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The Current Issues of Economic Relations between the Republic of Azerbaijan and the People's Republic of China: The Realities of the Present Time

Abstract

This article examines the state and prospects of relations between the Republic of Azerbaijan and the People's Republic of China. While studying the issues of cooperation between the two countries, the author notes that in 1992 the People's Republic of China officially established diplomatic relations with the Republic of Azerbaijan, then the Republic of Azerbaijan a year later, that is, in 1993, decided to open an embassy in Beijing, the capital of the People's Republic of China. The author particularly examines the economic aspects of international cooperation between the two countries and emphasizes the special role of China's "One Belt, One Road" initiative and the Shanghai Cooperation Organization, in which the Republic of Azerbaijan has become a dialogue partner. Analysing the state of economic aspects of international cooperation between the two countries, the author identifies some cases that negatively affect the development of relations between the Republic of Azerbaijan and the People's Republic of China. The author mainly attributes the diversification of export products, the problem for Chinese enterprises in the energy sector of the Republic of Azerbaijan, the trade imbalance between the two countries, and so on to these problems. The author, examining statistical data, comes to the conclusion that there is a stable trade surplus of China over Azerbaijan. The author notes that constant efforts by both countries are needed to improve trade and, in general, economic relations in order to prevent obstacles that negatively affect these

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relations. According to the author, these problems need to be solved by both countries jointly, coordinating their actions in advance. Therefore, we believe that the basis of international relations between the two countries in the economic sphere, including politics and culture, is the friendly and proactive attitude of the Republic of Azerbaijan towards the People's Republic of China. The development and strengthening of these relations will contribute to a new wave of economic and trade growth between the two countries in the future.

Keywords: *diplomatic relations, economic relations, "one belt, one road", territorial integrity, sovereignty*

Azerbaycan Cumhuriyeti ile Çin Halk Cumhuriyeti Arasındaki Ekonomik İlişkilerin Güncel Sorunları: Günümüzün Gerçekleri

Öz

Bu makale Azerbaycan Cumhuriyeti ile Çin Halk Cumhuriyeti arasındaki ilişkilerin durumunu ve perspektiflerini incelemektedir. Yazar, iki ülke arasındaki işbirliği konularını incelerken, 1992 yılında Çin Halk Cumhuriyeti'nin Azerbaycan Cumhuriyeti ile resmi olarak diplomatik ilişkiler kurduğunu, bir yıl sonra, yani 1993 yılında Azerbaycan Cumhuriyeti'nin Çin Halk Cumhuriyeti'nin başkenti Pekin'de büyükelçilik açmaya karar verdiğini belirtmektedir. Yazar, özellikle iki ülke arasındaki uluslararası işbirliğinin ekonomik yönlerini incelemekte ve Çin'in "Bir Kuşak, Bir Yol" girişiminin ve Azerbaycan Cumhuriyeti'nin diyalog ortağı haline geldiği Şanghay İşbirliği Örgütü'nün özel rolünü vurgulamaktadır. İki ülke arasındaki uluslararası işbirliğinin ekonomik yönlerinin durumunu analiz eden yazar, Azerbaycan Cumhuriyeti ile Çin Halk Cumhuriyeti arasındaki ilişkilerin gelişimini olumsuz etkileyen bazı durumları tespit etmektedir. Yazar, ihracat ürünlerinin çeşitlendirilmesini, Çinli işletmelerin Azerbaycan Cumhuriyeti'nin enerji sektöründeki sorunlarını, iki ülke arasındaki ticari dengesizliği ve benzerlerini esas olarak bu sorunlara bağlamaktadır. İstatistiki verileri inceleyen yazar, Çin'in Azerbaycan'a karşı istikrarlı bir ticaret fazlası olduğu sonucuna varıyor. Yazar, bu ilişkileri olumsuz etkileyen engelleri önlemek için her iki ülkenin de ticareti ve genel olarak ekonomik ilişkileri geliştirmek için sürekli çaba göstermesi gerektiğini belirtiyor. Yazara göre, bu sorunların her iki ülke tarafından ortaklaşa ve eylemlerini önceden koordine ederek çözülmesi gerekiyor. Bu nedenle, iki ülke arasında siyaset ve kültür de dahil olmak üzere ekonomik alandaki uluslararası ilişkilerin temelinin Azerbaycan Cumhuriyeti'nin Çin Halk Cumhuriyeti'ne yönelik dostane ve proaktif tutumu olduğuna inanıyoruz. Bu ilişkilerin geliştirilmesi ve güçlendirilmesi, gelecekte iki ülke arasında yeni bir ekonomik ve ticari büyüme dalgasına katkıda bulunacaktır.

Anahtar Kelimeler: *diplomatik ilişkiler, ekonomik ilişkiler, "bir kuşak, bir yol", toprak bütünlüğü, egemenlik*

Introduction

On April 2, 1992, the People's Republic of China officially established diplomatic relations with the Republic of Azerbaijan, immediately after Azerbaijan gained independence. By the decision of the Milli Majlis of the Republic of Azerbaijan "On the opening of the Embassy of the Republic of Azerbaijan in the People's Republic of China" dated September 3, 1993 No. 696, in accordance with the provisions of the Vienna Convention of April 18, 1961, the Embassy of the Republic of Azerbaijan was opened in the city of Beijing, the capital of the People's Republic of China (https://e-qanun.az/framework/8565). We immediately consider it appropriate to note that the initiator of the creation of diplomatic, economic, political and cultural relations between the Republic of Azerbaijan and the People's Republic of China, including the opening of the Embassy of Azerbaijan in the People's Republic of China, is the national leader of the Azerbaijani people Heydar Aliyev.

Since then, their relations have flourished, characterized by frequent high-level visits between leaders and constant exchanges between governments and the general public, gradually building mutual trust. Cooperation between Azerbaijan and China has expanded in various fields and industries. Since the establishment of diplomatic relations, economic cooperation between China and Azerbaijan has gradually developed.

It is also worth noting that China was one of the first countries to recognize the independence of the Republic of Azerbaijan. President of the Republic of Azerbaijan Ilham Aliyev attended significant events in China, met with Chinese leaders and signed numerous cooperation agreements. High-level exchanges between the two governments occur frequently, helping to strengthen the deep-rooted friendship at both the national and personal levels. For example, in June 2021, Chairman Xi Jinping spoke with President of the Republic of Azerbaijan Ilham Aliyev, and in September of the same year, Chairman Xi Jinping and President of the Republic of Azerbaijan Ilham Aliyev met during the Shanghai Cooperation Organization summit in Samarkand.

One of the issues in relations between the two states is the support of the Republic of Azerbaijan for China's domestic and foreign policies. Especially when it comes to the status of Taiwan, Tibet, Hong Kong, etc. Because the Republic of Azerbaijan has repeatedly officially expressed its support for China’s principled positions on these issues. As Azerbaijani officials have consistently expressed strong support for China's position on Taiwan, applauding China's efforts to maintain national unity and combat ethnic separatism and terrorism (Lili, 2020). For example, it

can be noted that whenever tensions arise in the Taiwan Strait, especially in connection with the attempts of Taiwan's Democratic Progressive Party to accept the sale of weapons to the United States, Azerbaijan expresses its support for China's position on Taiwan. The compelling evidence is that after the US Senate passed a resolution in September 2022 that undermined China's stability regarding Taiwan, President Aliyev quickly reaffirmed Azerbaijan's commitment to the one-China policy at the SCO summit, supporting China's efforts to maintain sovereignty, security and territorial integrity and opposing any interference in China's internal affairs.

The reason for this is the "Joint Declaration on the Establishment of a Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China", adopted on July 3, 2024, within the framework of the Shanghai Cooperation Organization Summit held in Astana. According to paragraph 1.1 of this declaration, the parties confirm their commitment to mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in internal affairs, equality and mutual benefit, and peaceful coexistence. According to paragraph 1.1 of this declaration, the parties confirm their commitment to mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in internal affairs, equality and mutual benefit, and peaceful coexistence. The Azerbaijani side firmly supports the "One China" principle, recognizes that there is only one China in the world, the Government of the People's Republic of China is the sole legitimate government representing the whole of China, and Taiwan is an inalienable part of the territory of China, firmly opposes any form of "Taiwan independence" and supports the peaceful development of relations between the two sides of the Taiwan Strait, as well as the efforts made by the Chinese Government for the reunification of China (https://president.az/ru/articles/view/). By this, the Republic of Azerbaijan once again confirms to the world community that in all cases and in all situations, it adheres to the requirements of international treaties that it has concluded or to which it is a party. Along with officially established diplomatic relations, the People's Republic of China is an important trading partner for the Republic of Azerbaijan in the economic sphere. Evidence of this can be found in the Law of the Republic of Azerbaijan dated June 14, 2005, No. 930-IIQ "On approval of the Agreement on trade and economic cooperation between the Government of the Republic of Azerbaijan and the Government of the People's Republic of China" (https://e-qanun.az/framework/). Law of the Republic of Azerbaijan dated March 24, 2000 No. 848-IQ "On accession to the Agreement with a reservation "On international automobile communication" between the Government of the Republic of

Uzbekistan, the Government of the People's Republic of China and the Government of the Kyrgyz Republic" (https://e-qanun.az/framework/). Law of the Republic of Azerbaijan dated February 1, 2016 No. 113-VQ "On approval of the Joint Declaration on further development and deepening of relations of friendship and cooperation between the Republic of Azerbaijan and the People's Republic of China" (https://e-qanun.az/framework/32179). Today, the People's Republic of China is the second largest country in the world in terms of economy. And also, the author of the projects "One Belt, One Road", "Shanghai Cooperation Organization" is one of the dynamically developing countries - the People's Republic of China. And not only that. The Silk Road Organization for International Cooperation is a proposal put forward in the 2010s by the People's Republic of China for the combined projects of the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road".

In recent years, the Shanghai Cooperation Organization has made progress in building a community with a shared future. Politically, member states have strengthened political communication and mutual support, firmly resisting color revolutions and opposing external interference. In the security sphere, there has been a comprehensive deepening of cooperation between law enforcement agencies to combat the “three evil forces” (terrorism, separatism and extremism), effectively maintaining regional peace and stability.

Since its creation in 2001, the Shanghai Cooperation Organisation has not been a military alliance like NATO or a political integration organisation like the EU. Its member states focus on addressing common security challenges and promoting multilateral trade. At the Shanghai Cooperation Organization summit in September 2022, leaders of member states signed a key document, the Samarkand Declaration, which outlines a unified approach to global challenges and issues four important statements on climate change, supply chain security, international food security, and energy security. Azerbaijan participated as a guest of Uzbekistan, the chair country, and has demonstrated a strong commitment to the activities of the Shanghai Cooperation Organization since becoming a dialogue partner in 2016. The Minister of Foreign Affairs of the Republic of Azerbaijan emphasized the honor of this status and expressed the country's readiness for active cooperation. To be fair, Azerbaijan has demonstrated a proactive approach to joining the Shanghai Cooperation Organization by making significant internal changes in line with its requirements, including improving diplomatic relations with member states and respecting territorial integrity. The Shanghai Cooperation Organization framework promotes dialogue and

cooperation, providing a platform for Azerbaijan and Armenia to constructively resolve their conflicts (Zhou, 2020). The main goal of addressing this topic is a comprehensive and all-round scientific study of issues related to economic relations between the Republic of Azerbaijan and the People's Republic of China. Because the economic relations between Azerbaijan and China have not yet been properly studied and have not been the subject of scientific research, it goes without saying that this issue requires a comprehensive, all-round scientific study. In this regard, in this article we examine mainly the economic aspects of international cooperation between Azerbaijan and China, identifying the problems of developing relations and indicating ways to solve them.

1.Economic Relations of the Republic of Azerbaijan with the People's Republic of China

Over 2000 years ago, the distant sounds of the Silk Road's camel bells emerged from the western frontier, traversing the majestic mountains and vast deserts of Central Asia, crossing the misty expanse of the Caspian Sea, and journeying nearly ten thousand miles to reach a mysterious and enchanting land. This is Azerbaijan, known as the "Land of Fire." It is only through this region that the ancient Silk Road reached its endpoint in Europe, and it was here that European and Islamic civilizations spread to China. The Eurasian continent connects in Azerbaijan, where history and modernity intertwine (Jinghua, 2017). Since 2002, Chinese oil companies have been involved in two development projects in Azerbaijan, and Chinese firms have been involved in oil exploration and drilling services, with the volume of business steadily growing, although cooperation in the oil and gas sector remains limited. China Electric Equipment Group has carried out several engineering projects in Azerbaijan, with the total value of contracts awarded to Chinese companies through bidding reaching approximately $500 million by the end of 2007. In addition, there are Chinese entrepreneurs operating in Azerbaijan, including in the food and health sectors.

From 2004 to 2011, 40 Chinese companies were registered in Azerbaijan, and 16 Azerbaijani companies were established in China. According to 2017 data, the total volume of import and export between China and Azerbaijan reached 960 million US dollars, approximately 7 billion yuan, representing an annual growth of 27.3%. From January to November 2018, the trade volume between the two countries reached 1.165 billion US dollars, about 8 billion yuan (Aida, 2019). In 2020, the total volume of imports and exports between China and Azerbaijan reached 1.3 billion US dollars, about 9.3 billion yuan, reflecting a decrease of 12.45% compared with the previous year due to the pandemic. China's total imports amounted to 600 million US dollars (about 4.3

billion yuan), showing a slight increase of 0.27% year-on-year, while exports amounted to 700 million US dollars (about 5 billion yuan), showing a significant decrease of 21.47%.

In 2021, trade turnover between China and Azerbaijan declined again due to the ongoing effects of the pandemic, amounting to only 1.2 billion US dollars, a decrease of more than 8%. China's exports rose to 990 million US dollars, up 61% year-on-year, while imports from Azerbaijan fell sharply to 205 million US dollars, down 70%. China is currently Azerbaijan's fourth largest trading partner and third largest source of imports (Aida, 2019). The economic complementarity between China and Azerbaijan is strong, providing ample opportunities for positive cooperation. Data shows that the two countries are already engaged in effective economic cooperation, yielding fruitful results. Key areas of Chinese investment and cooperation in Azerbaijan include:

- «Oil Sector» - Companies like China National Petroleum Corporation and Sichuan Honghua are involved in oil development and cooperation.

- «Infrastructure and Manufacturing» - Companies such as China Electric, Sichuan Machinery Import and Export Company, China National Materials Group, Shenyang Yuanda, and Chongqing Lifan are investing in power stations, electrolytic aluminum, cement, construction, and automotive industries.

- «Telecommunications and Trade» - Firms including ZTE, Huawei, China National Heavy Duty Truck Group, XCMG, and Liu Gong are active in trade and services, alongside smaller private enterprises and individual merchants.

2. Building China's Belt and Road Initiative

In 2013, during his visits to Kazakhstan and Indonesia, Chinese leader Xi Jinping first proposed the major “One Belt, One Road” initiative. The Silk Road Economic Belt essentially refers to three routes, while the Maritime Silk Road, introduced in the new century, mainly consists of two routes. The initiative covers 65 countries with a combined population of 4.4 billion people and an economic volume of 21 trillion US dollars, making it globally significant in terms of scale, population, development potential and market space.

Today, the Republic of Azerbaijan is a country located along the “One Belt, One Road” initiative and has become a dialogue partner of the Shanghai Cooperation Organization. Assessing the special role of the “One Belt, One Road” initiative within the framework of the Second International Cooperation Forum held in China, President of the Republic of Azerbaijan Ilham

Aliyev noted in his speech that “this project provides not only transport links. It also strengthens ties between different countries, serves to enhance dialogue and cooperation and creates new opportunities for international trade” (https://president.az/ru/articles/view/32934). And this once again proves that cooperation with the People's Republic of China is extremely important for the Republic of Azerbaijan, and this cooperation is genuine. In other words, the Republic of Azerbaijan itself attaches great importance to the "One Belt, One Road" initiative. From the speech of the President of the Republic of Azerbaijan Ilham Aliyev at the Second International Cooperation Forum dedicated to the “One Belt, One Road” initiative, it is obvious that the Republic of Azerbaijan was one of the first supporters of the “One Belt, One Road” initiative, responding positively to all participating countries.

The Belt and Road Initiative is one of the most significant economic initiatives in the modern world, leading in terms of the number of participating countries, population, area and total GDP. The Belt and Road Initiative not only strengthens cooperation in the oil and gas sector, but also promotes cooperation in trade, tourism and other non-oil sectors. Through its partnership with Azerbaijan, China's influence is gradually growing in the Caucasus and Central Asia regions (Charaia and Papava, 2017). In 2015, a Memorandum of Understanding was signed between the two countries on joint promotion of the construction of the Silk Road Economic Belt.

Analyzing the above, including the goals and areas of activity of the One Belt, One Road initiative, we can come to the conclusion that the One Belt, One Road initiative has a number of advantages, which include:

1. "Promoting global economic growth" - The Belt and Road Initiative strengthens international economic cooperation by promoting infrastructure construction, industrial upgrading and technological innovation in participating countries. It injects new vitality into global economic growth, enhances trade and investment facilitation and improves economic connectivity, creating new opportunities for the development of global trade;

2. "Raising the level of development of participating countries" - many developing countries are included in the Belt and Road Initiative. Through its implementation, these countries use each other's funding, technology and management experience to raise their level of development, improve living conditions and achieve common prosperity. In addition, the initiative promotes cultural exchanges between countries, strengthening friendship and mutual understanding among their peoples;

3. "Promoting world peace and prosperity" - The Belt and Road Initiative emphasizes cooperation rather than confrontation, advocating joint consultation, construction and shared use. It focuses on economic and development cooperation to solve regional, national and global problems, promoting world peace and prosperity, and opposing war and conflict. The Belt and Road Initiative actively connects various countries, regions and civilizations, providing a new cooperation platform for the international community.

After its proposal, numerous countries from Asia, Africa, and Europe joined the initiative, each with distinct languages and cultures. Consequently, the linguistic interpretation of the "Belt and Road" initiative varied across different languages. Initially, China translated it as "One Belt One Road," but in many countries, this phrase was interpreted as "one belt and one road," which significantly diverged from the original Chinese meaning and failed to capture the essence of the initiative. Many international scholars struggled to understand the term, leading to a less enthusiastic response from some nations.

Following this proposal, numerous countries in Asia, Africa and Europe, each with its own language and culture, joined the initiative. Consequently, the linguistic interpretation of the Belt and Road Initiative varied across languages. China initially translated it as “One Belt, One Road,” but in many countries, the phrase was interpreted as “one belt and one road,” which was significantly at odds with the original Chinese meaning and did not reflect the essence of the initiative. Many international scholars struggled to understand the term, leading to less enthusiastic reactions from some countries.

However, as the initiative has been progressively implemented and participation has increased, the "Belt and Road" initiative has evolved into an international economic cooperation platform. Recognizing that literal translations were inadequate, China later revised the English translation to "The Belt and Road," aligning it more closely with its intended meaning and enhancing understanding among diverse participants (Wenyang, 2017). However, as the initiative was gradually implemented and the number of participants increased, the Belt and Road Initiative evolved into a platform for international economic cooperation. Recognizing that the literal translations were inadequate, China later revised the English translation of “Belt and Road” to more closely match the intended meaning and improve mutual understanding among the various participants.

China proposed the "Belt and Road" initiative to meet the demands of the times and to accelerate development among participating countries. The initiative encompasses a rich and broad array of meanings, providing a platform for equitable development among nations that join the initiative.

At its core, the initiative emphasizes "five connectivity" aspects: the connection of people's hearts, policy communication, smooth economic and trade exchanges, financial integration, and infrastructure connectivity. It also introduces the concept of "three communities": a community of shared interests, a community of shared destiny, and a community of shared responsibilities. The "Belt and Road" initiative is not merely a simple economic and trade cooperation effort; it represents a comprehensive, interconnected, and closely cooperative entity that aims for win-win outcomes and a brighter future.

Policy communication serves as a crucial foundation for the "Belt and Road" initiative. Unlike domestic projects, the involved countries may have different policies and corresponding technical and quality standards when facing related issues. Therefore, it is essential to communicate with each participating country to reach a consensus on policies for cooperative projects. In this communication process, it is important to leverage positive factors while finding ways to mitigate negative influences, striving for greater common ground while accommodating differences, ultimately creating a better environment for the implementation of cooperative project policies (Huang, 2016).

Infrastructure and equipment connectivity is one of the most crucial aspects of the "Belt and Road" initiative. Many countries along the route have significantly underdeveloped infrastructure and outdated equipment. This includes not only transportation facilities but also oil and gas pipelines, communication cables, and various power transmission and transformation networks. Currently, most "Belt and Road" countries face challenges due to outdated transportation infrastructure, necessitating substantial investment in funds and advanced equipment for construction. However, these improvements require time, posing difficulties for cooperative connectivity.

Smooth trade is a key focus of the Belt and Road Initiative. In recent years, China and Central and Eastern European countries have made some progress in economic and trade cooperation, but the results have not been very significant, primarily due to trade barriers. Some countries take short-sighted measures to protect their domestic markets, which hinders broader trade facilitation. To

strengthen and expand mutual trade cooperation, it is necessary to strengthen trade facilitation between countries and ensure smooth flow of information (Johnson, 2016).

Financial integration is a key aspect of the Belt and Road Initiative, offering crucial support to participating countries, many of which have relatively weak economic bases. Advancing the initiative requires significant investment in various construction projects, making financing critical. The construction of the Belt and Road Initiative is estimated to cost trillions of US dollars, and this figure will only grow as more countries join. Given the enormous financial needs, no country can bear the burden alone. It is essential to work within a market framework where collective efforts can provide adequate financing. This implies mutual assistance and resource sharing between countries, making full use of financial instruments such as the Silk Road Fund and the Asian Development Bank.

In addition, private sector investment from all participating countries is needed for commercial equity investments, along with social capital contributions. By facilitating the exchange of currencies between countries, costs can be reduced, promoting a more sustainable and collaborative approach to financing the Belt and Road Initiative (Liu and Dunford, 2016). The connection of public opinion among ordinary people in the countries participating in the Belt and Road Initiative is of great importance. Because the ultimate goal of the Belt and Road Initiative is to improve the lives of people in the participating countries. And so, given the vast geographic area, the large number of countries and the complex multinational projects, effective communication is essential. As the old Chinese proverb goes: “When the hearts of the people are united, even Mount Taishan can be moved.” Therefore, in order for China's Belt and Road Initiative to develop with high quality and standards, all participating countries must work together with a single spirit. This requires not only promoting cultural exchanges along the ancient Silk Road, but also extensive people-to-people exchanges, media cooperation and tourism initiatives to enhance mutual understanding and cooperation among countries along the Belt and Road Initiative (Ling, 2015).

When analyzing the features of the "One Belt, One Road" initiative, we cannot help but dwell on its economic aspects. Since the implementation of the "One Belt, One Road" initiative covers six important economic trade corridors:

1. New Eurasian Land Bridge – This railway connects China to Europe, passing through Kazakhstan, Russia, Belarus and Poland;

2. China-Mongolia Economic Corridor – This corridor uses the Trans-Siberian Railway to transport goods from Mongolia to countries along the Belt and Road;

3. China-Central Asia-West Asia Economic Corridor – This route facilitates trade through Central Asia to West Asia;

4. China-Pakistan Economic Corridor – This route connects China to the port of Gwadar in Pakistan.

5. Indochina Peninsula Corridor – This corridor improves connectivity in Southeast Asia.

6. East Asia-South Asia-Southeast Asia Trade Corridor – This route starts in Bangladesh and passes through China, India and Myanmar.

At present, the New Eurasian Land Bridge and the China-Mongolia Economic Corridor have already reached the European Union, demonstrating the progress of the Belt and Road Initiative in improving global trade connectivity (Qi, 2019).

China has extensive cooperation throughout Central Asia, particularly in the energy sector, driven by growing energy demand associated with economic growth. In the process of building the "One Belt, One Road," China has made significant investments in infrastructure, particularly through the Silk Road Fund, established in 2014 with a scale of 40 billion US dollars (approximately 280 billion yuan).

3. China's "One Belt, One Road" initiative as a basis for the development of economic relations between Azerbaijan and China

Azerbaijan has historically been an important country along the Silk Road and is currently a major transport hub between Asia and Europe, serving as a key node in the Belt and Road Initiative. China looks forward to cooperation with Azerbaijan, using the 30th anniversary of diplomatic relations as an opportunity to expand economic and trade exchanges. The aim is to build a closer the Belt and Road Initiative partnership and deepen mutually beneficial cooperation in various sectors, including trade and investment, transport, infrastructure, agriculture, finance, digital economy and green energy, thereby advancing the development of bilateral relations to a new level (Voice of Diplomacy: Ambassador Guo Min's interview with Azerbaijani).

The prospects for Azerbaijan's participation in China's Belt and Road Initiative are promising, especially with the creation of an international transport hub across the Caspian Sea. This route connects China via Kazakhstan in Central Asia, Azerbaijan and Georgia in the Caucasus, and Turkey at the Eurasian crossroads, ultimately reaching the European market. This corridor can

cut the delivery time of goods from China to Europe in half, making it one of the most cost-effective and profitable routes for transporting goods (Peng et. al. 2019). An important part of the Caspian Sea route is the connection between the Azerbaijani capital Baku via the Georgian capital Tbilisi and the northeastern Turkish city of Kars via the Caspian Sea Bridge. This bridge currently carries more than 1 million passengers and more than 6.5 million tons of cargo per year. With joint efforts, it is projected that by 2034, passenger traffic could exceed 3 million and freight traffic could reach 17 million tons.

The Caspian International Transport Route via Azerbaijan allows China to connect to European markets more efficiently and affordably, which also benefits Europe. The EU remains China's most important trading partner on the Eurasian continent. The land route, which spans the Eurasian continent, encompasses 65% of the world's population, accounts for 30% to 40% of global GDP and contains 75% of energy resources. China's trade interests therefore go beyond simply entering the European market; there are opportunities for more direct access to new markets. The Belt and Road Economic Corridor plays a crucial role in expanding trade between China and the EU (Kaizhen, 2018).

In recent years, Azerbaijan has gradually moved towards a diversified economic development model. While consolidating its oil and gas sector, the country is also promoting growth in non-oil sectors such as the digital economy, renewable energy, agriculture, transport and tourism. The Alat Free Economic Zone, located near the new Baku port, is an example of a new economic direction for Azerbaijan. The legal regime for the operation, development and management of the Alat Free Economic Zone is established by the Law of the Republic of Azerbaijan dated May 18, 2018 No. 1143-VQ "On the Alat Free Economic Zone" (https://e-qanun.az/framework/39078). According to Art. 1.0.1. of the Law of the Republic of Azerbaijan “On the Alat Free Economic Zone”, the Alat Free Economic Zone is a zone created by the President of the Republic of Azerbaijan for the purpose of carrying out entrepreneurial and investment activities in accordance with this Law. Located in the Garadagh district of Baku, the economic zone covers approximately 858 hectares and includes light industry, standard manufacturing, logistics and warehousing, and heavy industry. It primarily attracts high value-added, export-oriented enterprises, with a requirement that at least 75% of their output be exported, targeting countries such as Turkey, Russia, Central Asia, and Europe.

There are no restrictions on access to industry in the economic zone, with the exception of prohibited goods such as weapons and drugs. Businesses in the zone enjoy benefits on value-added tax, income tax, and other corporate taxes, as well as import and export duties on products and services. Personal income tax is waived for monthly incomes below 8,000 manat (approximately 4,700 US dollars), and a 14% tax is levied on amounts above that threshold.

There are no restrictions on foreign ownership of companies, allowing for 100% foreign ownership without the need to partner with local firms. There are no restrictions on foreign exchange transactions or repatriation of profits, and the zone also simplifies visa applications for foreign employees, making it an attractive location for international business (Ministry of Commerce of China Official Website, Overview and Advantage Analysis of the Alat Free Economic Zone in Azerbaijan).

The objectives of the Alat Free Economic Zone reflect Azerbaijan's broader ambitions to become an important global trade hub and an active leader in trade activities. It aims to serve as a world-class platform for a diverse export-oriented economy, offering enhanced support in energy, transport and logistics services to enhance the added value of products within the comprehensive free economic zone.

Along with the positive factors in the development of economic relations between the Republic of Azerbaijan and the People's Republic of China, there are also some problems that hinder or negatively affect the development of economic relations between the two countries. In this case, as A. Kazimov correctly notes, in recent years, close and frequent exchanges between leaders and high-ranking officials of China and Azerbaijan, as well as the joint efforts of government departments and numerous enterprises have led to the rapid development of Chinese-Azerbaijani economic and trade relations. Trade and mutual investment cooperation between the two countries continues to expand. However, there are still challenges that need to be addressed to further strengthen these relations and ensure sustainable growth (Kazimov, 2016).

However, as the interaction between China and Azerbaijan becomes closer, certain problems gradually arise, creating obstacles to the rapid development of trade between the two countries. Solving these problems has become a key task that hinders the development of bilateral relations. For example, diversification of export products. Because the structure of China's exports to Azerbaijan is developing from uniform to diversified. The variety and styles of products are constantly expanding. Historically, China's exports to Azerbaijan mainly consisted of low-cost

light industry goods such as clothing and footwear, which used to account for up to half of all exports. However, by 2006 this share had dropped to 10%. Currently, electromechanical products account for more than 50% of China's total exports to Azerbaijan.

One of the areas that negatively affects the development of cooperation between the two countries is the energy sector. After all, the energy sector is the main industry of Azerbaijan. It is no coincidence that the country has received the nickname "the second Persian Gulf" due to the development of the oil resources of the Caspian Sea. As a result, Azerbaijan has become a key destination for major global oil companies. And this prevents Chinese oil companies from operating normally in the Azerbaijani energy market. Although Chinese oil companies began exploring opportunities in the Azerbaijani energy sector several years ago, their efforts have not been successful. Because they face significant competition from companies from other countries, which leads to Chinese firms, personnel and equipment leaving the Azerbaijani market. And this, naturally, negatively affects the development of bilateral relations between Azerbaijan and China. The reason is that, on the one hand, Western energy companies have long been deeply rooted in Azerbaijan, establishing strong partnerships. And on the other hand, one can say that Chinese enterprises lack a deep understanding of the social environment, business practices and customs of Azerbaijan.

Another problem in the issue under study can be shown by the trade imbalance between the two countries. According to Azerbaijan's customs data, the total volume of bilateral trade between Azerbaijan and China in 2022 exceeded 2.1 billion US dollars, which is 4.1% of Azerbaijan's total foreign trade. Of this amount, Azerbaijan exported USD 72.76 million to China, accounting for 0.2% of total exports, while imports from China reached 2.09 billion US dollars, accounting for 14.4% of Azerbaijan’s total imports. In 2022, China remained Azerbaijan's fourth largest trading partner and third largest source of imports.

From January to August 2023, trade turnover between Azerbaijan and China reached 1.96 billion US dollars, increasing by 45.2% year-on-year, accounting for 5.5% of Azerbaijan's total foreign trade. Azerbaijan's exports to China amounted to 70 million US dollars, an increase of 75% year-on-year and accounting for 0.3% of total exports, while imports from China amounted to 1.89 billion US dollars, an increase of 44.3% year-on-year and accounting for 17% of total imports.

Conclusion

In conclusion, Azerbaijan's diplomatic policy towards China is characterized by peace, friendship and active cooperation. The leaders of Azerbaijan and China stated that the friendly cooperation between the two countries is deepening, emphasizing their "strong political relations, high mutual trust and fruitful pragmatic results." China supports the sovereignty, territorial integrity and independence of Azerbaijan. As one of the first countries to recognize Azerbaijan's independence and establish diplomatic relations, Azerbaijan regards China as a priority area of its East Asian diplomacy. In short, the diplomatic and economic relations that have emerged between Azerbaijan and China fully comply with international law in their content and significance. Therefore, improving the coordination of political and economic interests between China and Azerbaijan is of great importance.

But I would like to especially note that despite the development of economic cooperation between the two countries, there are also some difficulties that are an obstacle to the development of economic relations between the Republic of Azerbaijan and the People's Republic of China. For example, the following can be attributed: geographical distance, inconvenient transportation and economic difficulties of Azerbaijan, which negatively affect the level of trade cooperation. Despite these difficulties, bilateral trade between the two countries grew rapidly, with growth rates ranging from 100% to 200% from 2000 to 2003, and in 2006, bilateral trade reached 368 million US dollars. It should also be noted that Azerbaijan has long faced a trade deficit with China, where imports have consistently exceeded exports. Only in 2008 did trade figures between the two countries begin to level out, although imports from China have increased year after year. Exports have also increased, but the gap remains significant, and both countries are working to correct this situation. In our opinion, the problems that can negatively affect mutually beneficial and complementary relations of economic and trade cooperation must be resolved by both countries together, that is, on the one hand, the Republic of Azerbaijan, and on the other, the People's Republic of China. At the same time, we would like to emphasize that the accession of the Republic of Azerbaijan to the Chinese initiative "One Belt, One Road" will undoubtedly have a positive impact on the development of relations between the two countries in all areas. This cooperation will especially affect the sphere of transport, logistics, infrastructure and energy development. We are confident that in the future, relations between Azerbaijan and China will expand in various areas and will develop successfully.

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