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Development directions of the economic factor of the Declaration on Allied Interaction between the Republic of Azerbaijan and the Russian Federation

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Abstract. The aim of the study is that a strong new economic and political event has taken place in Russia in recent years. The assessment consists of an analysis of the Azerbaijani-Russian trade turnover in international economic relations on the basis of statistical data. On February 22, 2022, in Moscow, the Presidents of Russia and Azerbaijan signed the Declaration on Allied Interaction between Azerbaijan and Russia. The use of 40 paragraphs is strongly intensified. However, this article mainly analyzes the economic areas that will be blocked between Azerbaijan and Russia on both sides. The research methodology is to assess the role of political and economic relations based on official data and using analysis and comparison methods. The results of the study – the problems of assessing trade turnover in economic relations between Azerbaijan and Russia over the past 10 years – are analyzed.

Keywords: Azerbaijan, Russia, alliance, non-oil products, logistics

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Economic and political relations between Azerbaijan and Russia

The Republic of Azerbaijan and the Russian Federation have a long history of trade connections. Economic and commercial links began to emerge in Azerbaijan's villages and with the trading towns of the time when Russia arrived in the Caucasus in the 19th century [1].

During the Russian Empire (19th–20th centuries) and the Soviet Union (1920–1991), this growth was more rapid [2].

Following the disintegration of the Soviet Union in 1991, Azerbaijan and Russia adopted their own economic policies. Economic agreements made during the USSR were superseded by bilateral agreements and memorandums. With Azerbaijan's admission to the Commonwealth of Independent States in 1993, the country's product entry into the Russian market increased [3].

The majority of Azerbaijan's agricultural goods were shipped to the Russian Federation during those years. Non-oil items are mostly exported to the Russian market, according to trade trends.

Unwavering commitment to expanding comprehensive and equitable cooperation between the two countries based on mutual respect and trust, with the goal of raising bilateral relations to a qualitatively new level of alliance that fully meets the interests of the Russian Federation's and the Republic of Azerbaijan's nations while also contributing to regional and international security and stability. A declaration was voiced and signed.

The Russian Federation and the Republic of Azerbaijan have associated ties based on mutual respect for the two nations' independence, state sovereignty, territorial integrity, and inviolability of state boundaries, as well as non-interference.

The Russian Federation and the Republic of Azerbaijan pursue separate foreign policies to safeguard their national interests. Both internationally and regionally, the Russian Federation and the Republic of Azerbaijan are working together to enhance peace, stability, and security. The parties put a premium on the UN and the UN Security Council playing a more central role in conflict prevention and resolution, as well as the execution of the OSCE consensus agreements' aims and principles in resolving regional and global security and stability issues.

The Russian Federation and the Republic of Azerbaijan deepened constructive cooperation, including on a bilateral basis, and interacted within the framework of forums in the UN, the OSCE, the CIS, and other international organizations, owing to their close positions on current international issues. The parties also worked together on foreign policy to keep the Caucasus and the Caspian area stable and secure.

The Russian Federation and the Republic of Azerbaijan, according to one of the parties, will refrain from any measures that might jeopardize their strategic cooperation and allied relations. They are working to develop a permanent consultation mechanism through the foreign ministries of the two nations to achieve this goal.

The parties are working to build bilateral military-political cooperation that is focused on national interests and not directed at other parties.

International terrorism, extremism, separatism, transnational organized crime, illicit trafficking in weapons, drugs, and precursors, human trafficking, and information crimes are all threats that the Russian Federation and the Republic of Azerbaijan are working together to combat and neutralize. The Russian Federation and the Republic of Azerbaijan regard the Convention on the Legal Status of the Caspian Sea of 12 August 2018 as a credible legal framework for preserving and improving security and stability in the Caspian area, as well as advancing agreed-upon confidence-building measures.

The parties reiterate the relevance of the principles of the parties' actions in the Caspian Sea outlined in the Convention on the Legal Status of the Caspian Sea for the development of regional cooperation and the exercise of sovereign and exclusive rights in the Caspian area. The parties will continue to actively support the work of the Intergovernmental Commission on Economic Cooperation between the Russian Federation and the Republic of Azerbaijan,

which is critical for the two countries trade and economic relations to expand sustainably.

The parties will work to expand the use of national currencies in mutual settlements, payment system integration, including joint provision of bank cards, and direct correspondent links between their banks.

The parties planned to gradually expand the capability for transit and transportation interaction utilizing intelligent transportation system technologies, in order to provide technical and economic conditions for the full functioning of the North-South international transport corridor. They will also support each other's efforts to ensure the security and continuous operation of international transport corridors that pass through their respective territories, as well as provide each other with favorable transit traffic conditions within the framework of national legislation and bilateral agreements.

On an equal and mutually beneficial basis, the Russian Federation and the Republic of Azerbaijan intend to deepen cooperation in the fuel and energy sector, including in the field of oil exploration and development, by working closely to stimulate international energy cooperation and strengthen global energy security.

The Russian Federation and the Republic of Azerbaijan will collaborate on the development of joint projects in the field of information and communication technologies, as well as the establishment of direct communication channels between Russian and Azerbaijani telecommunications operators and the establishment of effective conditions for high-quality communication.

The parties will help in the establishment of cooperation, which will include expert meetings between the two nations' appropriate institutions and organizations on a wide range of topics relating to international information security, media, public and public diplomacy; will aid in the establishment of relationships and the sharing of information on the use of production technology, the processing and storage of agricultural goods, as well as in compliance with regulatory and technical standards.

Within many international economic, financial, and other organizations and institutions, the Russian Federation and the Republic of Azerbaijan engage and promote each other's participation. They will work to increase trade, economic, cultural, and humanitarian links between the Russian Federation and the Republic of Azerbaijan by promoting the growth of cooperation between the Russian Federation's regions and the Republic of Azerbaijan.

The parties aim to contribute in whatever way they can to the preservation of the two nations' spiritual and cultural relations, as well as the preservation and development of historical, cultural, and religious legacy, as well as ethnic, linguistic, and cultural heritage; to the identification of national minorities living in the parties' areas, and creation of conditions for their active involvement in sociopolitical, cultural, and socioeconomic life in conformity with national legislation. In this respect, the parties will take efforts to encourage the operations of diaspora groups within the framework of national legislation, which will help the Russian Federation and the Republic of Azerbaijan expand their economic, cultural, and humanitarian links.

The Russian Federation and the Republic of Azerbaijan will expand their cooperation in the fields of culture and art, education, science, tourism, and sports, as well as assist in the formation of relationships between public and youth organizations, educational organizations and institutions, and innovation centers. Culture, concerts and tours, library and museum work, cinematography and education, as well as large-scale cultural and educational events, will all benefit from the parties' increased cooperation [4].

The Declaration of Alliance, signed in Moscow on February 22, 2022, is a factor that has a positive impact on the development of both political and economic relations between Azerbaijan and Russia. Thus, for more than 30 years, 20% of Azerbaijan's land (the Nagorno-Karabakh region) was occupied by Armenia. The "Patriotic War" for Azerbaijan, which began on September 27, 2020, ended on 9 November with a declaration signed by the President of the Republic of Azerbaijan, the President of the Russian Federation and the Prime Minister of Armenia. Russia's support for Azerbaijan's territorial integrity during the war and the deployment of Russian peacekeepers in accordance with the clause of the November 9, 2020 agreement are a guarantee of stability for the Caucasus region [5].

Clauses 8 and 9 of the declaration signed in Moscow emphasize that the role of the Russian Federation as a mediator in the Caucasus region, including during the Second Karabakh War, is highly valued. The neutral position of the Russian Federation in the declarations signed by the three heads of state on November 9, 2020, January 11, 2021, and November 26, 2021, recognizing the territorial integrity of these countries based on international law, is an indication of the high level of relations between Azerbaijan and Russia [6].

Azerbaijan intends to further develop trade relations with Russia. Thus, both Azerbaijan and the Russian Federation have trading houses. These trading houses operate in Russia under the brand name Azerbaijani Gifts. The houses are expected to open in several parts of Moscow, St. Petersburg, Yekaterinburg, and other Russian cities [7].

Analyzing Clauses 24 and 26 of the signed declaration, it is expected that trade and economic relations between Azerbaijan and Russia will be raised to a new level. The development of national legislation here will help to maintain independent trade relations between economic entities operating in the oil and non-oil sectors (agriculture, chemicals, pharmaceuticals and light industry). It was agreed that the development of these areas should be organized in accordance with the economic interests of both countries.

After the 44-day Karabakh war, Azerbaijan's economic potential and strength have increased. Thus, Azerbaijan is already becoming a major logistics center on the Eurasian continent. East-West and North-South logistics corridors increase Azerbaijan's logistics potential. Clause 29 of the signed declaration aims to create conditions for the integration of transport systems of both countries for the development of the North-South logistics corridor, which is important for Azerbaijan and Russia.

Clause 30 of the declaration will create conditions for the security of international transport corridors within the framework of national legislation for

the development of economic relations between Azerbaijan and Russia in transit cargo passing through the UN-recognized territories of both sides.

The largest part of economic cooperation between Azerbaijan and Russia is in the oil and gas sector. The Baku-Novorossiysk oil pipeline has reached agreements on the transportation of Azerbaijani oil through Russia and the simultaneous processing of oil and gas fields in the Caspian Sea, which is an inland body of water.

An agreement was reached on joint use of modern technologies in the non-oil sector of Azerbaijan and joint compliance with phytosanitary norms on the import of non-oil products to Russia and Azerbaijan [8].

For example, on March 5, 2022, Rosselkhoznadzor of the Russian Federation announced the lifting of the ban on the import of products produced by Azerbaijan, Belarus and Georgia to the Russian Federation [9].

We can see the schedule of development of trade relations between Azerbaijan and Russia for 2011–2021 of the State Customs Committee of the Republic of Azerbaijan. It should be noted that, according to the table, the total trade turnover for the last 11 years was 29,992,221.66 manat, which is more than in other countries. The trade balance between Russia and Azerbaijan is negative for Azerbaijan. In other words, imports exceed exports. The largest import from the Russian Federation in 2019 was 2,290,219.80 manat before the pandemic. Azerbaijan's exports for that year amounted to 731,826.20 manat. The largest exports from Azerbaijan occurred in 2011, where exports amounted to 1,187,342.06 manat. If we look at the table, we can see that, in general, trade relations between Russia and Azerbaijan have developed with increasing dynamics.

Dynamics of foreign trade

	Russian Federation	
	import	export
2011	1,641,134.94	1,187,342.06
2012	1,378,444.55	959,838.34
2013	1,505,178.34	1,077,844.51
2014	1,314,480.40	640,271.31
2015	1,437,937.23	417,755.07
2016	1,641,809.23	409,273.28
2017	1,554,257.90	587,025.37
2018	1,885,164.65	665,741.42
2019	2,290,219.80	731,826.20
2020	1,962,155.68	709,390.07
2021	2,074,311.78	920,819.53
Total	18,685,094.50	8,307,127.16
Commercial turnover	26,992,221.66	

Source: <https://customs.gov.az/az/faydali/gomruk-statistikasi/xarici-ticaretin-veziyyeti-haqqinda>

The figure below shows the dynamics of trade between Azerbaijan and the Russian Federation. The global economic crisis that began in 2014 had a negative impact on Azerbaijan's trade relations with Russia in 2015. The double devaluation of the Azerbaijani manat in 2015 had a negative impact on trade

growth, especially on exports from Azerbaijan. Since 2016, trade relations between Russia and Azerbaijan have increased. In connection with the 2020 COVID-19 pandemic, factors such as the rupture of the consumer chain have led to a decline in trade. After the discovery of the coronavirus vaccine, there has been a certain growth rate in trade.

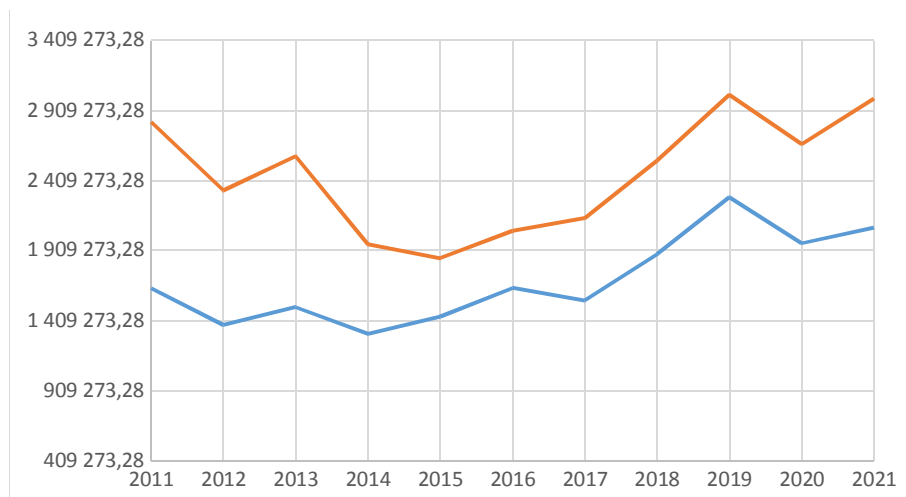


Figure 1. Trade relations between the Russian Federation and Azerbaijan.

Source: <https://www.stat.gov.az/?lang=en>

In recent years, mainly agricultural products have been exported from Azerbaijan to Russia. Among the mentioned non-oil products, nectar, peaches, pears, apricots, dates, pomegranates, grapes, potatoes are the first [10].

According to the official data of the State Statistics Committee of Azerbaijan, the largest exporter of non-oil products from Azerbaijan is the Russian Federation, which accounts for 34.5% of total exports. Other places are Turkey by about 27%, Switzerland by about 10%, Georgia, the United States and other countries. Relations with Russia are in the first place in terms of non-oil products. Thus, the Russian Federation accounts for about 17% of imported products. The other ranks are Turkey with 13%, China with 6%, Germany, the United States and Italy with 4.2% [11].

On February 12, 2022, the first train loaded with fruits and vegetables was sent from Azerbaijan to the Russian Federation. Agricultural products were shipped within the Agroexpress project launched in Azerbaijan in the field of agriculture. As part of this project, about 1,000 tons of dates in 17 wagons were sent with the participation of Azerbaijani government agencies, the Ministry of Economy, the Customs Committee, as well as the Azerbaijani and Russian Railways, the Russian Embassy in Azerbaijan and other officials [12].

The signing of the Declaration on Allied Interaction between the Republic of Azerbaijan and the Russian Federation will create certain opportunities to protect the Russian economy from external factors.

Paragraph 9 of the ceasefire agreement reached as a result of the 44-day Karabakh War states that all communication lines in the region must be opened. In turn, Armenian agricultural products will easily enter the Russian market.

Recently, bilateral relations between our countries have become more efficient and high-quality. As a result, friendly and partnership relations between Russia and Azerbaijan have been strengthened, and mutual relations have developed in a wide range of areas. Economic relations have expanded at a high level. All this shows that, currently, Azerbaijani-Russian relations are in a dynamic stage of development. There is an atmosphere of mutual understanding between the two countries. The official visit of President Ilham Aliyev to Russia confirms this. It should be noted that the invitation of the head of state to pay an official visit to Russia and the great respect shown by President Vladimir Putin is a bright expression of the relations between the two countries, first of all, the deep political content and high authority of the Azerbaijani president. During this visit of President Ilham Aliyev, discussions were held aimed at developing sincere, constructive, and bilateral relations between Azerbaijan and Russia. At the same time, this was due to the nature of personal relations between the two heads of state, Russian-Azerbaijani relations, and the common position in approaching geopolitical realities. Meetings of the heads of state and statements to the press also indicated the existence of a strong political will to further develop cooperation between Azerbaijan and Russia in political, socioeconomic, and other fields. The main event of President Ilham Aliyev's official visit to Russia was, of course, the signing of the Declaration on Allied Interaction between the Republic of Azerbaijan and the Russian Federation.

The Declaration underlines the necessity of collaboration in preserving peace and security in the Caucasus area and the Caspian Sea, as well as all of the principles of action outlined in the Convention on the Legal Status of the Caspian Sea. Simultaneously, it is critical to coordinate efforts to combat international terrorism, extremism, separatism, transnational organized crime, and other dangers. It is worth noting that Russia and Azerbaijan have pledged their support for regional peace and security, as well as the restoration of all economic and transportation linkages.

The attempts to put the terms of the statements of November 10, 2020, January 11, 2021, and November 26, 2021, into effect as a basis for normalizing ties between Azerbaijan and Armenia are backed with all possible assistance. Both nations have an essential phrase in the Declaration that states they would forcefully prohibit groups and persons in their territory from acting against the other party's sovereignty, independence, and territorial integrity. This indicates that collaboration between the Azerbaijani and Russian armed forces will be strengthened in the future, including joint operations and combat training, as well as other areas of bilateral military cooperation.

The Russian Federation and the Republic of Azerbaijan have stated their willingness to consider providing military assistance to one another based on the UN Charter, separate international agreements, and each party's international legal obligations to ensure security and maintain peace and stability. Important aspects in this declaration include coordinated action against international

terrorism, extremism, and separatism, as well as transnational organized crime. One of the key aspects in the Declaration is that strengthening mutually beneficial commercial, economic, investment, and scientific-technical cooperation between the two nations, as well as bringing problems to a qualitatively new level, is a unique commitment.

In this regard, both parties agree to refrain from engaging in any economic action that is detrimental to the interests of the other. By the way, the Declaration on Allied Interaction between the Republic of Azerbaijan and the Russian Federation also includes several key points about the two nations' future commercial and economic connections. "The parties will cooperate in the implementation of economic reforms, attaching great importance to sustainable development and effective use of both countries' economic potential," says Clause 23 of the Declaration. Russia and Azerbaijan signed an agreement on September 1, 2018, to deepen economic cooperation.

They will help with the implementation of the Action Plan for the development of key areas of cooperation, the creation of favorable conditions for the free movement of goods and services in accordance with bilateral and multilateral international agreements, and the promotion of regional economic cooperation. The Russian Federation and the Republic of Azerbaijan intend to deepen mutually beneficial trade, economic, investment, and scientific-technical cooperation, as well as increase production and scientific cooperation, and direct contacts between economic entities of all types of ownership, according to the statement.

At the same time, they expressed optimism that economic links between metallurgy, oil and gas, heavy engineering, aviation, automotive, chemical, pharmaceutical, light, agricultural, road building, and food engineering industries will be strengthened through national law. The declaration envisions credit and banking organizations' activities, the development of financial institution cooperation, the formation of joint ventures, including financial and industrial groups, production, and other organizational and economic structures, all within the framework of both countries' national legislation and credit and monetary policies.

It is also proposed that Azerbaijan and Russia employ national currencies in mutual settlements, payment system compatibility, including joint bank card service, and the creation of direct correspondent ties between the two nations' banks. The Republic of Azerbaijan and the Russian Federation have also agreed to work together to ensure the consistent development of transit-transport interaction potential through the joint use of intelligent transportation systems technologies, as well as technical and economic conditions for the long-term and full-scale operation of the North-South international transport corridor [13].

Our nations have reached a comprehensive agreement – the legislative framework has been agreed, and 245 documents have been signed. The proclamation they signed today, though, is particularly significant. Our connections have now been elevated to the level of an alliance as a result of this proclamation. This is both a huge honor and a huge duty. We have worked hard to get to this point, improving the possibility for long-term collaboration by

establishing relationships based on sincerity, good neighborliness, pragmatism, and mutual interest consideration.

As can be seen, the Declaration on Allied Interaction between the Russian Federation and the Republic of Azerbaijan, signed in Moscow, is historic in nature and is based on friendship, good neighborliness, and historical traditions shared by the two peoples, as well as deep cultural and humanitarian ties. [13].

Conclusion

Looking at the economic factor of the Declaration on Allied Interaction between the Republic of Azerbaijan and the Russian Federation, we can see that over the years, economic relations between the two countries have been developing day by day. The signed declaration will serve to reduce the dependence of the Russian market on non-oil products from Western countries. The fact that trade relations established during the USSR have reached a new stage reflects the trade and political interests of both countries. The products of both countries should mutually increase and further develop their position in the markets of partners.

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