission, national statistics of Azerbaijan, and the Russian Federation on trade and economic relations. The authors applied analytical and statistical research methods.

Research results

Azerbaijan's Trade Trends with EAEU Countries

Azerbaijan has been increasingly orienting its foreign trade towards the EAEU countries, including an important place in trade relations with the Russian Federation. As a result, the share of the Eurasian Economic Union countries in Azerbaijan's trade structure, primarily exports, is on an upward trend. In 2021, the EAEU countries accounted for 46% of Azerbaijan's non-resource exports. The EAEU buys 100% of Azerbaijani export of apricots, cherries, and sweet cherries, 99% of tomatoes, 97% of apples, pears, and quinces, 94% of raw tobacco, 93% of fruits, 93% of potatoes, 90% of cotton fabrics, 85% of ferrous metal pipes, 81% of wine, 76% of food and drink, 67% of packaging materials, 61% of pumps,

56 % of propylene polymers, and 28 % of cotton yarn. Russia is currently Azerbaijan's main trading partner. Russian companies account for about 43 % of the country's oil exports. The Russian Federation is the most

significant consumer of oil products from Azerbaijan. Approximately three-quarters of all food and beverages sold by Azerbaijan are also directed to the Russian consumer market (Fig. 1).

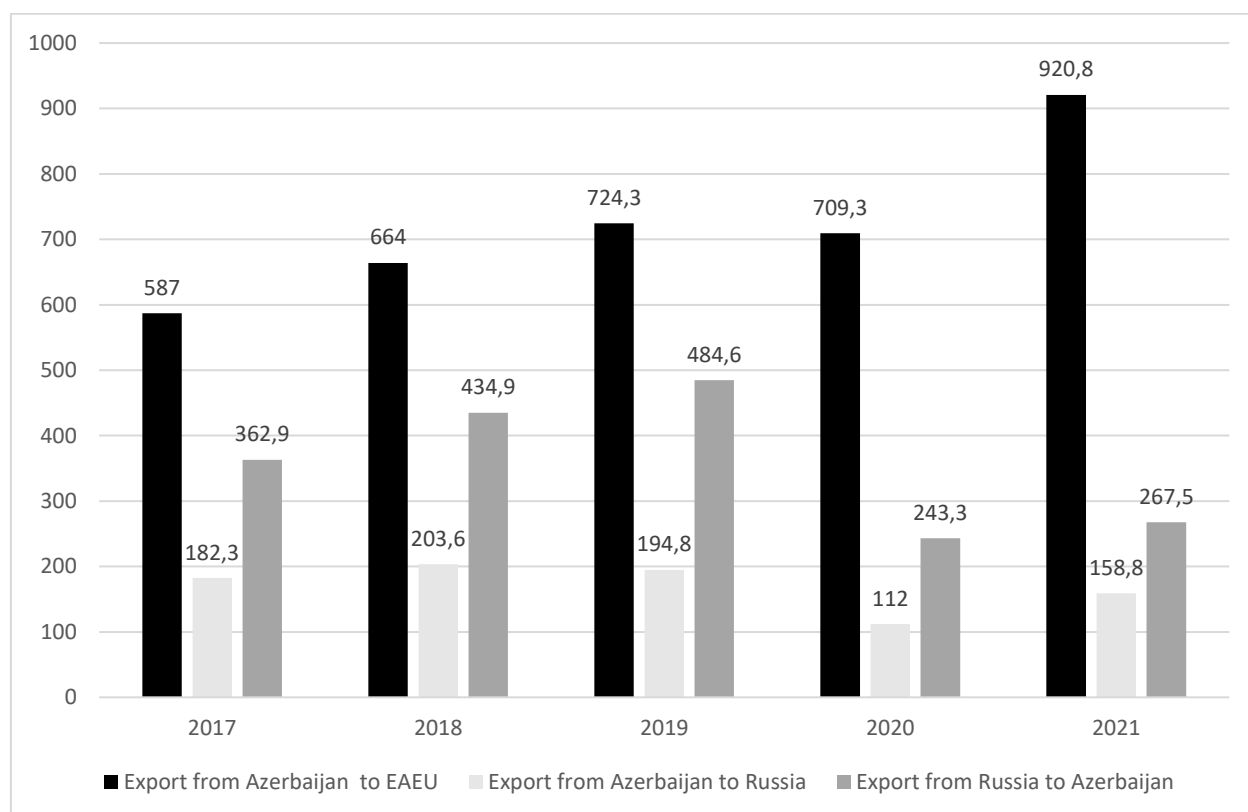


Figure 1 – Azerbaijan and EAEU export performance in 2017-2021, million USD [5]

EAEU countries account for 100 % of all wheat imported by Azerbaijan, 100 % of railway locomotives, 100 % of railway cars, 98 % of timber, 88 % of iron or non-alloy steel bars, 86 % of mineral fertilizers, 79 % of nitrogen fertilizers, 67 % of chocolate, and 58 % of flat rolled iron or non-alloy steel.

Azerbaijan's trade cooperation with EAEU countries is developing dynamically. The countries' markets are of strategic importance for each other. Experts from the International Centre for Foreign Trade estimated that the difference between Azerbaijan's potential and actual exports to the EAEU countries is over \$240 mln (Table 1).

Table 1 – Azerbaijan's export performance in 2021, million USD [5]

	World	EAEU	Russia
Total export of Azerbaijan	21.555	1.256	916
Food products and drinks	784	598	579
Products for industry	1.826	344	299
Fuel	19.495	304	31
Capital equipment	65	8	5
Transport equipment and parts	12	3	2
Consumer goods	21	6	4
Others	4	1	1

Transport as a sphere of cooperation between Azerbaijan and EAEU countries

Azerbaijan lies geographically in the North-South transport corridor, which links the Russian Federation with the Islamic Republic of Iran and the countries of the Middle East and South Asia. In this context, the development of transport infrastructure becomes an important element of trade and economic cooperation between Azerbaijan and the countries of the Eurasian Economic Union. and EAEU and stimulate socio-economic cooperation in the Eurasian region. The volume of cargo along this route could reach 30 million tons annually. The main work to establish the route has already been completed, including the expansion of the capacity of road border crossing points on Russian-Azerbaijani border. Expert estimates show that this route is 30 % cheaper and 40% shorter than existing routes.

One of the signs of the successful development of the North-South transport corridor is the availability of an efficient fleet for transportation across the Caspian. In today's conditions, the Caspian Sea is an important transport basin for regional trade. In the new geopolitical conditions characterized by armed conflicts and Western sanctions against the Russian Federation and the Republic of Belarus, Azerbaijan has become an important gateway and transport hub in the Caucasus, through which trade with Iran, the Middle East and South Asia passes. Currently, there are 12 seaports operating in the Caspian Sea. Mainly, oil and oil products, agricultural products, food products, and construction materials are transported in the Caspian Sea basin. However, the merchant fleet is outdated – the average age of ships is a quarter of a century. There is an urgent need to modernize the transport and port infrastructure, as well as the merchant fleet in the Caspian Sea. The problem is relevant for all countries in this region, including Azerbaijan.

Most of the countries of the Eurasian Economic Union (except Armenia) consider trade routes through Azerbaijan as an important logistics corridor for the export of

goods to world markets and the import of products from third countries. The Russian Federation and Belarus due to political restrictions, Kazakhstan due to its geographical location. [6].

In 2022, Rosseti and Azerenerji signed a three-year agreement on the operation and development of power grid infrastructure in Russia and Azerbaijan.

The growth in the scale of cargo and passenger transportation, as well as the increase in cargo flows, requires a significant increase in the merchant fleet in the Caspian Sea basin. Virtually every country in the region has shipyards but lacks port capacity, investment, and technology. It is proposed to establish a Caspian Shipbuilding Corporation, an engineering corporation, and a Caspian Investment Projects Bank. It is also planned to create a unified international logistics operator in the region, whose task will include synchronization of cargo transportation by different modes of transport. According to expert estimates, an increase in investment in infrastructure by 1 % of GDP gives an additional production growth of 2-5 %.

Azerbaijan's Cooperation with the EAEU Countries in the Creation of Joint Productions and Enterprises

Investments from the EAEU countries, mainly from the Russian Federation, have contributed to opening several innovative and high-tech industries in Azerbaijan.

R-Pharm Group is developing production in Azerbaijan in cooperation with Azerbaijani partners. In 2021, R-Pharm and the Servier pharmaceutical group signed an agreement on producing the drug Diabeton. The first batch of about 200,000 packs of the drug was produced. In 2022, the production volume will be 800,000 packs. At the peak of production, the plant will produce about one million packs of the drug annually. Negotiations are underway to localize insulin production by Geropharm. The project is expected to launch in the second half of 2023.

The Russian company Penoplex is implementing an investment project to produce polymer building materials. The total

amount of investments in the project was about 8.5 million USD. Polymer materials produced by the company are mainly sold on the national market; it is also planned to export the products (Turkey, Georgia, Iran, and Russia).

The AZERMASH plant was opened in the Hajigabul industrial quarter. Investments amounted to 8 million USD. The plant assembled 170 cars in 2021 and 192 cars in 2022. The plant's design capacity is 1,500 vehicles annually (GAZELLE NEXT and GAZON NEXT).

Currently, Azerbaijan cooperates with more than 70 regions of the Russian Federation. Agreements and treaties on scientific, technical, trade, economic, social, humanitarian, cultural and educational cooperation have been signed with a quarter of the subjects of the Russian Federation. First of all, Azerbaijan interacts with Moscow and the Moscow region, St. Petersburg, the regions of the North Caucasus (Stavropol Krai, Krasnodar Krai), the Volga region (Tatarstan, Volgograd Region, Astrakhan Region, Saratov Region). Cooperation is represented in the areas of development of infrastructure and socio-cultural projects, interaction of transport enterprises, joint conferences and forums in education, medicine, culture and art.

There are two councils of businessmen and entrepreneurs Azerbaijan-Russian Federation and Russian Federation-Azerbaijan. For example, in the Stavropol Territory, an Azerbaijani company is building a sanatorium-tourist center Istochnik in the resort of Yessentuki. In the Stavropol Territory, sanatorium and hotel complexes are being built in Zheleznovodsk and Kislovodsk. An Azerbaijani company is building a fruit and vegetable cannery in the Krasnodar Territory.

Discussion and conclusion

The Eurasian Economic Union (EAEU) shows significant potential for expanding its membership by attracting new countries that can complement and strengthen the existing economic integration. Among such potential participants are Mol-

dova, Uzbekistan and Cuba, which currently have observer status.

Although these states do not participate in decision-making at the EAEU level, their participation in the meetings of the organizations allows for the discussion of key issues related to the development of trade and economic cooperation.

The EAEU countries have already concluded free trade agreements with a number of countries, including Vietnam, Singapore, Serbia and the Islamic Republic of Iran. In this context, there is a need to consider the possibility of Azerbaijan's participation in the EAEU, considering it as a candidate for observer status, which would open up new prospects for it. Another variation of this participation could be the inclusion of Azerbaijan in the expanded EAEU Free Trade Zone+ Agreement, which would also expand the boundaries of trade and economic cooperation.

In addition, the Eurasian Economic Commission plays a significant role in the unification of the markets for agricultural seeds and breeding products. At the level of general regulation, several innovative platforms are distinguished that serve as tools for the implementation of a coordinated industrial policy in certain sectors of the EAEU economy. Azerbaijan's possible entry into these EAEU mechanisms will stimulate the development and diversification of the country's economy, and ensure an influx of investment and innovation into the national economy.

The EAEU is not only an integration association, but also a new platform for implementing joint socio-economic projects and building cooperation chains. Currently, more than 180 cooperation projects are being implemented in the EAEU countries for a total of 302 billion USD.

In October 2022, the EAEU heads of government decided to establish a union system of financial support for cooperation projects. At least three of the five countries will participate in each project. This approach provides small countries with access to the development of new technolo-

gies. The country becomes a co-owner of a high-tech product, which allows for the formation of technological sovereignty and promotes the development of the national economy.

In light of the strategic outlines of Azerbaijan's economic progress, it is critically important to overcome the dependence on narrow specialization related to the oil industry, which emphasizes the need to diversify the economy through the active development of the services sector. This process, among other things, includes the development of new market spaces, the conclusion of mutually beneficial agreements and integration into regional economic associations.

In this context, it seems appropriate to consider steps to integrate Azerbaijan into the Eurasian Economic Union (EAEU), where the starting point for such interaction could be the provision of a status observer. Strengthening ties with the EAEU states creates significant potential for optimizing socio-economic initiatives, which in turn can lead to sustainable development of both the country itself and the entire Caspian region as a whole.

Thus, integration into the EAEU is presented not only as a tool for expanding export potential and attracting investment, but also as a strategically important step towards the formation of a sustainable economic structure that promotes innovative development and modernization.

In the long term, this will allow Azerbaijan to take a more competitive position in the international arena, as well as improve the economic well-being of its population.

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Conflict of Interest: The authors declare no conflicts of interest.