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“One Belt — One Road” as an Important Factor of Strengthening Economic Cooperation Between Azerbaijan and China

Afqan Musayev^a, Aliislam Gasimov^b

^{a b} Azerbaijan State University of Economics (UNEC), Baku, Azerbaijan

^a afqan.hunna@gmail.com

^b Alslam_gasimov@unec.edu.az

Abstract. The article considers the philosophy of the “One Belt — One Road” Project and the reasons for its occurrence, as well as the economic cooperation between Azerbaijan and China within the framework of the project. The National Development Strategy of Azerbaijan Restoration of the Great Silk Road is highly compatible with the concept of joint construction of “One Belt — One Road”.

Azerbaijan is one of China’s main cooperation partners in Eurasia. Prospects for the development of world trade are largely related to the implementation of the Chinese One Belt, One Road project, which will significantly change modern trans-Eurasian transport flows. Azerbaijan needs to use the opportunities that open up in this connection and its transit potential to increase its role in world trade and to accelerate its own economic growth. This year marks the 30th anniversary of the establishment of diplomatic relations between China and Azerbaijan. At this new starting point in history, both countries have wide prospects for mutually beneficial cooperation in trade and investment, transport, infrastructure, agriculture, finance, digital economy, green energy and other areas. Over the 30 years of cooperation between China and Azerbaijan, the trade turnover of the parties has increased 500 times.

Keywords: “One Belt — One Road”, Azerbaijan’s foreign economic strategy, China’s foreign economic strategy, world trade

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«Один пояс — один путь» как важный фактор укрепления экономического сотрудничества между Азербайджаном и Китаем

Афган Мусаев^а, Алиислам Гасымов^б

^{а,б} Азербайджанский государственный
экономический университет (UNEC), Баку, Азербайджан,

^а afqan.hunna@gmail.com

^б Alslam_gasimov@unec.edu.az

Аннотация. В статье рассматривается философия проекта «Один пояс — один путь» и причины его возникновения, а также экономическое сотрудничество между Азербайджаном и Китаем в рамках проекта. Национальная стратегия развития Азербайджана «Восстановление Великого Шелкового пути» хорошо совместима с концепцией совместного строительства «Одного пояса — одного пути».

Азербайджан является одним из основных партнеров Китая по сотрудничеству в Евразии. Перспективы развития мировой торговли во многом связаны с реализацией китайского проекта «Один пояс, один путь», который существенно изменит современные трансевразийские транспортные потоки. Азербайджану необходимо использовать открывающиеся в связи с этим возможности и свой транзитный потенциал для повышения своей роли в мировой торговле и ускорения собственного экономического роста. В этом году исполняется 30 лет со дня установления дипломатических отношений между Китаем и Азербайджаном. На этой новой отправной точке истории перед обеими странами открываются широкие перспективы взаимовыгодного сотрудничества в торгово-инвестиционной, транспортной, инфраструктурной, сельскохозяйственной, финансовой, цифровой экономике, зеленой энергетике и других сферах. За 30 лет сотрудничества между Китаем и Азербайджаном товарооборот сторон увеличился в 500 раз.

Ключевые слова: «Один пояс — один путь», внешнеэкономическая стратегия Азербайджана, внешнеэкономическая стратегия Китая, мировая торговля

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1. Introduction

In 2013, China launched the Belt and Road Initiative (BRI) which aims to improve communication and deepen cooperation at the transcontinental level. One Belt — One Road (OBOR) Initiative, the brainchild of Chinese President Xi Jinping of 2013 was an attempt to revive the long history of the Silk Road linking China, Central Asia and Europe by land and sea routes. 'The scope of this Initiative is still under discussion, but it contains two main components, each of which involves significant investments in infrastructure: the Silk Road Economic Belt (Belt) and the new Maritime Silk Road (Road)¹ [1, p. 10].

Promotion of the Belt and Road in the Caucasus (as well as in other regions of the world) is based on the principle of creating the five communications: political coordination (development strategies), infrastructure linkage, trade liberalization, capital circulation and establishing humanitarian contacts.

This idea has become a material force, acquired the quality of China's conceptual development strategy offered for export to many countries, and is positioned as a kind of panacea for solving local and global problems in the field of international economic relations.

Since 2015, the OBOR Initiative has been regarded as a key task in China's foreign policy activities. The external economic aspect of putting forward the initiative of the

New Silk Road is connected not only with the situation of the new normality in the world economy, but also with the restructuring of China's foreign economic strategy.

2. Urgency of the One Belt — One Road Initiative

This idea has become a material force, acquired the quality of China's conceptual development strategy offered for export to many countries, and is positioned as a kind of panacea for solving local and global problems in the field of international economic relations. Through this Initiative, ones see new opportunities for business and trade, and praise its benefits for growth and development. Others call for caution, pointing to the serious risks that developing countries may not be able to service OBOR debt, that they may be left alone with complex and confusing infrastructure, and that local communities and the environment may be harmed.

Xi Jinping explained the relevance and timeliness of the Belt and Road Initiative at the China-France Global Governance Forum (Paris, March 26, 2019) by the following factors:

1. Firstly, in the face of changes in serious global challenges and the choice of decisions about the development of mankind, unprecedented in a hundred years, countries must take active actions, and not just be observers, jointly make efforts to take the fate of mankind into their own hands.

2. Secondly, it is necessary to prioritize the principles of mutual respect and trust, strive for unity while maintaining differences, strengthen strategic mutual trust, narrow mutual suspicions, and deepen mutual understanding.

3. Thirdly, it is necessary to firmly adhere to the new ideas of security, cast aside the

¹ The Land Belt connects China with Central and South Asia and further with Europe. The Sea Route connects China with the countries of Southeast Asia, the countries of the Gulf, East and North Africa and further with Europe. Six land economic corridors have been identified: the China-Mongolia-Russia Economic Corridor; New Eurasian Land Bridge; China-Central Asia Western Asia Economic Corridor; China-Indochina Peninsula Economic Corridor; China-Pakistan Economic Corridor and Bangladesh-China-India-Myanmar Economic Corridor.

cold war mindset and the laws of the jungle, and resolutely advocate for the peaceful settlement of disputes.

4. Fourthly, to uphold mutual benefit and common gain [2, c. 85].

A special place in the OBOR initiative is occupied by the strategy to promote the yuan as one of the world's convertible currencies. This was especially noticeable after inclusion of the Chinese national currency in the SDR (special drawing rights) basket. In general, the financial component in the OBOR model plays an increasingly significant role in banking, investment activities, international settlements and use of financial technologies [3, c. 68].

Since the launch of the Belt and Road Initiative, China has signed cooperation agreements with 80 countries. As the General Administration of Customs of the People's Republic of China informed China's trade with the five Central Asian countries grew by 37.4 percent year-on-year in the first four months of 2023. In 2022, China's trade with the five Central Asian countries amounted to USD 70.2 billion, about 100 times more than 30 years ago [4].

Since the launch of the Belt and Road Initiative, China and the CIS countries, especially Azerbaijan, have intensified their cooperation for broader regional development and achieved a number of historic achievements. The trade turnover between Azerbaijan and China in 2022 amounted to USD 2 billion 159 million. This is 21.3 percent more than in 2021. The main share of imports from Azerbaijan to China falls on crude oil and chemicals. Since 1995, China has invested about USD 900 million in Azerbaijan. The parties have achieved success in developing cooperation in such areas as exploration and development of oil and gas fields, construction of industrial parks, information and communications,

new energy sources and other areas. More than 100 Chinese companies operate in Azerbaijan [5].

Supporting the Belt and Road Initiative, Azerbaijan is counting on the development of cooperation with China in the field of transport. For these purposes, Baku proposes to use the Baku-Tbilisi-Kars Railway to deliver Chinese goods to Europe and back.

According to Prof. Zahid Mammadov: 'Azerbaijan which is one of the important countries of the historical Silk Road, located in the center of Eurasia, at the junction of East and West, is still actively involved in the creation of international trade corridors, based on its historical traditions. This initiative is well combined with the national development strategy of Azerbaijan, thanks to which multilateral practical cooperation in trade, economic, transport, energy and other fields is constantly bearing fruit' [6, p. 408].

Thus, supporting the One Belt — One Road initiative for Azerbaijan is a win-win option in both economic and geopolitical contexts.

3. Azerbaijan as a Significant Partner of China in the Context of the One Belt — One Road Project

The authors of the monograph, in particular, state the following: "Modern Azerbaijan has become the most important transit center of the region as a result of the economic policy implemented in Azerbaijan since the mid-90s. The formation and development of the necessary infrastructure for the functioning of an efficient economy has been accelerated" [7, p. 240].

Azerbaijan is a very important country in the South Caucasus region. Located at the junction of North and South, East and West, it plays the role of a bridge between

the Asian and European continents. In this regard, Azerbaijan has an advantage in its transport and geopolitical position.

The National Development Strategy of Azerbaijan, Restoration of the Great Silk Road, is highly compatible with the concept of joint construction of One Belt — One Road.

The One Belt — One Road project envisages bringing Chinese products to world markets through various routes in order to strengthen China's dominance in the global economy. The role of China in the system of international relations is growing, which makes itself felt in the implementation of large-scale projects that provide access to other regions and economic spaces. Azerbaijan was one of the first to support the One Belt — One Road global transport corridor project initiated by the Chinese side.

Within the framework of the official visit to China in December 2013 by the President of Azerbaijan Ilham Aliyev, the Government of the Republic of Azerbaijan and the Government of the People's Republic of China signed a Memorandum of Understanding between the Government of the Republic of Azerbaijan and the Government of the People's Republic of China on the joint promotion of the creation of the Silk Road Economic Belt. In April 2015, Azerbaijan became a founding member of the Asian Infrastructure Investment Bank, and in July it became a dialogue partner of the Shanghai Cooperation Organization. Azerbaijan also considers the Chinese market as the most important export destination. A trade representation of Azerbaijan has been opened in Beijing. The work of the trade mission is associated with promotion of the Made in Azerbaijan brand, attraction of Chinese investments in the Azerbaijani economy and protection

of the interests of Azerbaijani companies. The trade representative of Azerbaijan in the PRC became the second one appointed after the representative in the Russian Federation, and this undoubtedly reflects the priorities of Baku.

One of these routes to Europe runs through Central Asia and the South Caucasus, and the main partner of Beijing on this route is Azerbaijan which has all the possibilities to promote the Chinese project. In February 2017, with the support of the Chinese side, Azerbaijan organized a presentation of the Baku-Tbilisi-Kars Railway Route and the Trans-Caspian Transport Route in Beijing. In May 2017, the Azerbaijani delegation signed several documents. The most important documents are SOCAR's memorandum with the National Petroleum Corporation CNPC and the China Development Bank (CDB) on the construction project of the SOCARGPC Petrochemical and Gas Processing Complex.

In this regard, many projects of national, regional, as well as trans-regional transport and infrastructure were initiated within this framework in order to further strengthen bilateral relations, including opening of the Baku-Tbilisi-Kars (BTK) Railway and the Baku International Commercial Seaport.

Successful passage of the Chinese train along the Baku-Tbilisi-Kars corridor can be called a demonstration of the importance of Azerbaijan as a significant hub of the One Belt — One Road Project and a significant partner of China. Actually, this event became the first practical result of the implementation of the project initiated by Beijing.

In 2019, President of Azerbaijan Ilham Aliyev was invited to China to participate in the II International Cooperation Forum One Belt — One Road, where he reached

important agreements with President Xi Jinping on the exchange of opportunities, the pursuit of common development, as well as joint planning and promoting cooperation within the One Belt — One Road framework.

The volume of bilateral trade between China and Azerbaijan is showing steady growth surpassing the mark of USD 2 billion. China has retained the status of Azerbaijan's fourth largest trading partner and third largest source of its imports.

This year marks the 30th anniversary of the establishment of diplomatic relations between China and Azerbaijan. At this new starting point in history, both countries have wide prospects for mutually beneficial cooperation in trade and investment, transport, infrastructure, agriculture, finance, digital economy, green energy and other areas.

Chinese companies are participating in 12 projects worth over USD 640 million in Azerbaijan. There are 113 companies with Chinese capital in Azerbaijan that operate in the fields of construction, agriculture, communications, services, trade, etc.

Bilateral cooperation is developing in the transport and energy sectors. Cars on the basis of Chinese technologies are produced in Nakhchivan and diversification of these products has begun.

Baku seeks to attract Chinese investment in the non-oil sector of Azerbaijan's economy.

In February 2018, Azerbaijani ASGroupInvestment and a large Chinese company ChinaCAMCEngineeringCo., Ltd. signed a cooperation agreement in Beijing on the implementation of the Absheron Agropark Project. According to the agreement reached, CAMCE will allocate USD 140 million to the project. Production of fruits and vegetables is intended not only for the domestic market, but also for

the CIS countries, the Persian Gulf and Europe. Implementation of the project will contribute to the successful development of the non-oil sector of Azerbaijan and recognition of the MadeinAzerbaijan brand.

Cooperation in the oil and gas sector plays the most important role in the energy sector. The Azerbaijani oil company SOCAR which has been cooperating with the China National Petroleum Corporation (CNPC) for 15 years has purchased equipment for the petrochemical sector worth over USD 500 million.

Prof. Zahid Mammadov believes that 'Azerbaijani-Chinese relations are doomed to success. First, both countries have a desire to continue cooperation not only at the bilateral, but also at the multilateral level; secondly, Azerbaijan is attractive to China not only within the framework of the One Belt — One Road initiative, but also in terms of cooperation in the oil and gas sector' [6, p. 409].

According to Bai Lianlei, a researcher at the China Institute of International Studies, Azerbaijan is an 'ideal partner for construction of the SREB' for three reasons. Firstly, the Caspian coast, which the country is located on, is becoming a new linking zone of economic interests of East Asia, Europe and Russia, that is, a kind of convergent territory. In other words, Azerbaijan is becoming a new point connecting the European economic circle with the East Asian one. Secondly, Azerbaijan is the founder of the revival of the ancient Silk Road in terms of organizing multimodal transnational transport systems. And thirdly, Azerbaijan has similarities with the PRC (in terms of the course towards interconnection, economic development as a priority, implementation of an independent and peaceful foreign policy, desire for political stability and unity of the country) which contributes to mutually

beneficial cooperation. For these reasons, the SREB provides good opportunities for the RA, especially in terms of reducing the transit fees and opportunities for industrial cooperation [3, p. 321].

In addition, the new status quo that developed in the region after 2021 on November 10 (that established in the South Caucasus after the end of the Second Karabakh War in favor of Azerbaijan) intensifies work on implementation of the TransCaspianFiberOptic Project, which will contribute to the creation of a Digital Silk Road between Europe and Asia, passing through Azerbaijan. In 2019, a Strategic Memorandum of Understanding was signed between Azertelecom and ChinaTelecom at the One Belt — One Road II International Forum (within the framework of the AzerbaijanDigitalHub Program) in Beijing. At the World Economic Forum which was held in January 2020 in Davos, the Azerbaijani side presented the AzerbaijanDigitalHub Program carried out in order to turn Azerbaijan into a digital center, as well as its component, the Trans-CaspianFiberOptic Cable Line Project [6, p. 410].

Prospects for development of world trade are largely related to the implementation of the Chinese One Belt — One Road Project, which will significantly change modern trans-Eurasian transport flows. Azerbaijan needs to use the opportunities that open up in this connection and its transit potential to increase its role in world trade and to accelerate its own economic growth.

4. Conclusion

So, the foreign economic aspect of putting forward the initiative of the New Silk Road is connected not only with the situation of the new normality in the world economy, but also with the restructuring of China's foreign economic strategy. Development prospects

of the world trade are associated to a considerable extent with implementation of Chinese One Belt — One Road Project which will significantly change modern trans-Eurasian transport flows. Azerbaijan needs to use the opportunities that open up in this connection and its transit potential to increase its role in world trade and to accelerate its own economic growth.

Конфликт интересов

Авторы заявляют об отсутствии конфликта интересов.

Conflict of interests

The authors declare no conflict of interests.

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Information about the authors

Afqan Musayev — Ph.D. (Econ.), Associate Professor at “Odlar Yurdu” University, Researcher at Islamic Financial Center Azerbaijan State University of Economics (UNEC), Baku, Azerbaijan, istiqlaliyyat6.afqan.hunna@gmail.com

Aliislam Gasimov — Senior Lecturer of the Department “Business and Logistics” of the Azerbaijan State University of Economics (UNEC), Baku, Azerbaijan, istiqlaliyyat6.Alslam_gasimov@unec.edu.az

Информация об авторах

Афган Мусаев — Ph.D. (Econ.), ст. преподаватель университета «Одлар Юрду» (Азербайджан), научный сотрудник Исламского финансового центра Азербайджанского государственного экономического университета (UNEC), Баку, Азербайджан, истиқлаліят6.afqan.hunna@gmail.com

Алиислам Гасимов — старший преподаватель кафедры «Бизнес и логистика» Азербайджанского Государственного Экономического Университета (UNEC), Баку, Азербайджан, Истиклалият6.Alslam_gasimov@unec.edu.az

